

Hospitality VAT reduction will not support 3,500 non-food serving pubs closed across the country

VAT rate cut on alcohol sought as a temporary measure to help pubs survive until demand increases and consumer confidence returns in early 2021 – LVA, VFI and Ibec's Drinks Ireland

Hospitality VAT rate cut will deliver nothing for the 3,500 closed pubs that do not serve food. VAT cut must be extended to VAT on on-trade alcohol sales in pubs to support all hospitality businesses

A reduction in the VAT rate on on-trade alcohol is an administratively simpler way of getting money to where it is needed (businesses) rather than through complex schemes

Today, only €89m of the €250m available in the Government Restart Grant has been utilised

23% VAT on alcohol already high by EU standards

This temporary measure would deliver an immediate cash support to a huge network of small regional businesses – the stated ambition of government in delivering a July stimulus package

Drinks Ireland: 'The government has indicated this week that their focus is on businesses and implementing measures that will make businesses impacted by Covid viable. A VAT rate reduction on the on-trade sales of alcohol specifically will deliver that

A reduction in the hospitality VAT rate on its own will not support up to 3,500 non-food serving pubs that are currently closed, according to the LVA, VFI and Drinks Ireland.

A VAT cut on on-trade alcohol sales will deliver an instant and much needed cash injection to these pubs who remain closed for almost four months now and without this support, may never reopen.

These are 3,500 business that create employment in the most employment-intensive and regional domestic industry in Ireland.

A reduction in the VAT rate on on-trade alcohol is 'an administratively simpler way of getting money to where it is needed rather than through complex schemes,' said Ibec's Drinks Ireland Director Patricia Callan.

Only 20% of the schemes that are currently in place to support businesses have been drawn down, which could potentially be due to an administratively complicated application process. For example, only €89 million of the €250 million available in the Government Restart Grant has been utilised.

'The government has indicated this week that their focus is on businesses and implementing measures that will make businesses impacted by Covid viable. A VAT rate reduction on the on-trade sales of alcohol specifically will deliver that. It is easy to implement, it is tangible, and it will go directly to reducing the costs of a significant network of businesses across the country, providing support for them to trade until demand and confidence returns. An amended European Directive gives the Government power to apply and extend a lower hospitality VAT rate to on-trade alcohol sales which means it is fully achievable. This

measure has never been implemented in Ireland and presents a real opportunity to deliver for one of our most important indigenous industries.'

The LVA, VFI and Drinks Ireland is calling for this temporary measure until 31 December 2020 as part of the July stimulus package promised by Government. The VAT rate on on-trade alcohol sales is currently 23% which is extremely high by EU standards.

Today, approximately one third of Dublin pubs have not reopened while outside of Dublin, more than 60% of pubs remain closed – these are businesses that do not serve food so remain closed.

A reduction in the VAT rate on alcohol (which is currently 23%) is being sought to safeguard 22,500 jobs, dominated by large numbers of young workers, as pubs are on track for a 50% decline in business for the remainder of 2020, according to a [report](#) authored by DCU Economist Anthony Foley published this week.

The drinks and hospitality industry is one of the largest employers of young people right across the country and according to the LVA and VFI, in the majority of pubs across the country, young people account for over half the workforce.

Padraig Cribben, Chief Executive, VFI:

'The economy needs businesses to reopen so people can get back to work, earn a living and pay their taxes, reducing the reliance on government support. Crucially, pubs need some certainty and today, that does not exist. Pub owners, which have yet to reopen, are considering the reopening and are worried that the reduced capacity due to guidelines, coupled with decreased consumer confidence and a reluctance to go out among people will make it unfeasible to reopen. If some certainty and clarity existed with regard tangible supports that would reduce costs, they would reopen.'

Donall O'Keeffe, CEO, LVA:

'Without pubs, our cities, towns and villages will not reopen. Not only do pubs provide employment, they provide vibrancy and bring life to our city centres, suburbs and the main streets in our rural towns. We need to encourage consumer confidence to support the revival and recovery of our economy. A cut in VAT on alcohol on on-trade sales will give pubs the boost they need to reopen and trade.'

Follow the Protect our Pubs campaign at **#NewGovProtectourPubs**