



Sign up as a supporter of Cut Tourism VAT by emailing us at support@cuttourismvat.co.uk and join one of the largest industry campaigns in the country

OUR OBJECTIVE

We want the Government to reduce VAT on tourist accommodation and attractions from 20% to 5%.

Across Europe 31 different countries already enjoy the benefits of a reduced form of tourism VAT, encouraging businesses to invest and pass on the savings to consumers.

The UK's rate of 20% is almost twice the European Union average, making it one of the most expensive countries to visit and limiting the UK's ability to compete for tourists in a highly price-sensitive international market.

Greater tax revenue

- In the third year after implementing the reduction of tourism VAT the policy would raise over £363 million for the Exchequer and over the first ten, £4.6 billion would be gained.

Increased exports

- Tourism is the UK's sixth largest export earner – reducing tourism VAT will increase UK exports and decrease imports.
- It will halt the long term decline in UK's tourism balance of payments and improve the UK trade balance by £23 billion over a 10 year period.

Stronger regional growth and investment

- For every £1 of tourism spend a further 70p is spent in the wider local economy.
- It will generate more investment for regional businesses and support wider regeneration across the United Kingdom, especially in seaside and rural communities that rely heavily on tourism.

Higher employment

- Reducing tourism VAT will create 121,000 new jobs over 10 years.
- As tourism is a key employer of young and lower skilled workers, reduced VAT will have far-reaching social and economic benefits, creating jobs around the UK.

Encouraging tourism in Britain and increasing international competitiveness

- In 2015, the World Economic Forum ranked the UK 140 out of 141 countries for price competitiveness in tourism.
- By making it cheaper for consumers to holiday in the UK, a reduction in tourism VAT would incentivise domestic and foreign tourists to choose the UK as a holiday location.

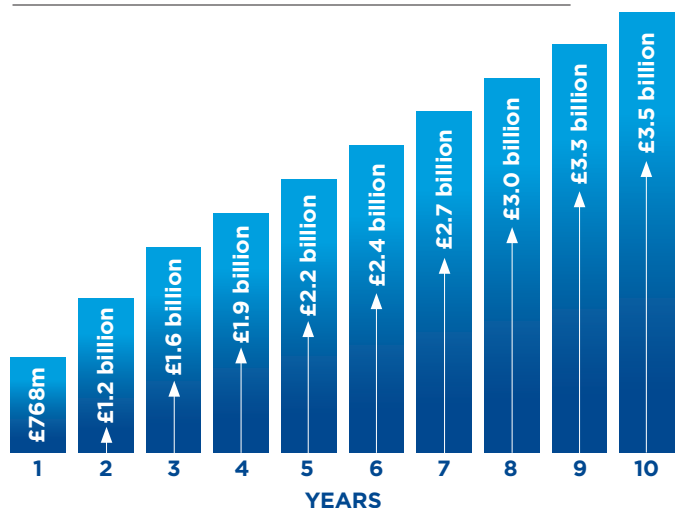
HOW WILL BREXIT AFFECT THE INDUSTRY?

- A reduction in tourism VAT could be brought into effect immediately, as there is no need for legislation at the national or EU level.
- The industry is determined to take the opportunities and respond to the challenges of Brexit. A reduction in tourism VAT could help counter the potential impact of losing the freedoms associated with membership of the European Union. These include the return of tariff barriers, immigration restriction and limited access to the Single Market.

How would a cut affect the balance of trade?

- Following a reduction in tourism VAT there would be a significant improvement in the Balance of Trade. The UK's foreign exchange earnings would increase due to the growth in the numbers of overseas visitors and reduced spending abroad by British families choosing to take holidays in the UK.

ANNUAL IMPROVEMENT IN UK BALANCE OF PAYMENTS POST-REDUCTION



- Research by Nevin Associates and Tourism Respect indicates that over a ten-year period the total improvement in the UK's balance of trade in response to a reduction in tourism VAT from 20% to 5% would be £23 billion.

TOURISM VAT IN PARLIAMENT

- The Campaign to Cut Tourism VAT has secured support from over 170 MPs from all political parties.
- Two independent parliamentary select committees have

recommended a reduction in tourism VAT with Ministers coming under sustained pressure in Parliamentary debates.

- The Campaign has support from the Welsh, Scottish and Northern Irish devolved assemblies.

WHY IS TOURISM IMPORTANT TO THE UK ECONOMY?

- Tourism and hospitality employs 14% of the UK workforce, supporting 4.5 million jobs. Of these, 2.9 million are directly employed by the hospitality industry.
- It is Britain's fourth largest industry representing 10% of gross value added to GDP, equivalent to £143 billion. This is larger than the steel, pharmaceutical and aerospace industries combined.
- From 2010-2014, the industry created one in five new jobs.
- In 2015, the UK had 36 million visits from non-residents. Travel expenditure by these non-residents visiting the UK totalled £22.07 billion, with an average spend per visit of £611.

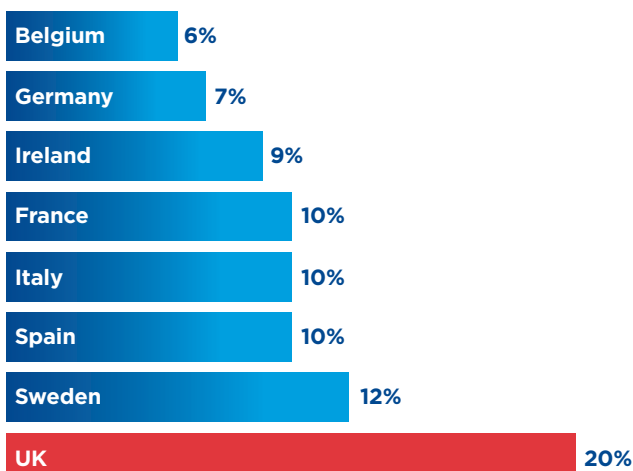
HOW WOULD IT HELP GROWTH ACROSS THE UK?

Unlike many industries, tourism benefits communities and economies from Land's End to John o' Groats and is, in many areas, a primary source of employment.

A reduction in tourism VAT would:

- Assist regions economically that have not recovered from the recession, including coastal areas where 1 in 10 jobs are dependent on the industry.
- Support 2.4 million jobs outside London.
- Support SMEs, which make up 80% of all tourism and hospitality businesses.

ACCOMMODATION VAT RATES ACROSS EUROPE



HOW WOULD A CUT WORK?

- The UK could reduce VAT for tourism immediately without any new domestic or EU legislation.
- A study using the Government's own economic model, conducted by Treasury Advisor Professor Adam Blake found that cutting tourism VAT is "one of the most efficient, if not the most efficient, means of generating GDP gains at a low cost to the Exchequer."
- A Copenhagen Economics report concluded there is "a strong tendency towards full pass-through" with 95% pass-through after three years.
- Butlin's, Merlin Entertainments and Premier Inn have pledged to pass on every penny following a reduction.
- Competition within the tourism industry will compel operators to lower prices. This will increase consumer demand thereby leading to product investment and increased employment.

THE WEATHER: ITS IMPACT ON TOURISM

- Although many have argued that British tourism suffers on account of UK's cooler climate, research by the Campaign has shown that cold and wet climates are not closely correlated with lower international tourism receipts.
- In a sample of 11 European countries, the two countries with the highest international tourism receipts per capita - Ireland and Switzerland - are among the coldest and wettest countries within the sample.

CASE STUDY - MAZZARD FARM HOLIDAY COTTAGES

Ruud Jansen Venneboer, the owner of Mazzard Farm holiday cottages, argues that the UK's high rate of tourism VAT of 20% is holding back thousands of businesses from reaching their full potential.

Under current taxation rules, once a business has a total revenue of over £82,000 (current VAT threshold) they must pay a 20% tourism VAT levy on the whole amount. These high charges can cripple small businesses as they have to be sufficiently confident they can grow exponentially to recoup the huge additional VAT burden. In practice, this means many SMEs are making the conscious decision to stay below the VAT threshold in order to save money.

Venneboer is calling on the Government to reduce tourism VAT to 5% which would remove this disincentive, and provide a boost to the large amount of SMEs in the tourism industry. A reduction would help to transform domestic tourism into a year-round industry, encouraging SMEs to hire more staff which in turn will increase the revenue for the Exchequer.

The Campaign for Reduced Tourism VAT is led by:

