
TourismAlliance

the voice of tourism

DECEMBER 2010 NEWSLETTER

Time to Review VAT

In recent conversations with MPs and Ministers it has become apparent that while the Government has a plan for reducing the deficit and restoring the public finances, there is little in the way of a plan to provide actual growth. It is this prioritization – get the finances sorted and worry about growth later – that helps explain the cuts that are being experienced by sectors of the economy such as tourism which actually generate revenue for the Exchequer.

And while one must have a certain sympathy for this approach considering the economic circumstances, the Government needs to start looking forward 2-3 years to when the economy is in a more stable position and determine where the best return can be gained from new public investment.

One of the issues that needs to be reviewed as part of this process is the VAT rate on tourism products and services. While many European countries such as France and Germany have reduced their rates on accommodation or restaurants over the past two years in order to stimulate the economy and boost employment, VAT in the UK is set to rise to 20%. This further exacerbates the uncompetitive position of UK businesses.

A very good example of what can be achieved by lowering VAT comes from France, where VAT on restaurants was lowered from 19.6% to 5.5% 15 months ago. The French Government has recently reported on the impact of this move – and the results so far are impressive. While the French Government has forgone 2.6bn euros per annum as a result of decreasing the VAT rate, 28,200 new jobs have been created in the restaurant industry and sales have increase 4.3% on the back of prices for meals decreasing by 2.1% to date.

In addition, wages for workers have increased and employment turnover in the industry has decreased as a result. Also, the level of VAT avoidance in the restaurant industry has decreased by two thirds as operators realise that it is no longer worth the risk. Overall, it has been calculated that these benefits mean that the net cost to the Government of this move has been 1.3bn euros.

Importantly, the changes in behaviour associated with lowering VAT have not yet fully worked their way through the economy. Projections based in the latest data predict that in two more years, prices will have decreased by 5.8%, employment will have increased by 100,000 jobs and the Government will be fully recovering the cost of reducing VAT.

Because it takes three years for a change in VAT rates to fully work its way through an economy, if the UK Government is serious about creating future growth, we needs to start work now on modelling the impact of VAT deductions so that, if they are found to produce similar benefits for the UK economy, they can be introduced as soon as the recover starts.

Regards



Kurt Janson
Policy Director

The Government has published its response to the FHL consultation. Overall, the outcome is much in line with what the Tourism Alliance has been advocating and some concessions have been made to allow businesses more time to achieve the higher thresholds and to prevent capital allowance disposal events being triggered if a business dips below the threshold levels for single years. Unfortunately, there has been no movement on the issue of sideways loss relief which will create a significant barrier to new entrants to the industry. A meeting to discuss this further has been arranged with the Treasury.

The main outcomes are that the Government has decided to;

- to proceed with proposals for restriction of loss relief;
- to proceed with proposals for an availability threshold of 210 days and an occupancy threshold of 105 days;
- to retain the current treatment of capital allowances and capital gains tax reliefs;
- to highlight that all properties within a business can qualify where on average they meet the occupancy threshold;
- to delay the introduction of the revised thresholds until April 2012; (but loss relief changes will apply from April 2011)
- to reduce uncertainty and complexity by allowing businesses which meet the revised occupancy threshold in one year to elect to be treated as having met it in the two following years, providing certain criteria are met.

Importantly, the Treasury has agreed to form a Working group with the Tourism Alliance to develop the guidance to accompany the new rules.

[Click Here](#) of the copy of the Government's response to submissions

REGIONAL VALUE OF COACH INDUSTRY

The Confederation for Passenger transport has launched a new publication that highlights the value of the coach industry to the UK economy. Often overlooked coach tourism is worth £2.35 billion and could be worth even more if local authorities put further investment into improving practices and facilities.

Of particular interest to Tourism Alliance members, the report, *Britain's Coaches: Delivering Prosperity to You*, gives a region by region break-down of the economic benefits and showcases best practice at both the national and local government level, including what can be done by urban planning institutions, tourism organisations, and individual businesses to increase the already substantial benefits that can be derived through encouraging the growth of the coach tourism sector.

[Click Here](#) for a copy of the publication

URGENT ACTION REQUIRED ON SUBNATIONAL TOURISM

The Tourism Alliance has been busy briefing the Minister, the Secretary of State, Don Foster, Mark Prisk and Vince Cable over concerns that the speed at which RDA activities are being terminated and the constraints that have been placed on RDAs prior to their closing is making it impossible to coherently transfer important functions and programmes to other organisations.

It has been pointed out that unless immediate action is taken to ensure the coherent transition of tourism assets and responsibilities, it is likely that the launch of the Government's new National Tourism Strategy in January will coincide with a wave of failures among the very organisations that must achieve the new national tourism targets or facilitate the transfer of responsibilities to others to do so.

The Alliance has asked that your BIS and DCLG work with DCMS and VisitEngland to implement an "asset protection and continuity programme" to ensure that the wind-up of the RDAs is done in a way that does not fundamentally damage the tourism industry in England.

The Tourism Alliance has also been writing to Vince Cable and Boris Johnson to ask that the current situation whereby Visit London's funding will end on 31st March 2011 is quickly resolved with Visit London retained as a separate, distinct and strong tourism marketing and development organisation for London rather than a small unit within a larger inward investment agency. With the Royal Wedding, the 2012 Olympics and the Diamond Jubilee occurring within the next two years, not having a adequately resourced tourism board for London would be to squander the tourism potential of these events.

FURTHER REGULATORY BURDEN FOR LICENSING

The Tourism Alliance met with the Home Office to discuss the Government's response to the consultation on *Rebalancing the Licensing Act* prior to its public release.

The good news is that some of the more restrictive and damaging of the proposals in the discussion document have been dropped or postponed for further policy development and consultation. Among the proposals dropped are the intention to reduce the number of TENs that can be applied for, the proposal to prevent more than one TEN being used at the same location and the intention that applicants for licenses take into account the impact that their business will have on public health and

The Home Office has also postponed proposals to introduce minimum pricing for alcohol.

However, there are a larger number of restrictions that will proceed. These include allowing councils to charge full cost recovery on licenses, lowering the evidential test for licensing authorities when making licensing decisions, allowing people or organisations to make representations against license applications regardless of where they live, designating Primary Care Trusts as responsible authorities when considering applications and requiring applicants to provide contextual information on issues such as the local area's social-demographic characteristics, specific local crime and disorder issues and an awareness of the local environment.

One of the most disappointing proposals to proceed is the ability of licensing authorities to impose a late-night levy to pay for policing the night-time economy. This levy will be placed on all properties with a late license in an area that is deemed to require additional policing regardless of whether the business is contributing to the problem. For example, hotels with a late license to serve guest will be charged for the policing of nightclubs.

[Click Here](#) for a copy of the Government's response

PROGRESS WITH UKBA

At a recent meeting with UKBA officials it seems that progress is being made on ways of making the gaining visas easier for overseas visitors. While visa forms themselves are not going to be translated into foreign languages as the Tourism Alliance has been advocating, UKBA will however

be translating the guidance the accompanies the application form into 15 different languages which will help non-english speaking customers at least know what information is required for each of the boxes on the application form. This new guidance should be introduced before Xmas.

One of the main points that has been advocating recently is that UKBA should share biometric processing data with other countries so that a customer undertaking a European trip would only have to visit a biometric centre once to apply for both a UK and a Schengen visa. It seems that progress is being made on this with a UKBA undertaking an information sharing trial with Australia in two countries including Bangladesh (although the number of Bangladeshis visiting both Australia and Uk is expected to be rather low).

Also, the UK Border Agency has launched a new website which provides information on the processing time for visa applications at each of its overseas processing centres. The information is also split between the various types of visas that are being applied for and gives the total number of visas being processed at each of the centres.

[Click Here](#) to link to the visa processing times section of the UKBA website

NEW TOURISM ALLIANCE MEMBERS

As the year ends the Tourism Alliance has gained two further members – the Mersey Partnership and the Resort Development Organisation UK.

The Mersey Partnership has been central to the regeneration of the Liverpool region with a remit for stimulating economic development, attracting inward investment and increasing tourism. As the Regional Tourist Board, The Mersey Partnership responsible for marketing the Liverpool City Region as a tourist and conference destination, working closely with the region's districts to promote those areas and their attractions as destinations in their own right.

RDO UK is the UK branch of Brussels based Resort Development Organisation, the pan European trade body for the timeshare and fractional ownership industries. It was created in 1998 to promote fair trading and growth within these industries and to encourage the highest service standards amongst its members. In addition to Belgium and the UK, it also has offices in Madrid and is represented through its member chapters in Finland, Sweden, Hungary, Portugal and Cyprus.”

THE TOURISM ALLIANCE

The Tourism Alliance is the Voice of the Tourism Industry.

Established in 2001 with the support of the Secretary of State for Culture, Media and Sport, the Tourism Alliance comprises 50 Tourism Industry Organisations that together represent some 200,000 businesses of all sizes throughout the UK.

The purpose of the Tourism Alliance is to identify and develop policies and strategies to raise standards and promote quality within the industry and work with and lobby government on all key issues relevant to the growth and development of tourism and its contribution to the economy.

Registered Office Details:
The Tourism Alliance Limited
6 Pullman Court, Great Western Road, Gloucester, GL1 3ND.
Company No: 05106422

Chairman: Ken Robinson CBE
President: Richard Lambert
Policy Director: Kurt Janson
E: kurt.janson@tourismalliance.com
T: 020 7395 8246 Fax: 020 7395 8178 M: 07964428123
W: www.tourismalliance.com
Centre Point, 103 New Oxford Street, London, WC1A 1DU