How VAT is Calculated

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Meal Item	Mileage Item	Standard Item

Permissions

You will equire an Access Role with the following permissions:

- Base Information
- Expense Items

The rules for reclaiming VAT on meals can be challenging, and getting the calculations wrong for business entertainment and subsistence is something businesses cannot afford to do.

- **Subsistence** - "Payment made to an individual in relation to work-related travel, accommodation and meals - beyond those normally required."

- **Entertainment** - "Payment made when someone in business provides a meal or social event to a customer, potential customer or another person such as a professional contact."

An organisation is only able to claim back the VAT on subsistence (staff members) and not entertainment (everyone else). Therefore, in a situation where an organisation takes clients to lunch, it is slightly more complex as the portion of the VAT to be reclaimed needs to be calculated for just the subsistence element.

Example

A member of Sales and Professional Services take a client (3 people) to lunch and the bill is £70.

To work out the VAT rate for the whole bill, the calculation is as follows:

1 $\left(\dfrac{gross}{(100 + vat\ rate)} \right) * vat\ rate$

2 $\left(\dfrac{£70}{(100 + 20)} \right) * 20$

3 $\left(\dfrac{£70}{(120)} \right) * 20$

4 $£0.58 * 20$

Total VAT = £11.67

or alternatively:

1 $\left(\dfrac{gross}{(100 + vat\ rate)}\right) * vat\ rate$

2 $\left(\dfrac{\pounds20}{(100 + 20)}\right) * 20$

3 $\left(\dfrac{\pounds20}{(120)}\right) * 20$

4 $\pounds0.16 * 20$

Total VAT = £3.33

Now that the VAT for the whole bill has been calculated, it must be split down to find the amount of VAT which is actually reclaimable (subsistence).

1 $\left(\dfrac{total\ vat}{total\ meal\ attendees}\right) * no.\ of\ staff$

2 $\left(\dfrac{\pounds11.67}{5}\right) * 2$

3 $\pounds2.33 * 2$

$\dfrac{VAT\ applicable}{to\ Subsistence} = \pounds4.67$

In this example, £4.67 will be the amount of VAT which is reclaimable by the organisation.

Within Assure Expenses this calculation can be broken down even further to include remote workers, directors, spouses/partners and number of others. For more information about how this is configured within Assure Expenses, view Create a Split Expense Item.

For help configuring VAT on a meal item within Assure Expenses, view the Meal tab in Configure VAT on an Expense Item.