

GP and VAT cheat sheet for catering students

Keep this in your folder. It covers the sums you will be asked to do in costing work and in a real kitchen.

Scan for the free tools: getprepsheet.com/for-colleges



The three formulas

Price ex VAT = menu price ÷ 1.2 (VAT in a 20% price = price ÷ 6)

Food cost % = ingredient cost ÷ price ex VAT × 100 **GP %** = 100 – food cost %

Price ex VAT for a target GP = ingredient cost ÷ (1 – GP) e.g. at 68% GP: cost ÷ 0.32

Always work GP on the price *without* VAT. VAT is HMRC's money, not margin.

Price per £1 of plate cost

Target GP	Price ex VAT per £1 cost	Menu price inc 20% VAT per £1 cost	Multiply plate cost by
65%	£2.86	£3.43	3.43×
68%	£3.13	£3.75	3.75×
70%	£3.33	£4.00	4.00×

The VAT trap

A dish costs £3.85 and sells for £14.00 inc VAT. GP worked on £14.00 looks like **72.5%**. On the real takings, £14.00 ÷ 1.2 = £11.67, it is **67.0%**. Only the second is right.

VAT on what you sell

Sale	VAT
Food or drink eaten in (inside, or your own tables outside)	20%
Hot takeaway food (chips, a hot pie, a bacon roll to go)	20%
Cold takeaway food (a sandwich, a slice of cake to go)	0%, generally
Alcohol and most soft drinks, wherever drunk	20%

Source: HMRC VAT Notice 709/1 (Catering, takeaway food) and 701/14 (Food products), gov.uk. A summary only: check the notices or an accountant for borderline items.

Real dishes, costed

Dish (getprepsheet.com/recipes)	Ingredient cost per portion	Price at 68% GP
Cottage pie	£1.90	£7.12 inc VAT (£5.93 ex)
Chilli con carne with rice	£1.82	£6.83 inc VAT (£5.69 ex)
Chickpea and spinach curry with rice (vegan)	£1.32	£4.96 inc VAT (£4.13 ex)
Fish and chips	£4.00	£15.00 inc VAT (£12.50 ex)
Egg mayo sandwich	£0.57	£1.78 takeaway (0% VAT) · £2.13 eat in
Carrot cake with cream cheese frosting	£0.49	£1.52 takeaway (0% VAT) · £1.83 eat in

Ingredient cost only (no packaging, labour or energy). Prices rounded to the penny; full ingredient lists and sources on each recipe page.

Practise

1. A plate costs £3.00. What should it sell for at 68% GP, inc VAT? (£3.00 ÷ 0.32 = £9.38 ex; × 1.2 = £11.25)
2. Onions are £7.49 for 10 kg and the usable yield is about 90% (USDA handbook). What does a usable kilo cost? (£0.749 ÷ 0.90 = £0.83)
3. An egg mayo sandwich costs £0.57. Price it at 68% GP to take away and to eat in. (£1.78 and £2.13)