

**Anonymised
written evidence,
relating to
The taxation of the hospitality and tourism sectors in Northern Ireland
[THT0001]**

I welcome the opportunity to provide evidence based on my experience of running an independent hospitality business.

1. The impact a reduced rate of VAT would have
A reduction in VAT would have an immediate and significant positive impact on independent restaurants such as ours.
Hospitality businesses have experienced substantial increases in almost every operating cost over recent years, including:
Food and drink costs

Electricity and gas

Insurance

Business rates

National Insurance contributions

National Minimum Wage increases

Packaging and delivery costs

These increases cannot simply be passed on to customers. Many households are already under financial pressure and become more selective about eating out.

A lower VAT rate would allow businesses to:

Keep menu prices more affordable.

Invest in staff recruitment and retention.

Increase wages where possible.

Improve premises.

Create additional employment.

Increase long-term business sustainability.

The benefit would extend beyond restaurants, helping hotels, cafés, bars, tourist attractions and local suppliers.

2. Competition with the Republic of Ireland
Northern Ireland businesses compete directly with businesses in the Republic of Ireland, particularly those close to the border.
Differences in VAT and other business costs make Northern Ireland less competitive.
Consumers often compare prices before deciding where to spend their money. Even relatively small differences influence purchasing decisions. Independent businesses cannot absorb these differences indefinitely without reducing profitability.
3. Rising operating costs
The largest challenge facing our business is that costs continue to increase faster than revenue.
In the last few years we have experienced increases in:
Staff wages
Employer National Insurance
Utility bills
Food inflation
Insurance premiums
Card processing charges
Equipment and maintenance
At the same time customers are becoming more price sensitive.
Margins have reduced considerably despite maintaining a busy business.
4. Other measures that would help
Alongside a reduced VAT rate, Government should also consider:
Business rates reform.
Relief for employer National Insurance contributions.
Grants for energy efficiency improvements.
Investment in tourism promotion across Northern Ireland.
Simplifying access to business support funding for small independent businesses.
Small family-owned businesses often do not have dedicated staff to apply for complicated grant schemes.
5. Impact on customers
Reducing VAT would not simply increase business profits.
It would help businesses keep prices lower for customers while maintaining quality and employment.
Hospitality supports local communities by employing young people, purchasing from local suppliers and encouraging visitors to spend money in town centres.
A healthy hospitality sector benefits the wider local economy.

Conclusion

Hospitality businesses are resilient, but many are operating on increasingly tight margins.

Without meaningful support, more independent restaurants will reduce opening hours, reduce staffing levels or close altogether.

A reduced VAT rate, combined with wider support for the sector, would improve competitiveness, encourage investment and help ensure the long-term sustainability of hospitality businesses across Northern Ireland.

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