



#### Campaign for Reduced Tourism VAT

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## **Consultation Response: Balance of competences review - Culture, tourism and sport**

### **About the Campaign**

The Cut Tourism VAT Campaign is led by the British Hospitality Association, Bourne Leisure Group, Merlin Entertainments Group, and the British Association of Leisure Parks, Piers and Attractions (BALPPA). The Campaign was established in 2011 and now enlists the support of over 500 businesses and organisations across the United Kingdom.<sup>1</sup>

### **Response to consultation**

The Campaign welcomes European Union rules allowing Member States to apply reduced VAT rates for their tourism sectors (accommodation, attractions, restaurants and catering).

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

It is unfortunate and to the significant detriment of the UK Tourism industry and wider economy that the British Government does not take advantage of a reduced rate for the sector. The UK is one of only four Member States (alongside Denmark, Slovakia and Lithuania) not to have a reduced rate for visitor accommodation. In addition half of Member States also have a reduced rate of VAT for visitor attractions.

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<sup>1</sup> A full list of supporting organisation can be found [here](#).



The Campaign for Reduced Tourism VAT is led by:



The benefits of a reduced VAT rate for accommodation and attractions were assessed in a recent report by Professor Adam Blake (a Treasury adviser),<sup>2</sup> using the government's economic Computable General Equilibrium (CGE) model. The report concluded 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"*.

It is our recommendation that the British Government take advantage of its current power to reduce tourism VAT to help the sector compete against other EU destinations.

Yours faithfully,

Graham Wason  
Chairman  
Cut Tourism VAT

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<sup>2</sup> [The Impact of Reduced VAT Rates on British Visitor Accommodation, Attractions and the Wider Economy](#) (December 2012)