

**Campaign to Cut Tourism VAT**

c/o British Hospitality Association

Augustine House  
6a Austin Friars  
London

EC2N 2HA

The Correspondence and Enquiry Unit  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

21 February 2017

Dear Chancellor,

**Re: Campaign to Cut Tourism VAT**

I am writing on behalf of hospitality and tourism businesses from across the UK, supported by 170 MPs from all political parties, to ask the government to reduce the rate of VAT on visitor accommodation and tourist attractions to 5%.

A reduction in Tourism VAT would be the most effective and efficient way to support the UK's fourth largest industry, which directly employs 4.5 million people. According to Tourism Respect and Nevin Associates a reduction in the rate of Tourism VAT to 5% would create over 121,000 extra jobs over the next ten years and improve the UK's balance of trade by £23 billion.<sup>1</sup>

The hospitality and tourism industry serves visitors and UK residents alike and provides the critical infrastructure needed to turn the cogs of domestic industry. Whether it's financial services, manufacturing or the creative industries, growth is dependent upon the capacity of our industry to facilitate, host and cater for business and investor visits, meeting and events.

Across Europe, 31 countries already reap the benefits of a reduced rate of Tourism VAT. The UK was ranked as the second worst country in the world in terms of the price competitiveness of its tourism industry in 2015<sup>2</sup> and the future health and growth of the industry is under threat owing to the increasing tax burden placed upon it. Many businesses in the industry are facing large increases in their business rates bills, for example. The disadvantage faced by the UK tourism industry is illustrated clearly by the case of Northern Ireland, whose local tourist industry is significantly undercut by the 9% VAT rate in the Republic of Ireland.

A reduction in tourism VAT would not only bring broader economic benefits (for every £1 spent on tourism a further 70p is spent in the wider local economy), it would ultimately increase revenue for HM Treasury. At 2016 prices, a reduction in Tourism VAT would raise over £1.07 billion for the Exchequer over the first five years and £4.6 billion over the first ten, a rate of return on investment of 70%.<sup>3</sup> In addition, industry leaders Butlins, Merlin Entertainments and Premier Inn have all pledged to pass on the VAT reduction to their customers. This would considerably increase price competition within the hospitality and tourism industry and in turn reduce the price of holidaying in the UK for consumers.

---

<sup>1</sup> Tourism Respect & Nevin Associates, The full fiscal and employment impact of reduced VAT on visitor accommodation and visitor attractions in the UK (2017)

<sup>2</sup> World Economic Forum | Travel and Tourism Competitiveness Report 2015

<sup>3</sup> Tourism Respect & Nevin Associates, The full fiscal and employment impact of reduced VAT on visitor accommodation and visitor attractions in the UK (2017)

A report by Treasury Adviser Professor Adam Blake, which used the government's own Computable General Equilibrium model, concluded that reducing tourism VAT to 5 % would be:

“One 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.”<sup>4</sup>

This report coincided with an independent review of the evidence for a reduction in Tourism VAT undertaken in 2016 by PwC and co-authored by Dr Andrew Sentance CBE. They concluded that reducing Tourism VAT would be a highly effective measure for stimulating economic growth and was one of the most comprehensive cases ever put before the Treasury.<sup>5</sup>

Dr Sentance and PwC concluded that “the campaign’s analysis has been well-researched and...the depth of research and the modelling detail has been impressive. The research findings make economic sense...and support the view that there would be substantial benefits to the UK economy from a cut in the VAT rate on tourism-related activities.”<sup>6</sup>

Importantly, these benefits would be felt most strongly in rural and coastal areas. The British countryside and coastline are national assets with great economic potential, yet statistically people living on the coast are more likely to be poorly educated, unemployed and living in low-quality housing than those living in similar inland communities.<sup>7</sup> As hospitality and tourism is a major employer in these areas, reducing Tourism VAT would benefit these overlooked areas and help rebalance the UK economy.

We urge you to cut tourism VAT at your March Budget. My office will be in contact soon to organise a meeting to discuss in more detail the benefit of reducing tourism VAT to industry, the wider UK economy, HM Treasury and to regenerating coastal and rural areas.

Yours sincerely,

**Dermot King**

**Chairman, Cut Tourism VAT**

---

<sup>4</sup> Tourism Respect, The Impact of Reduced VAT Rates on British Visitor Accommodation, Attractions and the Wider Economy: Results of Dynamic Partial Equilibrium and Computable General Equilibrium Models

<sup>5</sup> PwC, Reduced VAT on tourism on tourism-related activities: Review of the Evidence (2016)

<sup>6</sup> Ibid

<sup>7</sup> Place Matters, The Potential Contribution of Coastal Tourism to the Regeneration of Seaside Towns (2016)