

**Debate Pack**

Number CDP-2024-0035

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20 February 2024

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# Fiscal support for hospitality and tourism in coastal areas

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# 1 Hospitality and tourism industries

There will be a Westminster Hall debate on fiscal support for tourism and hospitality in coastal areas on Thursday 22 February 2024 at 1:30pm. This debate will be led by Selaine Saxby MP.

The tourism and hospitality industry has been affected by a number of events and issues in recent years, most notably the Covid-19 pandemic. While the industry continues to recover from the pandemic, the sector is more fragile than in 2019, with businesses having taken on more debt.

Current issues facing the industry include staff shortages and inflationary energy costs. The Library briefing papers [Tourism: statistics and policy](#) (November 2023) and [Hospitality industry and Covid-19](#) (May 2022) discuss these issues in more detail.

According to analysis published by the Office for National Statistics (ONS) in October 2020, coastal communities in England and Wales are more likely to have high levels of deprivation than non-coastal towns. Between 2009 and 2018, 50% of coastal towns had a decline in employment (average across all sectors, not just hospitality and tourism), compared with 37% of non-coastal towns.<sup>1</sup>

## 1.1 Hospitality industry

Hospitality industry 2023		
	Hospitality	% UK Total
Economic output (GVA)	£73.8 billion	3.2%
Employment	2.8 million	7.6%
Businesses	225,500	4.1%

Notes: GVA is a measure of economic output similar to GDP; Business count is for 1 January 2023; Employment is for the three months to September 2023. Employment refers to the number of jobs, so is not the same as the number of people employed, as individuals may hold more than one job.

Sources: ONS, [GDP output approach - low level aggregates](#), 15 February 2024; ONS, Workforce Jobs, via [NOMIS Workforce jobs by industry](#); BEIS, [Business Population Estimates: 2023](#), 15 October 2023.

<sup>1</sup> ONS, [Coastal towns in England and Wales: October 2020](#), 6 October 2020

In 2023 the economic output of the hospitality sector (food & accommodation services) in the UK was £73.8 billion, around 3.2% of total UK economic output.<sup>2</sup> There were 225,550 hospitality businesses in the UK in 2023.<sup>3</sup>

In the three months to September 2023, there were around 2.8 million jobs in the accommodation and food service sector in the UK.<sup>4</sup> Representing 7.6% of all jobs in the economy, the sector was the 6th largest employer of the main 20 industrial sectors.<sup>5</sup> Taking a broader definition of the industry, hospitality trade body, [UK Hospitality](#), says the sector is the “third largest employer in the UK”.<sup>6</sup>

The hospitality industry has higher proportions of younger workers, workers born outside the UK, part-time workers and workers from minority ethnic backgrounds compared to other sectors.<sup>7</sup> Workers in the accommodation and food service sector have the lowest median hourly pay compared to the other 20 broad industrial sectors. In April 2023, full-time workers in the sector had a median hourly pay excluding overtime of £12.32, compared to £17.40 for all full-time workers in the UK.<sup>8</sup>

Further information can be found in the Library briefing, [Hospitality industry and Covid-19](#) (May 2022).

## Staff shortages

The hospitality sector has always had a higher vacancy rate than the economy overall. The rate increased from around 40-50% above the UK average in summer 2019 to around 80-90% above the UK average in summer 2021.<sup>9</sup> Staff shortages were reportedly worse in London and regional tourism hubs.<sup>10</sup>

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<sup>2</sup> Gross Value Added (GVA). GVA is a measure of economic activity similar to GDP. GVA is the contribution of part of the economy, minus costs incurred in production.

<sup>3</sup> As of 1 January 2023. BEIS, Business population estimates 2023.

<sup>4</sup> ONS, Workforce Jobs, [JOBS02: Workforce jobs by industry \(dataset\)](#), 12 December 2023, seasonally adjusted. Note this figure should be treated with some caution due to recent issues with the ONS labour market statistics, explained further in the Library briefing [UK labour market statistics](#). Note that this does not represent the number of people working in the sector, as individuals may hold more than one job.

<sup>5</sup> Based on the [Standard Industrial Classification](#) (SIC) system, excluding Section U: Activities of Extraterritorial Organisations and Bodies.

<sup>6</sup> UK Hospitality, [Economic contribution of hospitality](#), June 2023.

<sup>7</sup> Resolution Foundation, [Ethnic minorities in the hospitality sector](#), December 2020, pages 3-6.

<sup>8</sup> ONS, ASHE, [Earnings and hours worked, industry by two-digit SIC: ASHE Table 4](#), November 2023, accessed February 2024.

<sup>9</sup> ONS, Vacancies by industry, 13 February 2024

<sup>10</sup> DCMS Committee, Oral evidence: Promoting Britain Abroad, [HC 856](#), 8 March 2022, Q144.

In the three months to January 2024 there were 4.5 vacancies for every 100 workers in the sector, 50% above the national average of 3.5 and roughly in line with pre-pandemic levels.<sup>11</sup>

Staff shortages in the sector stem from a variety of reasons including workers leaving the sector during the pandemic and a fall in the number of EU nationals working in the sector following Brexit.<sup>12</sup> These issues are discussed further in the Library briefing, [Tourism: statistics and policy](#) (November 2023).

## 1.2

## Tourism

The hospitality industry is a significant contributor to the tourism industry – the industries overlap considerably but are not the same. Tourism refers to providing services and activities to domestic and international visitors for business, leisure or other purposes. A country pub, for example, may provide services to both visitors and local residents.

Statistics on the economic contribution of tourism to the UK are provided in the Library briefing, [Tourism: statistics and policy](#) (November 2023). Figures are provided for 2019 as the latest data not significantly impacted by the Covid-19 pandemic.

In 2019, the economic output of tourism-related industries was estimated at £134 billion, of which £74 billion was estimated to be directly generated by tourism. These figures are equivalent to 6.6% and 3.6% of the whole economy respectively.

In 2019 tourism-related activities were estimated to employ 4.2 million people. In total, tourism was estimated to directly account for the employment of 1.7 million people in the UK, the equivalent of 1.4 million full-time workers. This is 5.3% of all workers in the UK in 2019.

Visitor numbers fell sharply during the Covid-19 pandemic. However, they have since mostly recovered. According to data from the International Passenger Survey, overseas residents made 10.9 million visits to the UK in July to September 2023, 8% below the same period in 2019.<sup>13</sup> As of December 2023, VisitBritain forecasts that there will be 39.5 million visits to the UK from overseas in 2024, 97% of the 2019 total.<sup>14</sup>

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<sup>11</sup> ONS, [VACS02: Vacancies by industry](#), 13 February 2024

<sup>12</sup> HMRC, [UK payrolled employments by nationality, region and industry](#), table 1,

<sup>13</sup> ONS, [Overseas travel and tourism, provisional: July to September 2023](#), 24 January 2024

<sup>14</sup> VisitBritain, [2024 inbound tourism forecast](#), 20 December 2023

## Tourism in coastal areas

10% of inbound tourists in 2019 visited England's coast and beaches. Those most likely to journey to the coast were on visits lasting a week or longer.<sup>15</sup> This figure is higher in Wales (34% of visitors visit the coast), Scotland (30%) and the South West (26%).

Domestic tourism in Britain is more focused on the coast than tourism from overseas visitors. In July to September 2023, 17% of overnight trips taken by British residents within Great Britain were to the coast.<sup>16</sup>

## 1.3

# Fiscal support for hospitality and tourism

## Business rates

### 2023/24

In 2023/24, retail, hospitality and leisure properties have been eligible for 75% business rate relief. Individual businesses could receive a maximum of £110,000 relief under this scheme.

A form of business rates relief has been available to retail, hospitality and leisure properties since March 2020, although the terms of the relief has changed over time.<sup>17</sup> Section 2.1 of the Library briefing [Business rates: Reliefs and grants](#) discusses how the relief has changed.

The small business rates multiplier was also frozen in 2023/24. The small business rates multiplier is applicable to business premises with a rateable value below £51,000. Without the freeze, the multiplier would have increased by the CPI measure of inflation.

### 2024/25

The 2023 Autumn Statement extended the 75% business rates relief for eligible retail, hospitality and leisure properties into 2024/25. Around 230,000 properties will be eligible for the business rates relief, which is a tax cut of around £2.4 billion.<sup>18</sup>

The 2023 Autumn Statement also froze the small business rates multiplier in 2024/25, which will be the fourth year it has been frozen.

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<sup>15</sup> VisitBritain, [Activities undertaken by inbound visitors \(2019\)](#)

<sup>16</sup> VisitBritain, [Great Britain domestic overnight trips: latest results](#), 13 February 2024

<sup>17</sup> The Library briefing [Coronavirus: Support for businesses](#) provides an overview of the initiatives to support businesses through the coronavirus pandemic.

<sup>18</sup> PQ 13814 [on [Hospitality Industry and Tourism: Government Assistance](#)], 8 February 2024

## Calls for further support in Spring Budget 2024

Ahead of the forthcoming budget on 6 March 2024, UKHospitality, the trade body for the industry, [is calling for further fiscal support](#) including:

- A 3% cap on the standard business rates multiplier that is due to rise by 6.7% from April 2024 (in line with CPI inflation);
- temporary changes to National Insurance contributions (NICs) to help businesses manage the increase in the national living wage;
- a lower rate of VAT for hospitality and tourism services.

### Standard business rates multiplier

In England, the standard business rates multiplier is paid by businesses with a rateable value of £51,000 or more. The small business rates multiplier, mentioned above, is paid by businesses with a rateable value below £51,000.

The standard business rates multiplier is set to increase by 6.7% (in line with CPI inflation) in 2024/25. As discussed above, the small business rates multiplier is being frozen in 2024/25.

The following Library briefings provide further information on business rates:

- [Business rates: Reliefs and grants](#)
- [Business rates](#)

### Employer NICs and the living wage

Employers pay NICs at 13.8% on employee earnings over the secondary threshold, which is currently £170 per week.<sup>19</sup> Employers also receive an ‘employment allowance’ which reduces their total NICs liability by up to £4,000 a year.<sup>20</sup> The Institute for Fiscal Studies’ has [a useful explainer of NICs on its taxlab](#).<sup>21</sup>

UKHospitality is calling for the Government to temporarily decrease the rate of employer NICs from 13.8% to 10% and to increase the secondary threshold. It says this will “help businesses manage the increase in the National Living Wage.”

In April 2024, the National Living Wage is increasing to £11.44 per hour for adults aged 21 and over. This is up from £10.42 per hour, for those aged 23 and over, and up from £10.18 for 21-22 year olds.

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<sup>19</sup> No employer NICs are payable on the earnings, up to the upper earnings limit (UEL – currently £967 per week), of employees aged under 21 or apprentices aged under 25.

<sup>20</sup> Provided that their liability in the previous year was less than £100,000.

<sup>21</sup> IFS Taxlab. National Insurance contributions explained (accessed on 19 February 2024)

The Library briefing [National Minimum Wage statistics](#) looks at trends in the UK National Minimum Wage, minimum wage jobs and how the UK compares internationally.

### **VAT for hospitality and tourism services**

As the Library briefing [VAT on tourism and hospitality services](#) explains, there has been a long-running campaign by the tourism and hospitality sector for a lower rate of VAT to be set on services supplied to tourists. The Government currently has “no plans to reduce the rate of VAT paid by hospitality businesses”.<sup>22</sup>

A temporary 5% VAT rate on most tourist and hospitality-related activities was introduced during the Covid-19 pandemic. It ran from July 2020 up to 30 September 2021 and was then replaced with a 12.5% rate until 31 March 2022. The Financial Secretary to the Treasury recently said that “[t]he previous VAT relief for tourism and hospitality cost over £8 billion and reintroducing it would come at a significant further cost.”<sup>23</sup>

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<sup>22</sup> PQ 8616 [on [Hospitality Industry: VAT](#)], 8 January 2024

<sup>23</sup> PQ 8616 [on [Hospitality Industry: VAT](#)], 8 January 2024



## 2

## Press articles

[Tax-free UK shopping can help more than just tourists: Data suggests visitor spending in countries like France, where tax-free shopping remains, has recovered faster than in Britain](#)

Financial Times, 10 February 2024

[Jeremy Hunt review 'set to end tourist tax': The chancellor has asked the Office for Budget Responsibility to look at whether the scrapping of VAT-free shopping for tourists should be reversed](#)

Oliver Gill

Sunday Times, 3 February 2024

['Where the coast goes, England follows': Tories risk 'tidal wave' if they ignore seaside towns, says thinktank](#)

Heather Stewart

The Guardian, 19 September 2023

['An all time low': UK hospitality bosses say industry is fighting for survival](#)

Jedidajah Otte

The Guardian, 21 July 2023

[UK hotel owners battle on multiple fronts: Rising food prices, recruitment problems and cash-strapped customers add to woes of family businesses](#)

Chris Tighe

Financial Times, 16 June 2023

[Westminster forgot its promises to 'coastal communities', and left them to rot](#)

John Harris

The Guardian, 14 May 2023

[UK Budget help welcome but not enough, says struggling coastal town](#)

William Wallis

Financial Times, 15 March 2023

[The Spring Budget must support the hospitality industry to spearhead the UK's economic revival](#)

Kate Nicholls

Politics Home, 3 March 2023

[Coastal areas need help to overturn inequalities, report says](#)

BBC, 29 January 2023

[Hospitality sector pleads for help when Covid business interruption loans fall due in spring](#)

Helen Cahill

The Times, 16 January 2023

[UK hospitality industry loses nearly 200,000 overseas workers: Survey highlights squeeze on jobs market from Brexit and coronavirus pandemic](#)

Oliver Barnes

Financial Times, 17 August 2022

['We need help now': UK hospitality warns of 'tidal wave' of closures as crises loom: After lockdown closures, supply and staffing issues, inflation and high energy bills could be fatal for many businesses](#)

Joe Middleton

The Guardian, 24 October 2022

[How Covid changed the hospitality industry: The pandemic highlighted the need for a shift in attitude towards workers in the food industry – but what will that really mean?](#)

Ajesh Patalay

Financial Times, 21 October 2021

## 3 Parliamentary material

### 3.1 Written questions

#### [Hospitality Industry: VAT | UIN 12738](#)

Asked by Claire Hanna

Asked on 1 February 2024

To ask the Chancellor of the Exchequer, whether he has made an assessment of the potential impact of reducing VAT for the hospitality industry.

Answered by Nigel Huddleston

Answered on 9 February 2024

Since the start of the pandemic, over £37 billion has been provided to the tourism, leisure and hospitality sectors in the form of grants, loans and tax breaks.

The Government announced a package of business rates support at Autumn Statement 2022 which means businesses in the retail, hospitality and leisure sectors, including pubs, will receive a tax cut worth over £2 billion in 2023-24. The UK also has a higher VAT registration threshold than any EU Member State and the second highest in the OECD, which keeps most businesses out of the VAT system altogether.

VAT is the UK's third largest tax forecast to raise £161 billion in 2023/24, helping to fund key spending priorities such as important public services, including the NHS, education and defence. The previous VAT relief for tourism and hospitality cost over £8 billion and reintroducing it would come at a significant further cost.

#### [Hospitality Industry: VAT | UIN 8616](#)

Asked by Virginia Crosbie

Asked on 8 January 2024

To ask the Chancellor of the Exchequer, what steps he is taking to support the hospitality industry; and if he will make an assessment of the potential merits of reducing VAT for that industry.

Answered by Nigel Huddleston

Answered on 11 January 2024

At Autumn Statement 2023, the Government announced a package of business rates changes and tax cuts, including extending the Retail, Hospitality and Leisure relief scheme at 75 per cent, up to a cash cap of £110,000 per business for 2024-2025. This is tax cut worth almost £2.4 billion for around 230,000 properties.

VAT is the UK's third largest tax forecast to raise £173 billion in 2023/24, helping to fund key spending priorities such as important public services, including the NHS, education and defence. The previous VAT relief for tourism and hospitality cost over £8 billion and reintroducing it would come at a significant further cost.

While there are no plans to reduce the rate of VAT paid by hospitality businesses, the Government keeps all taxes under review.

#### [Hospitality Industry: Business Rates | UIN 7090](#)

Mr Tanmanjeet Singh Dhese

Asked on 14 December 2023

To ask the Chancellor of the Exchequer, if he will make an assessment of the adequacy of business rate relief for businesses in the hospitality sector.

Answered by Nigel Huddleston

Answered on 18 December 2023

At Autumn Statement 2023, the government announced it will extend the Retail, Hospitality and Leisure (RHL) relief scheme at 75 per cent, up to a cash cap of £110,000 per business for 2024-25. This is a tax cut worth nearly £2.4 billion and around 230,000 retail, hospitality and leisure properties will be eligible for relief.

The government also announced a freeze to the small business multiplier for the fourth consecutive year in 2024-25, protecting over a million ratepayers from bill increases.

#### [Tourism: Coastal Areas | UIN 188446](#)

Asked by Sir Greg Knight

Asked on 7 June 2023

To ask the Secretary of State for Culture, Media and Sport, what new initiatives her Department plans to make to improve the promotion of tourism in English seaside towns.

Answered by Sir John Whittingdale

Answered on 13 June 2023

The UK Government wants to see a growing, dynamic, and sustainable tourism sector reach its full potential and drive growth in every nation and region of the UK, including our seaside towns. Coastal tourism is an important part of the British tourism sector. 10% of all visits to the UK include going to the coast or beaches.

VisitBritain has led a number of multi-million pound marketing campaigns that promote the British coastline and seaside towns, and the Government is taking forward recommendations from the Nick de Bois Review of Destination Management Organisations (DMOs) with the aim of supporting regional areas, including seaside towns, to better attract and manage tourists. This includes accrediting the highest-performing DMOs throughout 2023 as Local Visitor Economy Partnerships (LVEPs), and the multi-year government funded tourism pilot in the North East of England.

## 3.2

### Oral questions

#### [Small Businesses: Support](#)

HC Deb 6 Feb 2024, c 112-13

#### [Business Investment: Fiscal Measures](#)

HC Deb 6 Feb 2024, c 104-05

#### [Hospitality Sector: Scotland](#)

HC Deb 14 Sept 2023, c 993

#### [Hospitality Businesses](#)

HC Deb 20 June 2023, c 683-84

[Hospitality Industry](#)

HL Deb 24 Jan 2023, c 96-99

### 3.3

## Debates

[Coastal and Rural Communities: Employment](#)

HC Deb 1 February 2024, c 396WH-408WH

[Hospitality Sector: Fiscal Support](#)

HC Deb 31 Jan 2024, c 310WH-326WH

[Coastal Communities](#)

HC Deb 8 Sept 2022, c 181WH-204WH

[Hospitality Industry: Government Support](#)

HC Deb 11 Jan 2021, c 1WH-27WH

### 3.4

## Early Day Motions

[VAT Cut for Hospitality Sector](#)

EDM 382 | tabled on 09 February 2024

That this House recognises the immense challenges facing the hospitality sector during the cost of living crisis; notes that the Government implemented a temporary cut of 5% on VAT for hospitality businesses during the pandemic; further notes that VAT is not devolved and can therefore only be set by the UK Government; acknowledges that local hospitality businesses deliver an important social good to their communities as well as bring in vital income and jobs; and calls on the UK Government to implement a permanent cut of 5% on VAT for the hospitality sector to help hospitality businesses meet the challenges of the cost of living crisis.

[Hospitality and VAT](#)

EDM 376 | tabled on 07 February 2024

That this House recognises the immense challenges facing the hospitality sector during the cost of living crisis; notes that the Government implemented a temporary cut of 5% on VAT for hospitality businesses during the pandemic; further notes that VAT is not devolved and can therefore only be set by the UK Government; notes that the UK is an outlier for having a higher rate of VAT for the hospitality sector compared to other European economies; further notes that organisations such as the Scottish License and Trade Association, Scottish Beer and Pub Association and Scottish Hospitality Group support a cut of 5% on VAT as the most straightforward and effective policy measure to help many small and local businesses get through the current crisis; acknowledges that local hospitality businesses deliver an important social good to their communities as well as bring in vital income and jobs; and calls on the UK Government to implement a permanent cut of 5% on VAT for the hospitality sector to help hospitality businesses meet the challenges of the cost of living crisis.

## 3.5 Select Committee reports

### [The future of seaside towns: follow up report](#)

House of Lords Liaison Committee, HL Paper 235, 21 July 2023.

The [Government response](#) was published in November 2023.

### [The future of seaside towns](#)

House of Lords Select Committee on Regenerating Seaside Towns and Communities, HL Paper 320, 4 April 2019

The original Government response was [published in June 2019](#); an updated response was [published in June 2021](#).

## 3.6 Library briefings

### [VAT on tourism and hospitality services](#)

House of Commons Library, 12 February 2024

### [Business rates: Reliefs and grants](#)



Fiscal support for hospitality and tourism in coastal areas

House of Commons Library, 5 December 2023

[Tourism: statistics and policy](#)

House of Commons Library, 7 November 2023

[The future of coastal communities](#)

House of Commons Library, 5 September 2022

## 4

### Further reading

[Economic contribution of hospitality](#)

UK Hospitality, June 2023

[Hospitality Strategy: Reopening, Recovery, Resilience](#)

Department for Business and Trade, March 2023

[Communities on the Edge](#)

Coastal Communities Alliance, 31 January 2023

[Coastal towns in England and Wales](#)

Office for National Statistics, 6 October 2020

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