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Press Release

European Ruling Set to Damage UK Tourism Industry

The UK tourism industry is currently one of the main drivers of growth in the UK economy with tourism receipts for 2013 expected to show an 11% increase when the final figures are released next month. This additional £2bn is sufficient to have created 40,000 new jobs.

Yet a recent European Court of Justice ruling is now set to damage this growth and force British companies to relocate overseas. The ruling states that Business-to-Business sales of tourism packages are now subject to a form of taxation known as TOMS (the Tour Operators Margin Scheme) whereby companies are taxed on their gross margin.

The impact of this will be to increase the prices that UK and overseas visitors pay for a holiday in the UK.

However, this tax will not apply to overseas companies that sell UK holidays. Therefore, the only way that British travel companies will be able to survive is to relocate overseas, taking jobs and growth out of the UK economy.

Tourism Alliance Chairman, Ufi Ibrahim, stated, "The best people to sell Britain are the British. So the UK government must do everything it can to ensure UK companies are at least as competitive as everybody else. Failure to do so will destroy British jobs and damage the economy. The current contribution of tourism is £127bn in GDP and 9.6% of total employment. ONS figures show that tourism growth has created a third of all new jobs in the UK over the past three years and this success is not something that we should jeopardise".

Two years ago HMRC introduced a new concession whereby UK businesses could reclaim all their VAT if they sold their package to another business outside the UK. It dramatically increased competitiveness, placing UK tourism on the same footing as manufacturing and financial services.

"In the last two years, selling Britain has finally become an attractive proposition" said Tom Jenkins of the European Tour Operators Association, which represents a number of UK based wholesalers. "But this position is being directly threatened by the ruling from the ECJ. Not only does it tax our tourism exports, but – in levying charges on the margin – it taxes the process of selling Britain to the world."

Andrew Grieve, Managing Director, Discover Travel & Tours added: "Operating in the UK (and Europe) will not be competitive and we will grow our investment in our US office and migrate our business outside the EU. We cannot operate and compete successfully in a global marketplace under an uncompetitive tax regime.

"The important point is that this tax urgently needs to be reformed," said Karin Urban, Treasurer of UKInbound. "TOMS has for years taxed the UK's tourism exports, whilst giving tax free treatment to UK citizens travelling abroad. What this ruling has done is impose this regime on business to business transactions. Thus what has become clear is that reform is more pressing than ever. And so it is vital that the government draws up a reform schedule, and delays any implementation of the ruling from the ECJ. "

As the European ruling will make operating a UK travel company uneconomic, the UK tourism Industry is asking the Government to urgently review the tax structure for this industry to prevent significant damage to an otherwise thriving sector.

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Notes to Editors

- The Tourism Alliance is the Voice of the UK Tourism Industry. It was established in 2001 with the support of the Secretary of State for Culture, Media and Sport and comprises almost 50 Tourism Industry Associations that together represent 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 key issues relevant to the growth and development of tourism.
- Tourism is the sixth largest industry in Britain. It generates £134bn p.a. for the UK economy (8.9% of GDP) and directly supports 2.7m jobs (9% of the total workforce) and is the UK's third largest export earner.
- For further details on the Tourism Alliance and its policy objectives, visit the website, www.tourismalliance.com

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