

9% VAT for Hospitality and Tourism Sector - Budget 2018

Current Scenario

This VAT rate was reduced in Budget 2011 from 13.5% to 9% to give a much needed boost to the hospitality and tourism sector during the financial crisis. Over 30,000 jobs have been created in this sector since 2011 with the sector accounting for 7% of total employment in the economy.¹ Employment in the tourism and hospitality sector has a particular regional importance, providing much needed employment in rural Ireland. It is important to protect and maintain this regional and rural jobs. The reduction in the VAT rate has improved the competitiveness of this sector.

The importance of the 9% VAT rate has increased in light of Brexit and the challenges that this imposes on the Irish tourism sector. In a recent survey the Irish Chamber Network has identified the potential negative impacts on tourism as a top three concern ahead of Brexit. Brexit will impact tourism through currency volatility and potential reduction in visitor numbers from the UK. Recent reports from [Dublin Airport highlighted](#) that numbers of British people travelling to the State's biggest airports has dropped significantly in recent months. Official figures quoted are that the 42% of tourists to Ireland and 44% of business travellers to the Republic are from Britain.

There was recent media speculation that this rate may increase in Budget 2018 due to generate revenue however, the Irish Times reported (20 July 2017) that [Minister Donohoe indicated that the rate will stay in place](#) in Budget 2018 due to impact of Brexit.

What do we propose?

The Chambers Ireland Pre Budget 2018 Submission recommends that Government:

- Retain the 9% VAT rate for the hospitality and tourism sector as an important support to help combat Brexit challenges.
- Now is not the time to increase this VAT rate which provides a crucial support to regional and rural employment in the hospitality sector.

¹ Restaurant Association of Ireland claimed that the reduction in the VAT cannot be claimed as the only factor driving employment in the sector but it has made a significant contribution and has had a very positive impact on the competitiveness of the tourism product in Ireland – <http://www.rai.ie/key-issues/>

How will this benefit the economy?

In a time of great uncertainty for the tourism sector, the retention of the 9% VAT rate can help ease concerns and give a degree of certainty to businesses operating in the tourism and hospitality sector so that they can plan ahead for 2018.

This VAT rate will continue to provide an important support for the rural economy where in certain locations employment can be dependent on the success of the tourism and hospitality. Retaining the 9% VAT rate will help to maintain the cost competitiveness of businesses operating in this sector.

The 9% VAT rate also helps Ireland international competitiveness rankings as it is one area of taxation where we show a competitive advantage to many countries in the EU.

Summary- What we're asking for

What we are asking for is very concise and clear: Budget 2018 is not the appropriate time to consider any increases to the 9% VAT rate on the hospitality and tourism sector. The 9% VAT rate must be retained.