

VAT rules for serviced accommodation

Residential rent is a VAT exempt supply; however, serviced accommodation is treated as holiday accommodation and is subject to VAT.

This fact sheet explores the VAT obligations of serviced accommodation businesses.

VAT registration

As a holiday accommodation business, you cannot charge VAT unless you are registered for VAT. You are only required to register for VAT if your VAT taxable turnover exceeds £90,000 in any 12-month period.

Your VAT taxable turnover is the total value of your taxable sales. In other words, your total sales minus any VAT-exempt items.

If your accommodation business reaches the £90,000 threshold, you can register for VAT on the [HMRC website](#). The process is fairly straightforward, just make sure you have details like your turnover, business activity and bank information at hand.

After registering, you will receive your VAT registration certificate within 30 working days. It would also be beneficial to update your booking and invoice systems to ensure that you're charging the correct amount of VAT on your sales. Please contact us if you would like further information about this.

VAT Flat Rate Scheme

If your serviced accommodation business is required to register for VAT, it would be beneficial to check whether your business can make use of the Flat Rate Scheme (FRS).

The FRS is designed to simplify VAT reporting for small businesses with a turnover of less than £150,000, saving you time completing VAT returns.

Rather than calculating the exact amount of VAT from the quarter, you'll instead pay a fixed percentage of your annual turnover.

The current flat rate for serviced accommodation is 10.5%.

VAT on deposits

Most deposits are considered advanced payments. Therefore, whenever you receive a deposit, you must account for the VAT in your next VAT Return. If you need to refund a deposit, you can reclaim the VAT on your next return.

VAT on cancellation charges

If your business charges cancellation fees, these are subject to VAT.

This document has been prepared for information purposes and does not constitute advice. All information deemed correct as at 15 October 2025