itic
In association with BDO

9 reasons why 9% matters

The Irish Tourism Industry Confederation (ITIC) represents the leading tourism interests throughout the country. Tourism is at a key juncture with certain markets performing solidly but with a sharp decline in Ireland's largest source market, that of Great Britain. This is direct result of the impact of Brexit, consumer uncertainty, and sterling's devaluation. In that context, decisions taken in Budget 2018 will be vital and in particular the need to retain the current 9% tourism VAT rate. ITIC has worked with BDO, one of Ireland's leading advisory firms, to define 9 reasons to retain the 9%:

Employment

The introduction of the 9% VAT rate in 2011 has, according to the Central Statistics Office & Fáilte Ireland, helped the tourism sector create an additional 57,000 jobs nationwide as a result of the increase in international visitors to Ireland. The tourism economy has improved significantly with the support of successful Government policies such as the tourism VAT rate.

Regionality

Tourism supports jobs nationwide - it is the only industry that can provide jobs in all parts of the country. The majority of the jobs created by the tourism industry nationwide since 2011, have been outside Dublin. Tourism is vital for regional balance and growth, and the VAT rate is a critical component of regional success.

Competitiveness

The tourism VAT rate is right-sized for Ireland; 16 out of 19 eurozone countries have tourism VAT rates of 10% or less, therefore Ireland is competitive. Any change to Ireland's tourism VAT rate would consciously damage our competitiveness at a critical time for the industry.

Growth

Tourism is an export industry, bringing in much needed overseas earnings from international visitors to our shores. Spending by international visitors when in Ireland last year was €4.6bn - this is good for the national economy, regional balance, and for jobs. Let's not jeopardise it.

Revenue

Fáilte Ireland estimate that for every €1 of tourist expenditure, 23c is generated in tax revenue for the exchequer. This means that since the introduction of the 9% tax VAT rate, the value of direct tourism related tax receipts to the exchequer has increased from €1.265bn in 2011 to €1.911bn in 2016. This is an additional €646m in 2016 than in 2011. Increasing the VAT rate runs the real risk of dampening demand.

Cost of Business

The National Competitiveness Council report has stated that Ireland is an expensive location to run a business with regards to labour, property, energy, water, waste, communications and business services. From a tourism perspective, and what is a largely open-sector, retaining competitiveness is key to continued growth. In that regard, the tourism VAT rate must be retained.

Brexit

41% of all international visitors that come to Ireland do so from Britain which is Ireland's largest source market. Visitors from Britain are down 7% year to date and the Brexit effect is estimated to cost Irish tourism at least €100m in 2017. Such a period of uncertainty demands stability and competitiveness and the retention of the tourism VAT rate is critical.

Value for Money

There have been significant improvements in the Value for Money (VFM) rating as measured by Fáilte Ireland of the Irish tourism product in recent years. This improvement in VFM has been largely brought about by an agile, competitive tourism industry and the reduction in the VAT rate. Any change in the VAT rate would add cost to the system and damage Ireland's value rating.

Programme for Govt.

A commitment to retain tourism's 9% VAT rate was included within the Programme for a Partnership Government which was agreed by the Government and main opposition party. Tourism is Ireland's largest indigenous sectoral employer – providing 1 in 9 jobs nationally both in urban and rural areas – and it cannot be taken for granted.

"The majority of the 57,000 jobs created by the tourism industry nationwide since 2011 have been outside Dublin and in the regions".

9 VAT %

Impact of total job creation in tourism Q2 2011 to Q1 2017 (ITIC estimates derived from CSO and Fáilte Ireland data)

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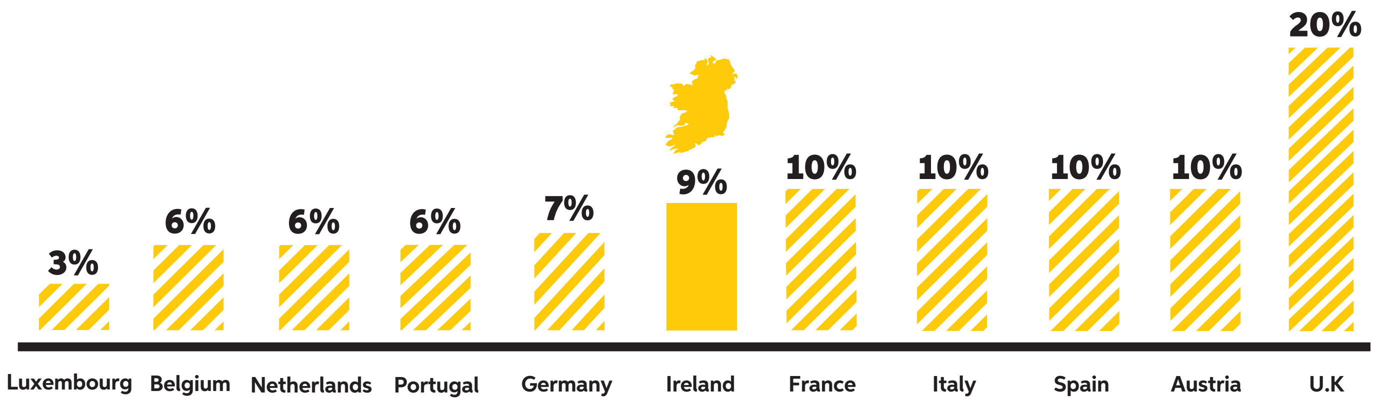
Regions	Q2 2011	Q1 2017	Jobs Growth
Border (Cavan, Donegal, Leitrim, Monaghan, Sligo, Louth)	18,900	25,800	6,900
Midland (Laois, Longford, Offaly, Westmeath)	11,100	11,550	450
West (Galway, Roscommon, Mayo)	17,700	23,700	6,000
Dublin (City and County)	43,350	70,650	27,300
Mid-East (Kildare, Meath, Wicklow)	17,850	20,850	3,000
Mid-West (Clare, Limerick, Tipperary North)	15,600	18,150	2,550
South-East (Carlow, Kilkenny, Tipperary South, Waterford, Wexford)	17,400	23,100	5,700
South-West (Cork, Kerry)	29,700	34,800	5,100
Total Tourism Jobs	**171,600**	**228,600**	**57,000**

EU VAT Rates on Tourism Services

The Tourism VAT rate is right-sized for Ireland; 16 of the 19 Eurozone countries have VAT rates of 10% or lower.

* How Ireland compares



ABOUT ITIC

The Irish Tourism Industry Confederation (ITIC) represents the leading tourism interests and businesses throughout Ireland. Through independent research, analysis and interpretation ITIC aims to help the tourism sector realise its full potential.

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Irish Hotels Federation
Jameson Visitor Centres
Office of Public Works
Restaurants Association of Ireland
Shannon Group plc
Stena Line
Tourism Ireland (Associate Member)
Vintners' Federation of Ireland

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