

# All you need to know about the 5% VAT scheme



**ticketsellers**

## Reduced VAT rate

There's no doubt about it, this year has been the toughest one yet. With events either being cancelled or running on a much reduced capacity, the financial impact has been felt by everyone in the industry. However there is some good news and there is light at the end of the tunnel.

The events and hospitality industry has been granted a golden ticket this year, with a 75% reduction in VAT on all ticket sales made before 31st March 2021.

Quite simply, this is how it works. Normally you'll pay 1/6th of your gross ticket sales straight to HMRC in the form of VAT.

If you sell 1,000 tickets at £126 each you would earn £126,000 of which £21,000 will be VAT leaving you with £105,000.

However, up until 31st March 2021 you would only pay £6,000 VAT which leaves you with £120,000.



**In this example that's a saving of £15,000 which could go a long way towards supporting your business and your event.**

## Customer confidence

Customers are understandably nervous about spending large sums of money for events which might not even happen next year (although we all hope they will) and this makes it difficult to benefit from the reduced VAT rate. You need customers buying tickets now, not in Spring/Summer when VAT is back to its normal level.

What if we could get customers to commit a smaller amount of money but you pay the reduced rate of VAT on the entire ticket cost?



## Instalment tickets

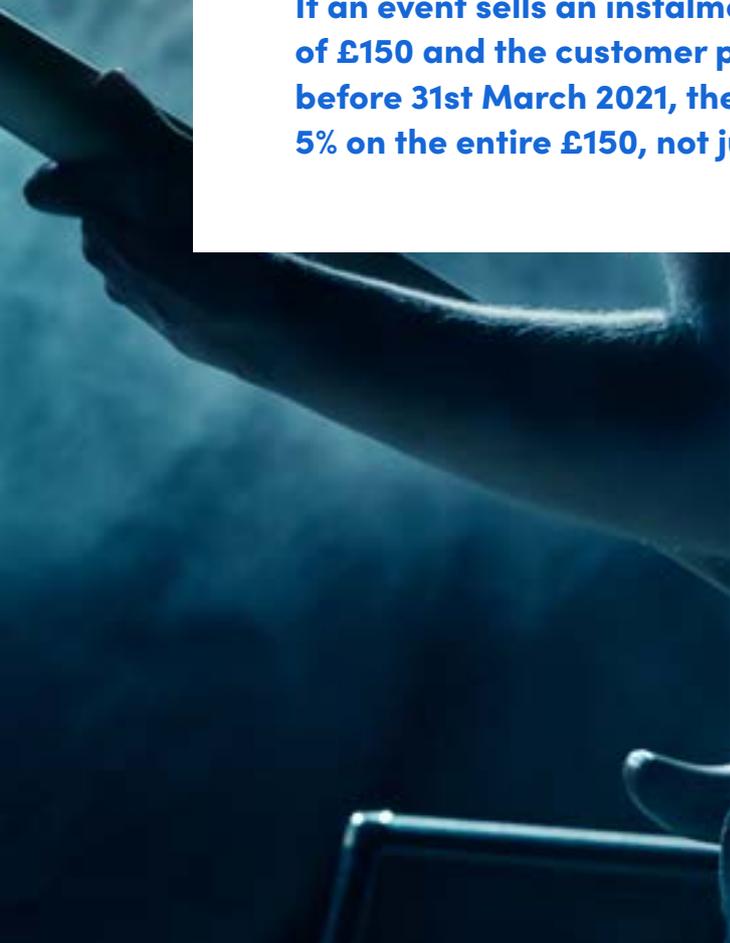
That's where our instalment plan tickets come in. Instalment plans build customer confidence because they are only committing a lower amount of money at an uncertain time of year, with the balance to be collected as we get nearer to Spring/Summer 2021 and the prospect of events taking place.

The good news for you is that as long as customers make the initial payment on an instalment plan ticket before 31st March 2021 you benefit from the reduced rate of VAT on the entire face value of the ticket.

**We spoke to Kimberley Dickenson, Hospitality Accounting Specialist, who said:**

**“Provided a tax point for the entire face value is created at the point of purchase the event organiser only accounts for VAT at the rate of 5% on the entire purchase price.**

**If an event sells an instalment plan ticket for a total cost of £150 and the customer pays just an initial £10 payment before 31st March 2021, the event is liable for VAT at just 5% on the entire £150, not just the initial £10 payment.”**



Even better is the news that even if you are in a contract with another ticket agent, provided they don't offer instalment plans there is no reason for you not to put your instalment plan tickets on sale with us. You are only contracted for the services that they provide and if they can't help with instalment plans, we can.

We will handle setting up the event on our website and adding all your instalment plan tickets. You set up a link from your website to ours making it clear that we are offering instalment plans for customers.

For an example of how this works please see Deer Shed Festival: <https://deershedfestival.com/tickets/>



## How do Instalment plans work?

With our instalment plans customers make an initial payment which can be as little as £5 or as much as £50 - it's entirely your choice. We then set up a recurring payment to be taken from the customer's credit or debit card throughout the year on the dates you specify.

We communicate with customers frequently throughout the year making sure they know when the next payment is due and how much it is. If the customer gets a new payment card they simply log into our website and update their card details to ensure there is no disruption to their payments.

If a customer fails to make a payment at any time we give them a 30 day window to log in and rectify the situation. If that doesn't happen then you can choose to either refund the customer the money they've paid so far or keep it to support your event.

Once again - you would pay only 5% VAT on the entire face value of the ticket, even if customers have only made 1 or 2 instalment payments by 31st March 2021.

## Moving your entire event to TicketSellers

There's one more VAT trick we'd like to draw your attention to, and it's potentially even more exciting than paying a lower rate of VAT on instalment plan tickets.

If you are able to switch ticket agents now for your entire 2021 event ticket sales there is a significant financial advantage in doing so.

When you move to TicketSellers we will import the historic sales for 2021 from your previous ticket agent and will create a new tax point at the date of import. We will also issue all necessary paperwork to show that there was a transfer of funds from us to you at this point in time. Please note that this transfer doesn't actually need to take place, all we need to do is show that the financial obligation from historic sales shifted from your previous ticket agent to us on this date.

Here's the clever part - because that date will be now, i.e. during the window for the 5% VAT rate you are now liable for VAT at just 5% on every single ticket you sold for 2021 with your previous ticket agent even if those sales originally took place when VAT was 20%.

### Here's how that looks:

#### If you stick with your current ticket agent:

You have sold 4,000 tickets at £126.

Total income = £504,000

Total VAT payable on this amount = £84,000

#### If you move to TicketSellers this Autumn and transfer your historic sales:

Total income = £504,000

Total VAT payable on this amount = £24,000

Total VAT saving,  
i.e. additional  
money for you with  
TicketSellers =

**£60,000**

Now that's quite  
exciting isn't it?

## Talk to us

Now you've read our guide to taking advantage of the reduced VAT rate it's time to get in touch with our sales team to begin setting up your instalment plan tickets, or migrating your event entirely over to TicketSellers for 2021.

If you're not sure if you're allowed to do this - perhaps you're in a contract with another ticket agent - please get in touch with us anyway and we'll advise you as to the best course of action.

Incentives like this are essential to helping our industry get back on its feet. We are grateful to the government for introducing this financial saving and look forward to working with as many events as possible to realise the benefits of it. We can't wait to see what you do with the money you save to make your event even more incredible.

### Contact:

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### For further assistance and/ or advice on financial matters please contact:

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Providing accountancy and financial advice for all business sectors, with specialisation in the music, creative and events industries.



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