

# GERMAN HOSPITALITY INDUSTRY: LOWER VAT RESULTS IN NO CHANGE OF HOTEL ROOM PRICES



Lower VAT for German hotels does not lead to lower prices. Hoteliers rather choose to invest money in their businesses.

Since January 2010 German hotels are taxed with lower VAT which was reduced from 19% to 7%. It was expected that decreased VAT might lead to lower prices of hotel rooms. So far however the new regulation has not affected the prices considerably. **The hoteliers rather prefer to use the extra money for further investment in the business**, reported Htr.ch.

In the 3-5 star hotel industry the prices decreased by 8 % last year. Although several hotels reduced their prices recently, the changes usually amount to about 5 %. The hotels often invest the money in staff training, hardware or wages. The 200 German Best Western Hotels for example, have put together a 50-million-euro investment package. Many other hotels and hotel chains are still deciding how to invest the tax gift.

**According to the spokeswoman of the Federal Association of German Hotels and Restaurants, Stefanie Heckel the effects of the new tax system will be evident only in several months.** "The hotels and hotel chains need more time," she said.

Nevertheless, increased competition for the German hospitality industry from Swiss providers is expected for 2010 especially with respect to meetings and conventions industry. The competitive pressure that might affect the hotel prices is likely to be stronger especially in border regions.

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