

Procurement Threshold and Contract Value Estimation FAQs

I don't know what the value of my contract will be, what do I do?

Open or close

If it is not possible to calculate the estimated value of a contract, you should take its estimated value to be equal to the relevant threshold as set out in [**SPPN 5/2023**](#).

More information can be found in [**Public procurement - Australia and New Zealand Free Trade Agreements: SPPN 1/2023**](#) and additional information can be found at [**What Procurement Route Should I Choose?**](#)

Do suppliers bidding for above threshold contracts need to include VAT in their bids?

Open or close

No.

All contract values should still be advertised and bids submitted exclusive of VAT.

Why do the public procurement threshold values change periodically?

Open or close

GPA procurement thresholds are revised every two years to take account of currency fluctuations. The most recent change occurred on 1 January 2024.

Since the UK left the EU and joined the World Trade Organisation (WTO) Agreement on Government Procurement (GPA), the UK adheres to the [**WTO GPA thresholds**](#).

What level of VAT needs to be added/how do I calculate?

Open or close

It is recommended best practice to add 20% to your estimated contract value where you believe that your contract, or an element of your contract may be subject to VAT, but cannot be certain of the rate that should be applied. 20% is recommended as this is currently the standard rate of VAT in the UK. Adding this standard rate reduces the risk of underestimating the contract value and helps ensure your contract is advertised correctly

If you know that your contract is **not** subject to VAT then no VAT needs to be added to the estimated contract value.

If your contract is VAT recoverable, you must still include VAT in your calculation.

Does legislation reflect this?

Open or close

On 1 January 2022 the [**Public Procurement \(Agreement on Government Procurement\) \(Thresholds etc.\) \(Amendment\) \(Scotland\) Regulations 2021**](#) came into force. This amended a number of elements within Scottish procurement regulations, including the method for calculating the estimated value of a contract, as set out in regulation 6(1) of the 2015 Regulations.

Should I include VAT when I publish Contract Notices and Contract Award Notices?

Open or close

No, these notices must still be published exclusive of VAT.

VAT only needs to be considered in your own calculations to identify what procurement route you will follow.

How will call-offs from Frameworks or Catalogues already in place be affected by this change?

Open or close

There is no change where the original advert was published before 1 January 2022. In this case the call-off estimation calculations should exclude VAT.

Do suppliers need to include VAT in their bid?

Open or close

No. All contract values should still be advertised and bids submitted exclusive of VAT.

Do We Need to Make Any Other Changes e.g. to our systems to now include VAT?

Open or close

Back office systems should not need to be amended. Finance payment systems will continue to calculate actual VAT figures. You should seek advice from your finance and legal departments.

You only need to estimate your contract value at the front end of the procurement process in relation to threshold values i.e. to allow you to determine which procurement route you will follow.

Should I Include the Cost of VAT in my Estimated Contract Value Even if I Can Reclaim VAT for my goods/services contract?

Open or close

Yes.

If your contract is VAT recoverable, you must still include VAT in your calculation.

20% is recommended as this is currently the standard rate of VAT in the UK. Adding this standard rate will remove the risk of underestimating the contract value and ensure your contract is advertised correctly