



OUR OBJECTIVE:

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

This will deliver a number of benefits to consumers, the Exchequer and the economy:

Greater tax revenue

- Over time, more tax will be raised by the Exchequer – £3.9 billion over 10 years.
- Greater spending and growth in tourism and the wider UK economy will boost UK GDP by up to £4 billion per year.

Increased exports:

- Tourism is the UK's sixth largest export earner - greater spending and competitiveness in UK tourism will further strengthen this.
- It will halt the long term decline in UK tourism's balance of payments.

Stronger regional growth and investment

- It will increase the competitiveness of regions that rely heavily on tourism.
- It will generate more investment in regional businesses and support wider regeneration in areas reliant on tourism.

Higher employment

- It will create over 123,000 new jobs.
- Jobs will be created for young and low skilled workers.

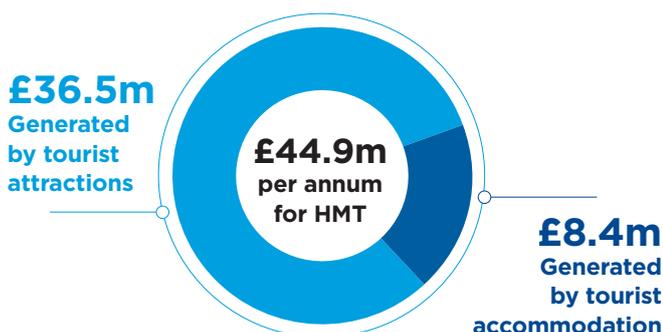
Lower and fairer prices for consumers:

- It will be fairer and cheaper for consumers holidaying in the UK.
- It will help low earners who are disproportionately affected by VAT.

Encouraging tourism in Britain and increasing international competitiveness

- It will incentivise domestic tourists to choose Britain for holidays.
- It will increase the attractiveness of the UK globally, where it is currently ranked 138 out of 140 countries for price competitiveness in tourism.

TREASURY GAINS FROM A TOURISM VAT RATE REDUCTION OF 15 POINTS



Based on figures in Nevin Associates May 2014 Report.

WHY DOES THE TOURISM SECTOR NEED A VAT CUT?

The recession, a weak UK pound and one-off events such as the Olympics and Diamond Jubilee have boosted UK tourism during the last five years, but the effect of these will not continue. An improving economy and a stronger pound are leading to more Brits holidaying abroad, and discouraging visitors from coming to the UK.

Domestic trips within Britain fell by 3 million in 2013. A VAT cut would increase the competitiveness of the UK tourism industry, by reducing prices for both international and domestic visitors, and bring long-term economic benefit to the UK.

WHAT DOES TOURISM CURRENTLY BRING TO THE UK?

The tourism industries are a major component of the overall economy. Currently tourism is the fourth largest service industry and generates economic growth, wealth and employment around the UK.

- Tourism employs an estimated 9.6% of the UK workforce (3.1 million people).
- It generates 9.0% of the UK's entire GDP and contributed £127 billion to the economy in 2013.

WHAT ARE THE BENEFITS TO THE UK?

A cut in tourism VAT will bring with it a number of economic benefits through the lowering of prices, increased investment and the ensuing rise in domestic and international tourism. These include:

- **Job creation:** 80,000 jobs over three years and more than 120,000 jobs after 10 years.
- **GDP gains:** peaking at £4 billion in annual GDP gains.
- **Supporting a major export:** Tourism is currently the UK's sixth largest export, bringing in £24 billion annually.
- **Halting the tourism balance of payments decline:** By encouraging more domestic and international tourists to choose to holiday in Britain.

WHAT ARE THE BENEFITS FOR CONSUMERS?

Alongside these wider economic benefits, cutting tourism VAT will result in:

- **Fairer prices:** The addition of VAT disproportionately hits those on lower incomes.
- **Lower prices:** Lower prices will stimulate higher spending and employment in UK tourism from an increase in overseas visitors and domestic tourists.
- **Higher footfall and growth in supporting industries:** For every £1 spent in the tourism sector, 70p will be spent in the wider economy.
- **More youth and regional employment:** Many jobs created would be for the young and unskilled and in areas with low employment rates.



- Increasing exports – by attracting more international visitors.
- Higher levels of corporation tax – gained though increased business.
- Greater numbers of visitors spending money – in associated areas of the economy.
- Indirect benefits and growth – for instance in construction and retail sectors.
- Reducing the size of the shadow economy, by encouraging small businesses to register for VAT.

CREATING GROWTH ACROSS THE UK

Unlike many industries, tourism benefits communities and economies around the UK and is, in many areas, a primary source of employment. In 2013, 6 out of 8 UK regions outside of London saw a reduction in domestic visitor numbers. A cut in tourism VAT would:

- Increase the competitiveness of regional tourism hotspots.
- Assist regions economically that have not recovered from the recession.
- Support the 2.4 million tourism jobs outside of London.

HOW THE CUT WOULD WORK

The UK could reduce VAT for tourism immediately without any new domestic or EU legislation.

- Tourism is highly competitive and price sensitive, both within the UK and in an international context. Competition will compel all operators to lower prices and increase internal investment and employment – which will increase the size and contribution of the sector.
- Two independent reports in 2011 and 2014 have demonstrated that cutting tourism VAT would result in a long-term fiscal and economic gain to the UK.
- A study using the government’s own economic model conducted by Treasury Advisor Professor Adam Blake reached the same conclusion, adding that cutting tourism VAT is “one of the most efficient, if not the most efficient, means of generating GDP gains at low cost to the Exchequer”.

BENEFITS TO THE TREASURY

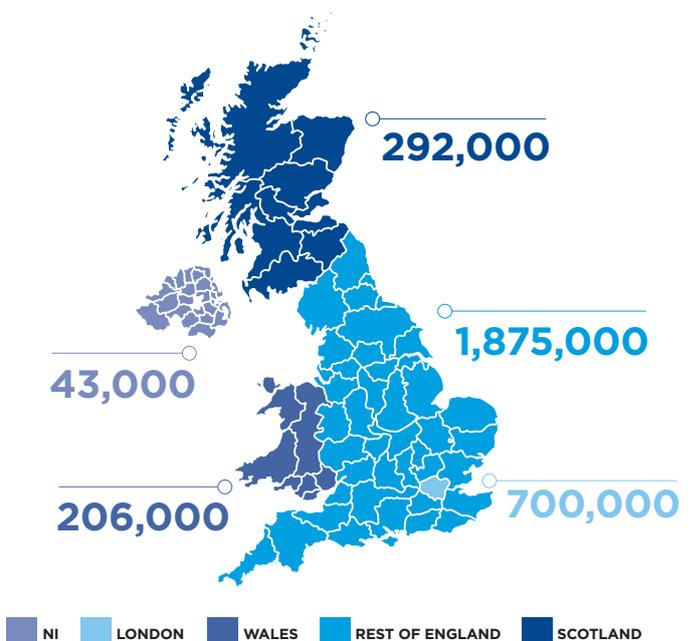
A VAT reduction is a risk free way for the government to invest in the country’s future by incentivising tourists to choose to holiday in Britain. A cut, despite an initial loss of revenue, would deliver an additional £3.9 billion over 10 years (at today’s values) for the Exchequer through:

UK TOURISM IN AN INTERNATIONAL CONTEXT

The current 20% rate undermines the UK’s ability to compete against other countries with lower rates of VAT.

- The UK is ranked 138th out of 140 countries for price competitiveness globally.
- The British accommodation VAT rate is almost double the European average at 10.8%, and a third higher than the current average of 15.7% on tourist attractions.
- Of the 28 European member states, only the UK, Slovakia, Lithuania and Denmark do not have at least one reduced rate of VAT for tourism. Lithuania will reduce tourism VAT in 2015.

NUMBER OF TOURISM ECONOMY JOBS



Based on figures in VisitBritain’s 2013 Report

The Campaign for Reduced Tourism VAT is led by:

