

CHAPTER 17 – VALUE ADDED TAX

1701. **Introduction.** Value Added Tax (VAT) is a tax chargeable on the supply of goods and services in the UK and on import of goods into the UK. In general terms all goods and services are taxable at the standard rate unless the law (or other statutory concession) gives exemption or relief. Because consumers do not pay VAT directly to the Government it is known as an indirect tax. The collection of such taxes within the UK is the responsibility of Her Majesty's Revenue and Customs (HMRC). For overseas units VAT directives are specific to respective countries and the application of VAT should be sought on an individual basis from that Country's Government Regulator by command staffs to determine the authorised VAT protocol.

1702. **The Law.** The main legislation governing the imposition and collection of VAT is the VAT Act 1994 which consolidated previous Acts. SO's do not require a detailed knowledge of the Act to perform their duties.

1703. **Daily Food Charge (DFC).** Within the MOD, the introduction of the DFC to living-in Service personnel directed that a daily charge be levied on Service Personnel, whilst accommodated in unit messes or barracks, irrespective of the number of meals taken. The food charge is outside the scope of the VAT Act i.e. is not subject to VAT and the criteria for doing this is as follows.

- a. The charge paid by Service Personnel is set by the Armed Forces Pay Review Body (AFPRB).
- b. The DFC is for the official ration of food for Service Personnel who reside in the Mess.

1704. **Registration.** For VAT purposes the CRL Industry Partner (IP) will be treated as the Business and will be VAT registered with HMRC.

1705. **CRL.** The implementation of CRL will result in the cessation of the DFC and therefore the criteria, which directed that the food charge to living-in Service Personnel was outside the scope of VAT, will no longer be met. Therefore, VAT at the standard rate is to be levied on core and retail sales in all catering, retail and leisure outlets at the point of sale.

1706. **Application of VAT and Local Taxes at Overseas Units.** The CRL IP is responsible for the collection and payment of any and all VAT or local taxes that are required in the country of operation. It is recognised that the level of taxation in each country will impact on the cost of commodities.

1707. **Units Overseas Exempt UK VAT.** LD CMO (Finance) will not reimburse overseas CRL IPs for any Local Tax element of the core meal price for duty meals where claims for Crown feeding are submitted.

1708. **Service Personnel Unable to Purchase Meals.** Service Personnel who through lack of funds are unable to purchase meals may, at the Commanding Officers discretion, be automatically debited the DFC ensuring that 3 core meals are provided each day. In this instance, the Authority will credit the CRL IP for the DFC recovered from the individual. It is the CRL IPs responsibility to ensure VAT is paid from all monies received in line with the sale of core meals to entitled personnel.

1709. **Packed Meals and Container Meals at Crown Expense.**¹ Packed meals, container meals and meals prepared in catering outlets that are consumed away from the mess or unit are classed as VAT applicable, which is to be levied at the standard rate. Irrespective of the meal content standard rate VAT is applicable on the net (VAT Exclusive) cost of the total food produced

¹ Refer to Value Added Tax – Procedural Change letter dated 16 Nov 09

or provided. When submitting the BX164 to the DBS (Finance) for payment, utilise the C1 VAT code for this contracted out service.

1710. Supplementary Meals and Drinks. All supplementary meals and drinks provided as a service to duty and non-duty personnel are subject to standard rate VAT with the exception of raw ingredients which will be subject to VAT at zero rate.

1711. Phase 1 Training Units VAT Dispensation. All Phase 1 recruits will continue to pay the DFC. In addition, dispensation has also been given to some Phase 2 trainees at certain units where Phase 1 and 2 basic training is combined and Special Forces training where there is no break in training. As such they meet the criteria as agreed with HMRC and are outside the scope of VAT for the provision of core meals. A separate messing account is to be maintained for the recruits and trainees and is subject to end of year financial accounting action.

- a. Invoicing Action to be taken by the CRL IP. When submitting invoices to the authority, the CRL IP should invoice for the DFC plus VAT.
- b. Actions by the Authority. For those units the DIO IM when submitting the BX164 to the DBS (Finance) for payment is to utilise the C1 VAT code for this contracted out service.
- c. All supplementary claims made in support of recruits messing account are to follow the same accounting process stated in para 1711a & b. This applies to the entitlement to claim the appropriate level of NERTS and claims made for additional funding in support of all supplementary claims made for the provision of packed meals and night duty meals etc.

1712. Sales in Retail and Leisure Outlets. The CRL IP is responsible for applying current levels of VAT or local taxes in both the Leisure and Retail outlets.

1713. Bulk Issues. There will be a requirement for the CRL IP to provide bulk issues of raw ingredients or unprepared items to the Authority. Such issues may include bulk messing items, which are required to support exercises and operations. Complete commercial items and raw ingredients where no preparation has been made will be subject to zero rate VAT. Items of confectionary or ice cream that are treated, as luxury goods will be subject to standard rate VAT. The cost of such luxury goods will automatically include VAT and there will not be a requirement for VAT to be shown separately.

1714. Messes Not Previously Registered for VAT. Previous to the implementation of CRL several small Officers'/SNCOs' Messes were not registered for VAT. However, after CRL has been implemented the CRL IP will manage the full range of Catering, Retail and Leisure business activities across the Unit and therefore no one single area/mess will be exempt from VAT.

1715. Deduction of Grants for Mess Functions. Grants, which have been approved by the Mess Committee and recorded in the appropriate minute book, towards the cost of functions from public or mess funds, may be deducted on the function costing sheet before the addition of VAT is made. The qualifying criteria² depends upon whether or not these functions are treated as business activities and any "grants" made are from either taxed or untaxed mess income. A detailed explanation is to be found within Service Fund Regulations Chapter 11 and therefore the unit Pay staff should be approached to provide professional advice in these matters.

1716 – 1799. Reserved.

² HMRC VBNB60870 Catering by Service messes and Service funds (2015)