

Procurement Policy Note – New Thresholds Values and Inclusion of VAT in Contract Estimates

Action PPN 10/21

December 2021

Issue

1. This PPN provides advanced notification of the new threshold values to apply for the purposes of the Public Contracts Regulations 2015, Utilities Contracts Regulations 2016, Concession Contracts Regulations 2016 and the Defence and Security Public Contracts Regulations 2011.
2. This PPN sets out a change to the methodology for estimating contract values to be inclusive of VAT for the purposes of applying the thresholds. This does not require a change to the publication of procurement notices.

Dissemination and Scope

3. The contents of this PPN apply to all contracting authorities, as defined by the Regulations. This includes all central government departments, their executive agencies, non-departmental public bodies and the wider public sector. Together these are referred to in this PPN as ‘In-Scope Organisations’. Please circulate this PPN within your organisation, drawing it to the attention of those with a commercial and procurement role.

Timing

4. In-Scope Organisations must apply the provisions of this Procurement Policy Note from 1 January 2022.

Background

5. The threshold values at which public procurement opportunities are subject to the full suite of regulations governing public contracts are due to be updated. They are revised every two years to take account of currency fluctuations, and to ensure the UK complies with its obligations under the World Trade Organisation’s Agreement on Government Procurement (GPA).
6. Annex A sets out the revised threshold values for public contracts, utilities contracts, concession contracts and defence and security contracts from 1 January 2022.

7. When calculating the estimated value of the contract to determine whether the regulations apply, the contract value estimation should be **inclusive of VAT** (where applicable) from 1 January 2022.
8. This is a change in practice, as a result of the UK's independent membership of the GPA. The revised thresholds have been calculated in accordance with established GPA practice. Procurers should calculate the estimated value of a contract based on the total amount payable including VAT without making a deduction for any available VAT recovery.
9. The suggested, but not prescriptive, default for calculating VAT is to add an equal amount to the standard rate of VAT (currently 20%) to the contract estimation net amount. This would remove any problems of underestimating the contract value.
10. The threshold values for small lots, light touch regime services and below threshold regulations are not subject to the two year currency fluctuation amendment required to comply with our GPA obligations. Contract values should be estimated inclusive of VAT for compliance with all thresholds.
11. For the purposes of advertising, the estimated contract value will continue to be provided exclusive of VAT. Similarly for contract award notices, these will continue to be published exclusive of VAT.

Contact

12. Enquiries about this PPN should be directed to the Crown Commercial Service Helpdesk on 0345 410 2222 or info@crowncommercial.gov.uk.

Annex A – Summary of Threshold Levels from 1 January 2022

The Public Contracts Regulations

Supplies & Services (except subsidised services contracts)

Central Government bodies¹ £138,760

Others £213,477

Subsidised services contracts

All bodies £213,477

Works (including subsidised works contracts)

All bodies £5,336,937

Light Touch Regime for Services

All bodies £663,540

Small lots

Supplies and services £70,778

Works £884,720

The Utilities Contracts Regulations

Supplies and Services

All sectors £426,955

Works

All sectors £5,336,937

Small lots

Supplies and Services £70,778

Works £884,720

The Concession Contracts Regulations

Concession contracts £5,336,937

The Defence and Security Public Contracts Regulations

Supplies and Services

All sectors £426,955

Works

All sectors £5,336,937

Small lots

Supplies and Services £70,778

Works £884,720

¹ Defined by the Public Contracts Regulations 2015 as the Crown and all the bodies listed in Schedule 1.