itic

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 potential future growth in jobs and regional development predicated on appropriate Government policies. In that context, decisions taken in Budget 2019 will be vital and in particular the need to retain the current 9% tourism VAT rate. ITIC has developed an industry strategy which identifies significant growth opportunities for the sector into the future. A key enabling factor is the maintenance of the pro-enterprise, pro-competitiveness 9% tourism VAT rate and here are 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 79,100 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. 68% 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 with the sector seriously exposed to Brexit.

Growth

Tourism is an export industry, bringing in much needed overseas earnings from international visitors to our shores. ITIC's *Tourism: An Industry Strategy for Growth to 2025* makes the case that overseas earnings from tourism can increase by as much as 65% by 2025 but only if the right policies are pursued. One of those key enabling policies is the 9% tourism VAT rate.

Exchequer Revenue

The 9% tourism VAT rate has been unambiguously positive for the Irish exchequer. In the first full year of the 9% rate (2012) VAT income to the exchequer was €630 million. In 2018 the Revenue Commissioners own figures anticipate that this will have grown to a remarkable €1.04 billion. There is a strong net income to the exchequer from the 9% VAT rate – increasing the rate runs the real risk of dampening demand.

Cost of Business

The National Competitiveness Council latest report has confirmed 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

Irish tourism is uniquely exposed to Brexit with 39% of all international visitors coming from Britain. It is estimated that a hard Brexit will cost Irish tourism €260 million in its immediate aftermath with an impact on aviation, tourism demand, and cross border movements. Such a period of uncertainty demands stability and the retention of the tourism VAT rate is critical.

Value for Money

Since the introduction of the tourism VAT rate in 2011 there has been considerable improvements in Ireland's Value for Money (VFM) rating as measured by Fáilte Ireland. This rating though is under pressure and it is vital that the industry remains competitive. Any change in the VAT rate at this time would add cost to the system and weaken Ireland's value rating.

Investor Certainty

Room rates particular in Dublin have risen in recent times from an artificially low base during the economic crash. This is a result of growing demand far outstripping static supply. Thankfully, according to CBRE, over 6,000 new hotel bedrooms will be constructed in the next few years with new hotels and extensions. This will moderate price increases and ensure consumer value remains. However development decisions can't be taken for granted and the 9% VAT rate is a key factor in investment decisions. Let's not jeopardise new developments.

"The majority of the 79,100 jobs created by the tourism industry nationwide since 2011 have been outside Dublin and in the regions".

Impact of total job creation in tourism Q1 2011 to Q1 2018 (ITIC estimates derived from CSO and Fáilte Ireland data)

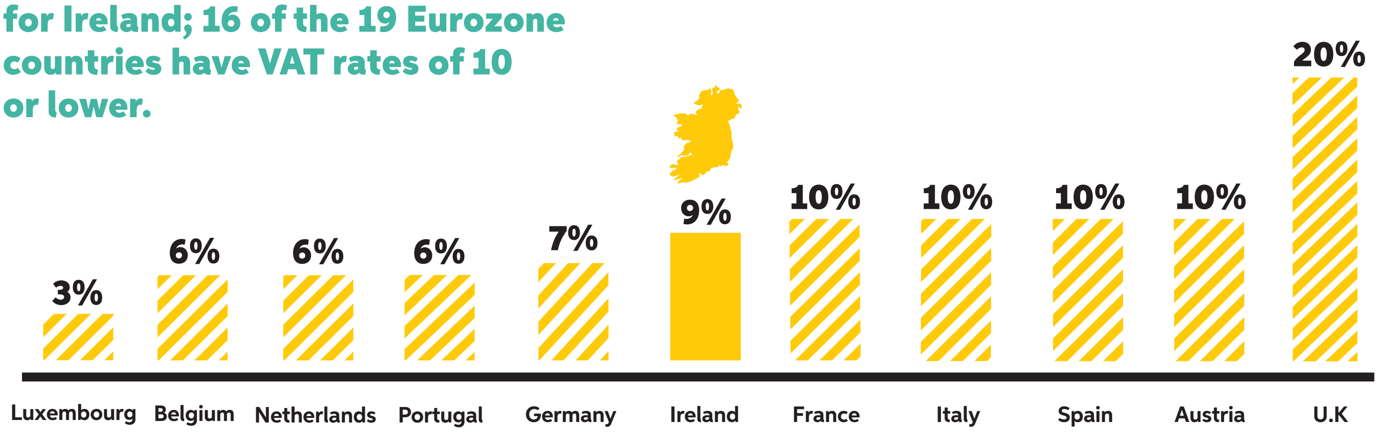
Regions	Q1 2011	Q1 2018	% Growth	New Jobs
Dublin *(City and County)*	40,040	76,160	90%	36,120
Mid East *(Kildare, Meath, Wicklow)*	16,520	27,860	69%	11,340
Midlands *(Laois, Longford, Offaly, Westmeath)*	7,280	11,760	62%	4,480
South East *(Carlow, Kilkenny, Tipperary South, Waterfod, Wexford)*	16,240	19,460	20%	3,220
South West *(Cork, Kerry)*	26,180	34,300	31%	8,120
Mid-West *(Clare, Limerick, Tipperary North)*	16,100	22,960	43%	6,860
West *(Galway, Roscommon, Mayo)*	16,660	27,720	66%	11,060
Border *(Cavan, Donegal, Leitrim, Monaghan, Sligo, Louth)*	19,600	17,500	-11%	-2,100
Total	**158,620**	**237,720**	**50%**	**79,100**

Source: CSO, Fáilte Ireland, ITIC

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. The tourism sector as a whole was worth €8.7 billion to the Irish economy last year.

MEMBERS

- Aer Lingus
- AIPCO (Association of Irish Professional Conference Organisers)
- AVEA (Association of Visitor Experiences & Attractions)
- B&B Ireland
- Car Rental Council of Ireland
- CIE Tours International
- Coach Tourism & Transport Council
- Convention Centre Dublin
- Dublin Airport Authority
- Dublin Institute of Technology
- Dublin Port Company
- Emirates
- Fáilte Ireland (Associate Member)
- Guinness Storehouse
- Heritage Island
- House of Waterford Crystal
- Incoming Tour Operators Association-Ireland
- Inland Fisheries Ireland
- Ireland's Blue Book
- Irish Boat Rental Association
- Irish Caravan & Camping Council
- Irish Ferries
- Irish Heritage Trust
- Irish Hotels Federation
- Irish Self Catering 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

CONTACT

Irish Tourism Industry Confederation
Ground Floor, Unit 5,
Sandyford Office Park,
Dublin 18, D18 N7V7,
Ireland

T: +353 (0) 1 2934950
F: +353 (0) 1 2934991
E: info@itic.ie
www.itic.ie