

Rt. Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
The Correspondence and Enquiry Unit
1 Horse Guards Road
Westminster
London. SW1A 2HQ

28th February 2024

Dear Chancellor,

Ahead of the Budget, we are writing as a coalition of hospitality, leisure and tourism businesses to urge the Government to provide the necessary support to accelerate growth and investment and avoid business failure in parts of our sector.

The start of this year has been a particularly difficult period for many parts of hospitality, with an unprecedented surge in closures, among high-profile names as well as local community venues.

Operators are facing barriers to growth and recovery in the form of labour shortages and the myriad costs of doing business while our customers face their own financial challenges due to long economic Covid and the enduring cost of living crisis.

Despite this, hospitality is a resilient sector. It is currently facing a short-term, cyclical shock, not the longer-term structural decline affecting other sectors. It has the potential to recover rapidly and contribute towards a national revival, creating jobs and regenerating high-street and coastal communities.

To support economic growth and constrain price increases, which will inevitably fuel inflation, we request that your government commits to the following measures:

A cap on business rates increases from April 2024 at 3%. The Autumn Statement 2023 announced a significant 6.7% increase in the multiplier for 'large properties'. This is likely to be more than double the rate of inflation when it comes into effect, putting further upwards pressure on the headline rate. We also urge the devolved Governments to pass on the relief in full.

A temporary cut in the lower rate of Employer National Insurance Contributions to 10%. The sector supports measures to create a higher-wage economy but the record increase in the National Living Wage will create major cost pressures for a labour-intensive sector like hospitality. A share of the burden between Government and industry would reduce the pressures on price increases.

Review the benefits of a reduced rate of VAT for the sector to 12.5%. The UK's current rate of VAT is uncompetitive internationally and leads to higher prices. Reducing VAT for hospitality and tourism is a globally recognised tool to boost tourism, support employment and generate growth – while constraining prices. A lower rate will also boost our balance of payments by taking market share from Europe, boosting growth and wider tax receipts.

With the right support, we can help unlock potential economic growth and get more people into work in a matter of months, helping to deliver the additional tax revenue needed to fund public services. We collectively urge you to include measures that deliver on our mutual priorities at the Budget.

Yours sincerely,

Kate Nicholls OBE, CEO, UKHospitality, and 112 others.