



Campaign for Reduced Tourism VAT

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**Briefing paper for the
Westminster Hall Debate 'VAT and the Tourism Sector'
At 9.30am, Tuesday 11th February 2014**

The Case for a reduced rate for Visitor Accommodation and Attractions

The tourism industry is seeking a reduction in VAT from 20% to 5% for Visitor Accommodation & Attractions.

This is because 24 of the 28 Member States of the EU take advantage of reduced tourism VAT rates. Those that apply only the standard rate are Denmark, Slovakia, Lithuania and the UK.

The rate of VAT on visitor accommodation is 6% in Belgium and the Netherlands, 7% in Germany, 9% in Ireland and 10% in France, Italy and Spain.

Countries that apply a reduced rate of VAT have a competitive advantage over those that do not. The UK currently ranks 138th out of 140 countries for tourism price competitiveness according to the World Economic Forum.

A reduced rate of 5% on Visitor Accommodation & Attractions will encourage more UK citizens to take holidays and short breaks at home, AND will encourage more foreign residents to travel to the UK. Both of these effects will boost our Tourism Exports. Tourism is already the UK's 6th largest export – generating over £20 billion every year - and the only export subject to VAT.

Comprehensive research by Deloitte has shown that reducing VAT to 5% on Visitor Accommodation & Attractions will create 80,000 jobs AND contribute a surplus of £2.6 billion to the Treasury over 10 years.

An Adviser to the Treasury, Professor Adam Blake, was given access to the Treasury's own model and found that reducing VAT to 5% on Visitor Accommodation & Attractions would generate an extra £4 billion to GDP each year and *"would be fairly close to fiscal neutrality."*

The Campaign for Reduced Tourism VAT is led by:



Supported by over 550 major companies, independent operators, national associations and other organisations within UK tourism

He compared this with other measures such as a reduction in corporation tax, a general reduction in VAT and a reduction in national insurance contributions and concluded that reducing VAT on Visitor Accommodation & Attractions represents

“one of the most efficient, if not the most efficient, means of generating GDP gains at low cost to the exchequer that I have been seen with the Treasury’s own model”.

The measure would be of benefit to seaside resorts, rural communities and all parts of the country, fostering jobs across the skills spectrum and helping young people into work.

The Cut Tourism VAT Campaign is supported by 45 national/regional associations, 35 major tourism and hotel groups and 3,500 establishments employing over 100,000 people. You can contact the Campaign Manager at vernon@cuttourismvat.co.uk

“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, August 2013

"If we can't always beat Germany at football, then we can beat them at tourism."

Prime Minister David Cameron, August 2010

German tourism VAT, 7%; UK tourism VAT, 20%: Germany wins again