



**OPEN FOOD  
NETWORK UK**

## Selling products eligible for VAT through OFN

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# UK law

You must register your business for VAT if your VAT-able turnover is more than £85k per annum. See [here](#) for registration and criteria.

Standard rate VAT in the UK is 20%.

There are some products and services which are exempt or charged at a lower rate.

Full details are found here:

<https://www.gov.uk/guidance/rates-of-vat-on-different-goods-and-services>

Specifically regarding food and drink- all food and drink for human consumption is always zero rated EXCEPT:

- Catering
- Alcoholic drinks
- Confectionary
- Crisps and Savoury Snacks
- Hot food
- Hot takeaways
- Sports Drinks
- Ice Cream
- Soft Drinks
- Mineral Water

Restaurants must charge VAT on food eaten on the premises. Takeaways and delivery services must charge VAT on HOT food and drink not eaten in their designated areas (but not on COLD food).

For detailed guidance see [here](#).

# VAT and OFN Invoices

The OFN platform offers reports and systems for VAT-registered enterprises to easily calculate the proportion of sales tax which is due for each sale.

Transparent pricing on the platform (so the customer knows the proportion of their shop which goes directly to the supplier, the amount for shipping and other overheads etc) is complemented by the facility of VAT registered hub shop front managers to see the amount of tax owing from sale of the goods themselves, delivery charges, and enterprise fees.

However, it is important to note that at this time (April 2020) it is known that:

***Invoices generated by OFN are not VAT compliant and should not be used as legal documents.***

(Specifically VAT due to enterprise fees is not documented accurately on invoices generated by the platform.)

This is an aspect of OFN that we hope to improve in the future.

## Scenario One: My OFN business is VAT registered

### Enable VAT

to be automatically added by your enterprise settings: Enterprises -> Settings -> Business Details -> Charges VAT

Settings: OFN UK Demo Hub

ENTERPRISES

BUSINESS DETAILS

COMPANY NUMBER eg 99 123 456 789

CHARITY NUMBER eg 123 456 789

CHARGES VAT?  YES  NO

DISPLAY LOGO IN INVOICES

ADD CUSTOMIZED TEXT AT THE END OF INVOICES

If your enterprise settings are set to charges VAT = yes then:

- The customer will experience NO CHANGE in the prices they observe.
- VAT will not be deducted from Payment Method fees
- VAT will be deducted from both 'pick up' and 'delivery' Shipping Method fees.
- VAT will be deducted from products with tax categories = none, full rated or reduced rated only.

- VAT will be deducted from Enterprise Fees depends on the Enterprise Fee calculator chosen, the tax category of the enterprise fee and the tax category of the products included.
  - Enterprise Fee calculator = **flat rate per order** then VAT only deducted FROM THE ENTERPRISE FEE itself if tax category = full or reduced rated.
  - Enterprise Fee calculator = **Price sack** then VAT only deducted FROM THE ENTERPRISE FEE itself if tax category = full or reduced rated.
  - Enterprise Fee calculator = **Flexible Rate** then VAT only deducted FROM THE ENTERPRISE FEE itself if tax category = full or reduced rated.
  - Enterprise Fee calculator = **flat percent** or **rate per item** or **weight (kg)** then VAT deducted FROM THE ENTERPRISE FEE itself if
    - Enterprise fee tax category = inherit from product AND product tax category = full, reduced rated
    - Enterprise fee tax category = full or reduced rated

Once your enterprise settings are set to 'charges VAT = yes' then VAT can be added on a [product per product](#) basis from the Products -> edit menu.

The screenshot shows the 'Editing Product "Apples"' form. The 'TAX CATEGORY' dropdown menu is highlighted with a red box and shows 'None' as the selected option. Other visible fields include NAME (Apples), PERMALINK (apples-743), DESCRIPTION (Apples grown in Callington), and various product details like VARIANTS, IMAGES, and SUPPLIER (OFN UK Demo Hub).

The options are : none, Zero rated, Full Rate and Reduced Rate.

VAT on [enterprise fees](#) can be set to 'Inherit from product' (useful if your enterprise is VAT registered but are selling a mixture of food and other items some of which is VAT-able and some of which isn't), Full, zero and reduced rated.

Enterprise Fees					
ENTERPRISE	FEE TYPE	NAME	TAX CATEGORY	CALCULATOR	CALCULATOR VALUES
OFN UK Demo Hub	Admin fee	PR1	Inherit From Product	Price Sack	CURRENCY: GBP MINIMAL AMOUNT: 20.0 NORMAL AMOUNT: 2.0 DISCOUNT AMOUNT: 1.0

The 'TAX CATEGORY' dropdown menu is highlighted with a red box and shows the following options: Inherit From Product, Zero rated, Full Rate, and Reduced Rate.

## Customer Perspective

Customer order summary without VAT enabled.

Item	Price	Qty	Total
 Apples - 500g Royal Gala (500g)	£2.00	1	£2.00
		Produce	£2.00
		Admin & Handling	£7.00
		Shipping	£1.00
		Transaction fee	£2.00
		Total	£12.00

Customer order summary with VAT enabled for the enterprise but product VAT set to 'Zero Rated' and Enterprise fee inherit from product.

Item	Price	Qty	Total
 Apples - 500g Royal Gala (500g)	£2.00	1	£2.00
		Produce	£2.00
		Admin & Handling	£7.00
		Shipping	£1.00
		Transaction fee	£2.00
		Total	£12.00
		(includes tax)	£0.17

[← Back To Store](#)

Here you can see that VAT has been applied to the shipping method fee only. VAT is not applied to the product (tax category set specifically to none) nor the payment method fee.

On this order the VAT-able amount is £1. The rate of VAT is 20%. Hence the amount received by the enterprise for the shipping method fee after the transaction is  $£1 / 1.2 = £0.83$ .

Customer order summary with VAT enabled for the enterprise and **product** VAT set to 'None' (or full rated) and Enterprise fee 'inherit from product' for flat rate per order.

Item	Price	Qty	Total
 Apples - 500g Royal Gala (500g)	£2.00	1	£2.00
		Produce	£2.00
		Admin & Handling	£7.00
		Shipping	£1.00
		Transaction fee	£2.00
		Total	£12.00
		(includes tax)	£0.50

Here VAT has been deducted from the shipping method fee (£0.17) and the product cost itself (£0.33) but not the enterprise fee.

Customer order summary with VAT enabled for the enterprise and **product** VAT set to 'None' (or full rated) and Enterprise fee 'inherit from product' for flat rate per item.

Item	Price	Qty	Total
 Apples - 500g Royal Gala (500g)	£3.00	1	£3.00
			Produce £3.00
			Admin & Handling £2.00
			Shipping £1.00
			Transaction fee £2.00
			<b>Total £8.00</b>
			(includes tax) £0.67

Here VAT has been deducted from the shipping method fee (£0.17), the product (£0.33) and the enterprise fee associated with the product (£0.17).

## Hub Manager Perspective

Details of tax per order can be found Reports -> Tax Types

DISTRIBUTOR:  
OFN UK Demo Hub

REPORT TYPE  
Tax types

DOWNLOAD AS CSV

SEARCH

ORDER NUMBER	DATE	ITEMS	ITEMS TOTAL £	TAXABLE ITEMS TOTAL (£)	SALES TAX (£)	DELIVERY CHARGE (£)	TAX ON DELIVERY (£)	TAX ON FEES (£)	TOTAL TAX (£)	CUSTOMER	DISTRIBUTOR
<a href="#">R885875216</a>	2020-04-03 11:57:28 +0100	1.0	2.0	0.0	0.0	1.0	0.0	0.0	0.0	Louise Wright	OFN UK Demo Hub
<a href="#">R416167722</a>	2020-04-03 12:15:08 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.0	0.5	Louise Wright	OFN UK Demo Hub
<a href="#">R842321462</a>	2020-04-03 12:17:28 +0100	1.0	2.0	0.0	0.0	1.0	0.17	0.0	0.17	Louise Wright	OFN UK Demo Hub
<a href="#">R826612011</a>	2020-04-03 12:41:42 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.07	0.57	Louise Wright	OFN UK Demo Hub
<a href="#">R222881262</a>	2020-04-03 12:43:35 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.17	0.67	Louise Wright	OFN UK Demo Hub
<a href="#">R277545244</a>	2020-04-03 12:50:04 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.0	0.5	Louise Wright	OFN UK Demo Hub
<a href="#">R430878213</a>	2020-04-03 12:53:40 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.08	0.58	Louise Wright	OFN UK Demo Hub
<a href="#">R338434677</a>	2020-04-03 12:57:19 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.0	0.5	Louise Wright	OFN UK Demo Hub

## Practical Advice from Tamar (VAT registered HUB)

There are two aspects of VAT which need special attention:

1. **Delivery (shipping method) fees** should only be subject to VAT for VAT-able products in your shipment. OFN currently charges VAT on 100% of a shipping method fees if your enterprise is VAT-registered.
2. **Invoices** generated by OFN are not VAT compliant at the moment and should not be used as legal documents.

***Running the Sales Tax Types Report once a month gives all the information that you need as a VAT registered enterprise owner.***

### How to adjust VAT contribution from Shipping Method (Delivery) Fees

1. Run the sales tax types report and import the csv into a spreadsheet.

ORDER NUMBER	DATE	ITEMS	ITEMS TOTAL £	TAXABLE ITEMS TOTAL (£)	SALES TAX (£)	DELIVERY CHARGE (£)	TAX ON DELIVERY (£)	TAX ON FEES (£)	TOTAL TAX (£)	CUSTOMER	DISTRIBUTOR
<a href="#">R885875216</a>	2020-04-03 11:57:28 +0100	1.0	2.0	0.0	0.0	1.0	0.0	0.0	0.0	Louise Wright	OFN UK Demo Hub
<a href="#">R416167722</a>	2020-04-03 12:15:08 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.0	0.5	Louise Wright	OFN UK Demo Hub
<a href="#">R842321462</a>	2020-04-03 12:17:28 +0100	1.0	2.0	0.0	0.0	1.0	0.17	0.0	0.17	Louise Wright	OFN UK Demo Hub
<a href="#">R826612011</a>	2020-04-03 12:41:42 +0100	1.0	2.0	2.0	0.33	1.0	0.17	0.07	0.57	Louise Wright	OFN UK Demo Hub

2. Create a new column to calculate the proportion of each order which is VAT-able (this is column 5 divided by column 4) = value P
3. Use value P to calculate the proportion of the delivery charge which is VAT-able (column 7 divided by P) = value DC
4. Tax on delivery is thus  $DC - DC/1.2 = DCC$
5. Total tax per order is sales tax (column 6) + enterprise fee tax (column 9) + DCC

Most Hubs do this with a saved spreadsheet in which the sales tax report is copied each month.

## Accounting

Tamar use Quickbooks and have a 'Stripe control account - cash bank account' in their accounting software.

All the Stripe payments go into accounting software at no VAT (weekly).

You can then generate the total VAT on all sales using the OFN tax types report and spreadsheet above.

## Advice on Pricing VAT-able items

As a hub manager you need to make sure that your costs are covered (admin tasks and other overheads for managing the orders and distribution of food to customers). This is done by the addition of Enterprise fees within OFN.

If you are a VAT registered HUB selling VAT-able goods (eg. confectionary or soft drinks) from non-VAT registered suppliers then sales of these goods to customers are eligible to VAT. Your supplier must mark the good as full (or reduced rate) VAT for the proportion of tax coming from the sale of the item itself to be calculated in the sales Tax type report. As the VAT-registered business it is your responsibility to cover the cost of this VAT payment so you may wish to set a higher enterprise fee specifically for suppliers of VAT-able goods (and a lower one for suppliers of non-VATable items).

'Wholesale' cost of VAT-able item supplied by non-VAT registered business = C

In order for you, as the hub manager of a VAT-registered business, to break even from the sale, the price you charge customers must be  $1.2 * C$  (ie. an enterprise fee of 20%).

If you need to make extra from each sale to contribute towards overhead costs then you will need to set an enterprise fee of more than 20% for those supplying VAT-able goods.

## Scenario Two: My OFN business is not VAT registered and sells items from another enterprise which is VAT registered.

In this scenario it is up to the supplier to [register their enterprise](#) on the OFN platform as VAT-registered and price their VAT-able products accordingly.

The non-VAT registered HUB selling the food to customers does not need to worry further about VAT.

The wholesale price C of items supplied by the VAT-registered supplier should be paid from the hub to the supplier on sale of the goods to customers.

The supplier then, separately should pay VAT on monies received.

It is thus the supplier's responsibility to make sure they set the value of C such that they are not operating at a loss once VAT is deducted.



## Scenario Three: My OFN business is VAT registered and sells items from another enterprise which is VAT registered.

If both the HUB distributing the VAT-able product and the supplier who makes it are [VAT registered](#) then after the sale of the item the customer's and hub manager's perspective are the same as scenario one.

The sales tax type report will document the tax payable for the item, delivery charge etc in the same manner.

VAT on enterprise fees associated with the sale is the responsibility of the HUB to pay.

There are two ways of managing reimbursing VAT-able suppliers:

1. The supplier sells the goods to your hub at a wholesale price which is exclusive of VAT
2. OR the supplier sells the goods to your hub at a wholesale price which is inclusive of VAT and you use the invoices they provide to claim back the VAT paid.