



Embargoed for release 00.01 Thursday 14 January

Hospitality and tourism sector devastated by COVID calls for further extension of reduced rate of VAT to avoid 310,000 job losses

A survey of more than a thousand hospitality and tourism businesses by the Cut Tourism VAT (CTV) Campaign, UKHospitality, the Tourism Alliance and the Association of Leading Visitor Attractions demonstrates the importance of the decision by Chancellor Rishi Sunak to apply a reduced rate of VAT at 5% in protecting employment and the survival of those businesses. Given that the survey shows that the vast majority of the savings were used to retain staff, pay suppliers or passed on to customers, the hospitality and tourism sector believes it is vital that the reduction is extended well beyond March 2021 due to the incremental, long term and devastating impact of COVID-19.

The Chancellor has previously extended the end date of the reduced rate from December 2020 to the end of March 2021 and without this cut in VAT a third of hospitality businesses could have closed. The CTV Campaign, with UKHospitality, the Tourism Alliance and the Association of Leading Visitor Attractions, has undertaken a survey to assess the impact of lower VAT to date and the likely impact if VAT continues to be applied at 5% or is returned to the higher rate of 20% from April 2021.

The survey shows that if the VAT rate reverts back to 20% in April 2021, there will be further cut-backs and job losses and the CTV Campaign estimates that this could mean the loss of 310,000 jobs in hospitality and tourism. Also, if the Chancellor does not extend the VAT cut in his March Budget it would likely lead to an increase in prices to consumers just before Easter with Good Friday this year falling on 2 April. If the VAT cut were to continue beyond March 2021 most operators would use it to rebuild through investment and price reductions for consumers as well as continue to meet the costs of COVID compliance. The survey results suggest that turnover in the tourism and hospitality sector would be £9bn greater with VAT at 5% compared to 20%.

Since the CTV Campaign survey was conducted in a narrow window in December, things have got even worse with takings in restaurants, pubs and bars slumping by almost 80% between Christmas Eve and Boxing Day. With an effective lockdown now in place across the country for the foreseeable future, the hospitality and tourism sector is united in its demand for continued financial support. A further extension to the reduced rate of VAT must be given by the Treasury beyond the end of March to ensure its survival into and beyond Easter.

“Graham Wason, Chairman of the CTV Campaign, said: “The results of this survey show not only that reduced VAT has been crucial to the survival of hundreds of tourism and hospitality businesses, but also that what is vitally needed now is the announcement of a continued reduction to boost investment, jobs and the wider UK economy.”

Kate Nicholls, CEO of UKHospitality, said: “Hospitality has been devastated by the Covid crisis that has impacted so many of our lives and livelihoods. The decision of the Chancellor to cut VAT to 5% last July was one of the few bright spots of the year and stimulated economic growth before the second wave began to hit. If the Government wants to see a turbo-charged recovery in communities

right across the UK then an extension of the VAT cut is the surest way to do it – creating jobs, investment in our high streets and helping customers get a cheaper hospitality experience.”

Kurt Janson, Director of the Tourism Alliance, said: “The temporary reduction in VAT for the tourism and hospitality industry has been vital in protecting businesses, suppliers and employment so returning to a 20% rate would undo all that good work and result in 310,000 job losses. We believe that there is also a huge benefit in combining a reduction in VAT for the tourism and hospitality industry with a reduction in the VAT threshold for businesses.”

A total of 1,144 businesses in tourism and hospitality responded to the survey and 90% said that the VAT cut in July 2020 was important, very important or crucial to their businesses with over 75% saying that they might not have been able to continue trading without it. Most businesses used some of the VAT reduction to meet the additional costs of COVID compliance and the next most important use was to pay wages and suppliers. The reduction in the VAT rate not only helps the hospitality and tourism sector but also has flowed through to the supply chain.

Respondents were asked to comment on how their attitude to investment might change if VAT were to be 5% indefinitely and over 80% did so, with nearly all comments indicating a very strong positive impact on confidence and investment and 72% of businesses said that they would use some of the reduction to fund investment. This supports previous research by the CTV Campaign that longer term reductions in VAT provide a much greater incentive to invest. A permanent reduction in the VAT rate to 5% would not only be used by hospitality businesses to retain staff and maintain investment but it would also give an incentive to non-VAT registered businesses to expand.

ENDS

Media contact

Ian Lindsley ian.lindsley@cuttourismvat.co.uk 07887 681561
Mike Houghton mike.houghton@cuttourismvat.co.uk 07789 167009

Spokespeople

Graham Wason, Chairman, Cut Tourism VAT Campaign rgwason@cuttourismvat.co.uk

Kate Nicholls, Chief Executive, UKHospitality cbanks@ukhospitality.org.uk

Kurt Janson, Director, Tourism Alliance kurt.janson@tourismalliance.com

Bernard Donoghue, Chief Executive, ALVA bernarddonoghue@alva.org.uk

Notes to Editors

HM Treasury reduced rate for hospitality, holiday accommodation and attractions

On 8 July 2020, the government announced that it would introduce a temporary 5% reduced rate of VAT for certain supplies of hospitality, hotel and holiday accommodation, and admissions to certain attractions. The Chancellor of the Exchequer announced on 24 September 2020 that the temporary reduced rate for tourism and hospitality will be extended to 31 March 2021.

This cut in the VAT rate from the standard rate of 20% will have effect from 15 July 2020 to 31 March 2021.

These changes are being brought in as an urgent response to the coronavirus (COVID-19) pandemic to support businesses severely affected by forced closures and social distancing measures.

The following supplies will benefit from the temporary 5% reduced rate of VAT:

- food and non-alcoholic beverages sold for on-premises consumption, for example, in restaurants, cafes and pubs
- hot takeaway food and hot takeaway non-alcoholic beverages
- sleeping accommodation in hotels or similar establishments, holiday accommodation, pitch fees for caravans and tents, and associated facilities
- admissions to the following attractions that are not already eligible for the cultural VAT exemption

The Cut Tourism VAT Campaign was set up to seek an end to the competitive disadvantage suffered by the British tourism and hospitality industry as a result of having to pay VAT at 20%, approximately double the average rate applied across Europe. The Campaign is supported by over 48,000 businesses and 35 major tourism and hotel groups across an industry which employs 3.1 million people.

<http://www.cuttourismvat.co.uk>