

UK TOURISM COMPANIES PRAISE THE VAT REDUCTION



Following Germany, Cyprus and Italy, Great Britain announced a VAT reduction from 20% to 5% for all tourist attractions, accommodation, and restaurants, in an effort that will, according to the government, significantly reduce unemployment and facilitate restarting the economy.

Chancellor of the Exchequer Rishi Sunak said the government will spend £30 billion to cut taxes in order to prevent unemployment from destroying the economy, having controlled the coronavirus outbreak and provisionally having returned life to normal in the country.

Thanks to this effort, during August, **all restaurants in the country will have a 50% discount on meals, with the difference at the expense of the Government.**

But the star measure is the 75% cut, reducing the VAT from 20% to 5%, unlike in Spain, where the Government considers that the tax rate for the hospitality and tourism industry shouldn't be changed at all. The measure applies to hotels for all services and to tourist attractions. Although it has never been addressed publicly, since many companies make a living from tourism abroad, in a way, the measure is promoting that the British spend the holidays at home this year, avoiding the massive outflow of foreign currency as in other years.

The chancellor said that there are "difficult times ahead" and "we must try to support the economy" and UK tourism. The UK tourism industry suffered a real blow due to the COVID-19 crisis, and it may not regain consumer trust given the various safety concerns. According to the latest data, domestic travel is set to drop by 22% this year, going from 122.2 million travelers in 2019 to 95 million in 2020.

The VAT reduction will last for 9 months. **However, the temporary employment regulation system ends in October, so companies will have to cover payroll again.** The stimulation of the tax cut is precisely intended to prevent employees from continuing to collect unemployment insurance relief from the government in their homes and, instead, to recover normalcy. While some companies will recover, most will not survive the ongoing crisis.

In an effort to regain trust in establishments that have the necessary health and safety measures to open up to the public, private and public sectors and organizations around the world are launching security accreditation schemes for tourist companies and businesses.

These schemes will directly address the sudden change in consumer demand for establishments with higher levels of hygiene and sanitation, especially hotels and other forms of accommodation.

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