

28 January 2016

## **British Hospitality Association Budget 2016 Representations**

The British Hospitality Association is the forum for leading businesses in the UK hospitality and tourism industry. We serve and represent some 40,000 private sector establishments. Working together with industry and government, we aim to deliver three goals: competitive advantage for our country, sustainable growth for our industry, and valuable new jobs for our people.

The hospitality industry employed 2.92 million people in 2014 against 2.59 million four years earlier, a major achievement of which our members are proud and a level of growth which, with proper support, could continue.

Because of this, it is important that government recognises that, in many areas such as rural and coastal regions, our industry is the most significant economic actor. Government policies impact on our industry, the fourth largest in the UK, in numerous ways from Excise Duty to employment taxes.

The Treasury will be well aware of the case we have made for a reduction to 5 per cent in the rate of Value Added Tax on visitor accommodation and attractions, which, on calculations from the Treasury's own model, would produce a net surplus for the Exchequer over 10 years of £3.9 billion, along with a £20 billion improvement in the UK's balance of payments, along with 123,000 additional jobs. Budget 2016 provides an opportunity to make this long needed move.

More generally and of particular concern, the Treasury also needs to be aware of the implications for our industry of the announcement of the National Living Wage in the 2015 Summer Budget. The lack of any consultation and the decision to cut across the work of the Low Pay Commission has left hospitality employers facing major and totally unexpected cost increases every year through to 2020. Reductions in employment levels are inevitable unless you recognise the need to reduce the impact. Initial estimates by the Resolution Foundation are that the hospitality industry payroll bill could rise by £1 billion a year by 2020.

In the light of the above, we would therefore propose that Budget 2016 should include measures to reduce Employers' National Insurance Contributions, preferably by raising the lower earnings threshold.

In addition, the impact of the proposed Apprenticeship Levy is hard to assess while details are awaited, but our larger businesses have serious concerns about its net cost added to that of the National Living Wage. A delay in the introduction of the Levy would be helpful in reducing the total impact.

Another measure we have recommended over several years to help smaller hospitality businesses and which could now help some of those affected by the National Living Wage would be to allow hotels again to benefit from the Enterprise Investment Scheme, from which they were excluded in 1998. The Treasury response to us in the past has been that the exclusion of hotels from EIS reflected the "lower risk" of investing in them. This is simply not the case: investing in hotels is risky

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(over a quarter of hotel sales as recently as 2012 were of distressed properties) and allowing private equity back into hotels could make a useful contribution to helping smaller operators to bring their properties up to date.

We hope that the Chancellor will feel able to introduce the package of measures we have recommended- on VAT, National Insurance, the Apprenticeship Levy, and the Enterprise Investment Scheme- to allow the hospitality industry to continue to make a major contribution to the government's employment objectives.

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