



“There are always good cases for cutting VAT on individual items. The leisure industry and the hotel industry make a very good argument”

Prime Minister David Cameron

THE OPPORTUNITY FOR THE UK

A report by Professor Adam Blake (a Treasury adviser), using the government’s economic Computable General Equilibrium (CGE) model, concludes that cutting tourism VAT to 5% is “one of the most efficient, if not the most efficient, means of generating GDP gains at low cost to the Exchequer that we have seen with the CGE model”.

Findings by Professor Blake and a major independent analysis by Deloitte/Tourism Respect show that reducing VAT on key tourism services such as visitor accommodation and entry to attractions would:

- Boost GDP by £4bn a year
- Create 80,000 jobs over 2 to 3 years
- Deliver £2.6bn to the Treasury over ten years

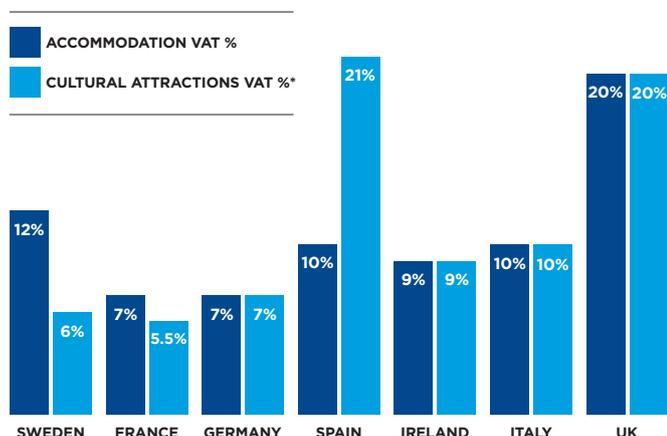
DRIVING COMPETITIVENESS FOR BRITAIN

The UK tourism industry is a major sector of the economy. It contributes £134bn in direct and indirect spend representing 9% of GDP, employs 2.72m people and is a key driver of national as well as all UK local economies – creating a third of all new jobs in the UK between 2009 and 2011.

But in a global tourism market, the current rate of 20% VAT undermines UK tourism’s ability to compete effectively. Reducing VAT on tourism services to 5% will increase UK competitiveness, create jobs and grow GDP.

OUR COMPETITION

Out of 28 EU member States, only four (Denmark, Lithuania, Slovakia, and the UK) do not take advantage of



Source: EU VAT rates applied in members states as at 14th January 2013

*EU rules require VAT-exemption for certain non-profit attractions

a reduced rate of VAT on visitor accommodation, while the UK is one of only 14 EU countries that apply the full rate of VAT on admissions to amusement parks and one of only 9 countries that applies the full rate on admissions to cultural attractions. Thirteen countries have a reduced VAT rate for restaurant meals. The EU permits reduced VAT to be applied to only a limited number of goods and services, and this includes tourism.

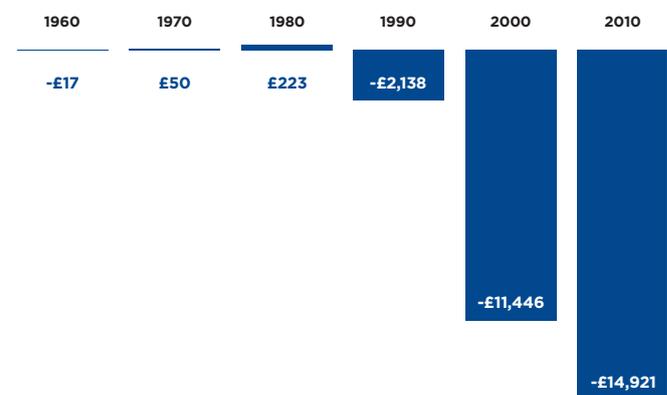
THE ONLY EXPORT INDUSTRY SUBJECT TO VAT

Tourism is the UK’s sixth largest export-earner, generating over £20bn (including fares to UK carriers) from overseas visitors every year. Yet the majority of this visitor expenditure is subject to VAT. While some business visitors can reclaim VAT, the vast majority of visitors cannot. Tourism is thus the only UK export industry subject to VAT. Reducing tourism VAT to 5% would also encourage more domestic holidays as well as overseas visitors, thus reducing the UK’s imbalance of tourism payments.

UK DECLINE IN PRICE COMPETITIVENESS

There is strong evidence of a clear relationship between the high rate of VAT and the decline in UK competitiveness. The 2013 World Economic Forum report on Travel and Transportation ranked the UK 138th out of 140 countries in terms of price competitiveness. Along with Air Passenger Duty and high fuel prices the UK is missing out on gaining a larger share of the market by continuing with its high VAT level for tourism. These factors contribute to the UK’s rapidly worsening tourism balance of payments.

UK BALANCE OF TOURISM PAYMENTS (£ MILLIONS)



THE BEST OPTION FOR GROWTH

The Treasury gave permission for an independent expert to analyse the benefits of reduced tourism VAT using the core of their own economic model. The results show that cutting tourism VAT is the most efficient way for the Government to generate much needed growth in the economy - better than a 2p reduction in Corporation Tax, a 20% reduction in rates for employers' national insurance contributions (NIC) or a 1p reduction in the standard VAT rate.

CUTTING THE RATE OF VAT FOR VISITORS WORKS

Reducing the rate of VAT for tourism services has been proved to work. The track record across Europe shows that a reduction in VAT stimulates investment, creates employment and boosts growth. Countries that have reduced VAT on part of their tourism sector in recent years, in spite or indeed because of recession, include Germany, France, Belgium, Finland and Ireland. The evidence confirms the fact that tourism is highly price sensitive and competitiveness is damaged by high rates of taxation.

BRITAIN'S ENGINE FOR JOB CREATION

Reducing VAT on tourism services is a proposition to support long-term and sustainable growth for the UK.

- UK tourism is labour intensive and is spread throughout the UK, in towns, cities, rural and coastal areas. It provides jobs at all levels, full-time and part-time, for men and women of all ages.
- Tourism particularly gives opportunities to young people - 44% of people employed in tourism are under 30, compared with the national average of 24%.

TOURISM'S PLEDGE

The tourism industry has expressed its openness to entering a collaborative agreement, along the lines of the French 'contrat d'avenir', which helped create 100,000 jobs. This could include taking on more long-term unemployed workers in addition to commitments such as increased expenditure on training and product improvements.

A survey of campaign supporters showed that over 95% would pass on all or some of the cut in VAT, if achieved.

This is not a request for stimulus or support for tourism. This policy will assist long-term and sustainable growth for the UK economy. The tourism sector will work with the Government to support 10,000 long-term unemployed back into work to make this policy measure fiscally viable. Declare your support at support@cuttourismvat.co.uk

SUPPORTERS

Over 3,500 associations, hotels, restaurants and attractions have declared their support for Cut Tourism VAT.

Groups include:

- Caravan Club
- Carluccio's
- Compass Hotels
- Farm Stay UK
- Hilton Worldwide
- InterContinental Hotels Group
- Jurys Inn
- Langham Hotel Group
- Legacy Hotels and Resorts
- Macdonald Hotels
- Marriott International
- Millennium and Copthorne Hotels
- New Steine and Gulliver's Hotels
- Park Plaza Hotels Europe
- Premier Cottages
- Q Hotels
- Sleeperz Hotels
- Starwood Hotels & Resorts
- Thistle Hotels
- Town House Collection
- Travelodge Hotels
- Expedia

Associations include:

- Association for Events Management Education
- Association of British Professional Conference Organisers
- Association of Conferences and Events
- Association of Leading Visitor Attractions
- Association of Scotland's Self Caterers
- Association of Scottish Visitor Attractions
- Business Visits and Events Partnership
- Conference Centres of Excellence
- Country Land and Business Association
- Eventia
- Events Industry Alliance
- Events Industry Forum
- Hotel Booking Agents Association
- International Congress & Convention Association
- International Special Events Society, UK Chapter
- London & Partners
- Meetings Industry Association
- Meeting Professionals International, UK Chapter
- National Outdoor Events Association
- Northern Ireland Hotels Federation
- Resort Developments Organisation
- Scottish Tourism Alliance
- Tourism Alliance
- Welsh Association of Self Catering Operators

The Campaign for Reduced Tourism VAT is led by:

