



Date: October 9th 2018

Tourism industry body greatly disappointed by Vat increase

Regional Ireland likely to be hit hardest by tax hike

Ireland's largest indigenous industry facing serious Brexit pressures

Tuesday, October 9th 2018: The Irish Tourism Industry Confederation (ITIC) has expressed significant disappointment with Budget 2019 and particularly the decision to increase the tourism Vat rate from 9% to 13.5%.

Mr Eoghan O'Mara Walsh, CEO of ITIC, said "Budget 2019 has been very disappointing for tourism, Ireland's largest indigenous industry and biggest regional employer. The tourism Vat rate had been at the appropriate rate for the sector and hiking it by 50% as the Government has done today is a damaging blow to the industry."

Mr O'Mara Walsh commented that keeping the 9% tourism Vat rate had been a key pledge within the Programme for Government negotiated between Fine Gael and the Independent Alliance.

The Government has estimated that the tourism Vat increase will bring in an anticipated €466 million to the exchequer. In his Budget speech Minister for Finance Paschal Donohoe TD did announce a €35 million increase in tourism current investment but this still leaves tourism budgets 3% short of what they were back in 2008.

The tourism industry employs 254,000 jobs throughout the country, is worth €8.7 billion to the economy, and contributed €2 billion to the exchequer last year according to most recent statistics from the CSO and Fáilte Ireland.

O'Mara Walsh stated that the large majority of the 20,000 tourism and hospitality businesses throughout the country are small to medium sized enterprises who will not be able to absorb the Vat increase. "The increase in the Vat is likely to damage demand and, with Brexit less than 6 months away, this is extremely worrying for Irish tourism and will make trading conditions much harder for business".

Brexit poses a major risk to Irish tourism with 39% of all international tourists coming from Britain. ITIC has previously estimated that a hard Brexit will cost Irish tourism €260 million in its immediate aftermath growing to half a billion euro. O'Mara Walsh said "Britain is by far Ireland's largest source market for tourists. The decision by the Government to increase the tourism Vat rate only serves to undermine the competitiveness of the sector at a time when a hard Brexit looms with weakened sterling, potential border controls, and aviation disruption all likely to hit the sector hard. This budget does anything but Brexit-proof Irish tourism"

O'Mara Walsh welcomed the increase of €35 million in tourism budgets but pointed out that this was far short of the €50 million that ITIC had called for. He stated "The Government's investment in tourism remains wholly inadequate. In 2008 current expenditure was €153 million, after this budget it will still only be €149 million; this is insufficient for a sector that is so vital to the economy and employs so many throughout the country"

The Irish tourism Vat rate is now out of line with European competitors where 16 out of 19 eurozone countries have Vat rates of 10% or less. O'Mara Walsh expressed concern that the Vat hike will damage economic development and growth in regional Ireland most: "68% of all the tourism and hospitality jobs are outside of Dublin and this is where the Vat hike will hit hardest".

Earlier this year ITIC published an 8 year growth roadmap for the sector, *Tourism: An Industry Strategy for Growth to 2025*, where it is estimated that earnings from overseas tourism could increase by 65% by 2025 but only if the right policies and investment strategies are adopted and pursued.

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Notes to Editor

About the Irish Tourism Industry Confederation:

The Irish Tourism Industry Confederation was founded in 1984 and is the umbrella group representing the leading tourism interests in Ireland. The full strategy can be seen on www.itic.ie. Tourism is Ireland's largest indigenous industries and is a critical component of the export economy. Key tourism facts:

- Worth €8.7 billion annually
- 8.9 million staying international staying visitors in 2017
- Tourism employs 254,000 nationally
- 1 in 10 jobs nationally are in tourism & hospitality sector
- According to Fáilte Ireland, for every euro spent by tourists 23c is generated in tax