

9 Reasons Why 9% Matters

The Irish Tourism Industry Confederation (ITIC) represents the leading tourism and hospitality stakeholders in the country. The pandemic hit business particularly hard costing the sector over €12 billion as international visitors were kept away. So far this year the industry has rebounded with latest monthly figures showing tourism volume 11% down on the same month pre-pandemic. However 2022 is not a normal year; pent-up demand, deferred bookings and accumulated savings have all helped business this summer. Next year is looking far less certain with serious economic clouds in key source markets gathering.

Tourism is Ireland's largest indigenous industry and biggest regional employer. Budget 2023 on September 27th is critical with the competitiveness of the sector at stake. Currently Government plan to increase the Vat rate from 9% to 13.5% on February 28th 2023, a decision industry is greatly concerned about.

ITIC has outlined 9 reasons why 9% matters:

Competitiveness

The tourism VAT rate of 9% is the correct rate for Ireland and puts us on an even keel with our European peers. The vast majority of European countries have VAT rates of 10% or lower. Any change to Ireland's tourism VAT rate would damage our competitiveness at a critical time for the industry as macro-economic conditions worsen.

Inflation

With inflation soaring there is a genuine cost-of-business crisis. This is particularly so for tourism and hospitality businesses who are labour-intensive and high users of energy. Increasing Vat will prove inflationary at a time when it should be dampened, not fuelled. IBEC have estimated a Vat increase would add 0.5% to the national inflation rate.

Employment

The 9% Vat rate is a proven job-creator. The introduction of the 9% rate back in 2011, according to the CSO & Fáilte Ireland, helped the tourism and hospitality sector create an additional 57,000 jobs nationwide over a 5 year period. A higher Vat rate will detrimentally affect employment numbers hitting regional Ireland disproportionately.

Recovery

ITIC estimate that the full recovery for Irish tourism to pre-pandemic levels won't be achieved until 2026. Tourism is an export industry, bringing in much needed overseas earnings from international visitors to our shores. Any increase in the Vat rate will damage competitiveness, will depress demand, and will stall the recovery.

Regionality

Tourism supports jobs nationwide, the only industry that can truly provide jobs and employment in all parts of the country. 71% of tourism and hospitality jobs are outside of Dublin. Tourism is vital for regional economic balance and growth, and the VAT rate is a critical component of regional success. Other sectors such as retail and the supply chain are also dependent on tourism.

Exchequer Receipts

Fáilte Ireland estimate that for every €1 of tourist expenditure, 23c is generated in tax revenue for the exchequer. Irish tourism has long been a significant net contributor to the economy. Due to the demand it stimulated previously the 9% Vat rate brought in 65% more tax income than the 13.5% level when comparing the same period of time.

Cost of Business

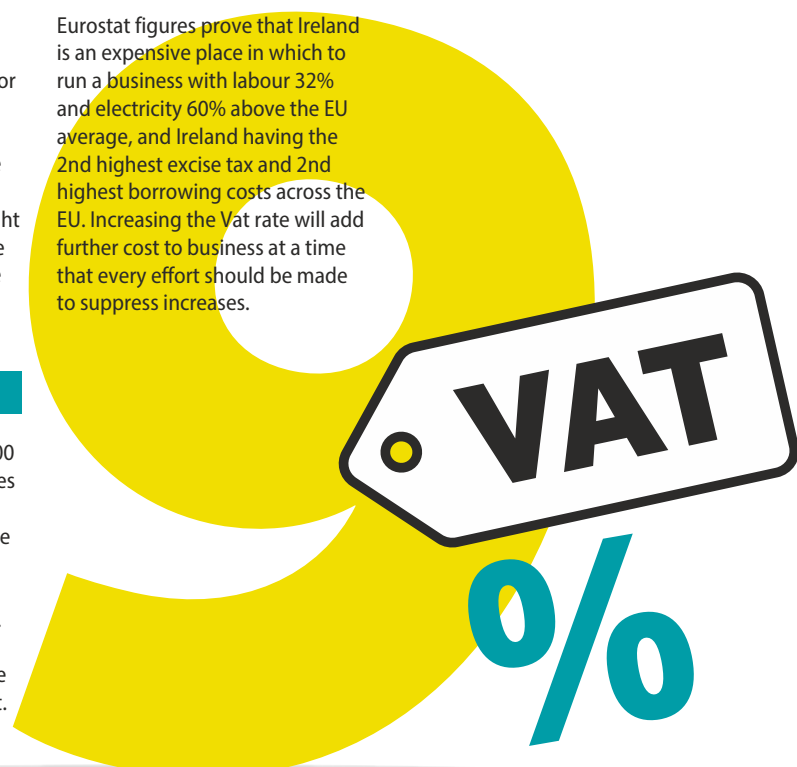
Eurostat figures prove that Ireland is an expensive place in which to run a business with labour 32% and electricity 60% above the EU average, and Ireland having the 2nd highest excise tax and 2nd highest borrowing costs across the EU. Increasing the Vat rate will add further cost to business at a time that every effort should be made to suppress increases.

Value for Money

Ireland's value proposition is very important to the success of the tourism and hospitality industry. Already under pressure from escalating costs and rising prices it is important that Ireland is seen as remaining as value for money to international visitors and the domestic market. Increasing a sales tax such as Vat by 50% is likely to only increase prices and damage value perceptions.

Viability

Covid-19 truly battered the 20,000 tourism and hospitality businesses across Ireland. Government support was vital but recent Fáilte Ireland analysis shows that there remains serious damage to balance sheets and bottom lines. Businesses need pro-tourism policies to be maintained and the 9% Vat rate is vital in this context.



Budget 2023



Tourism employment data

Based on Q2 CSO Labour Force Survey release August 25, 2022

Regions	Total (000s)	Accommodation & Food Services	Est. Tourism Jobs (x1.45)*	Est. Tourism Share
STATE	2,555	168	245	9.6%
Border	199	16	23	11.5%
West	237	13	18	7.8%
Midwest	246	17	24	9.8%
Southeast	209	14	20	9.7%
Southwest	367	30	44	11.9%
Dublin	774	50	72	9.3%
Mideast	370	22	32	8.5%
Midlands	153	7	11	7.0%

Source: CSO & ITIC | *1.45 is a Fáilte Ireland multiplier to incorporate all tourism and hospitality jobs.

Employment in Accommodation & Food Services, the proxy for tourism industry employment, is down by 7% compared to Q2, 2019, while total employment in the State increased by 11.25% over the same period.

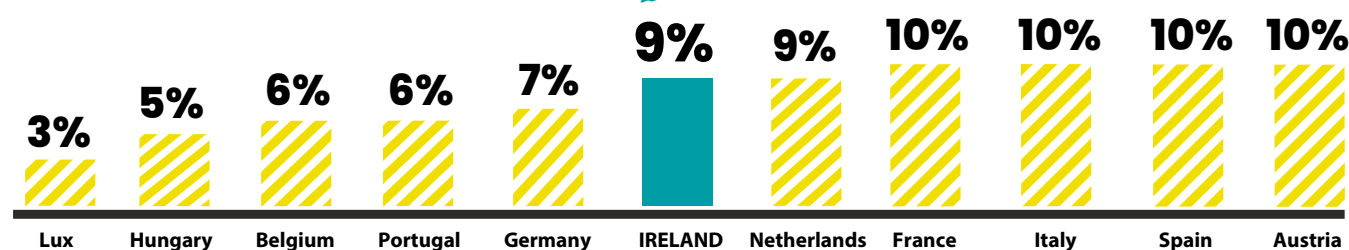
9.6% of jobs nationally are within the tourism and hospitality industry.

EU VAT rate on tourism services

The tourism VAT rate is right sized for Ireland; the vast majority of European countries have VAT rates of 10% or lower.



How Ireland compares



Source: Latest data from Hotrec

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 €9.2 billion to the Irish economy in 2019.

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