Written evidence submitted by Dr Evelyse Carvalho Ribas,
relating to
The taxation of the hospitality and tourism sectors in Northern Ireland
[THT0011]

Northern Ireland Affairs Committee inquiry: The taxation of the hospitality and tourism sectors in Northern Ireland

Questions addressed

This submission addresses three of the Committee's questions: what impact a reduced rate of VAT would have on the hospitality and tourism sectors in Northern Ireland; what other tax or policy changes could support those sectors; and what effect recent tax reductions in other sectors have had on prices and on the sustainability of the businesses concerned. I offer no evidence on cost variation between Northern Ireland and Great Britain, on cross-border trading patterns, or on consumer behaviour. Those questions are better answered by the operators and representative bodies the Committee will hear from.

Summary

1. The comparison usually drawn in this debate — 9 per cent in the Republic of Ireland against 20 per cent in Northern Ireland — does not survive inspection. Ireland's 9 per cent rate, which took effect on 1 July 2026, applies to food and catering services. Hotel and guest accommodation remains at 13.5 per cent. Alcohol, bottled water and soft drinks are charged at Ireland's standard rate of 23 per cent even when supplied as part of a catering service, which is three points above the Northern Ireland rate on the same supplies. The Committee is invited to insist on a disaggregated comparison rather than a headline one.

2. On the Committee's question about the effect of recent tax reductions on prices, the peer-reviewed evidence is mixed, with estimated pass-through ranging from near-zero to complete. It is not, however, uniformly mixed. The largest study, covering around 70 commodity groups in 17 eurozone countries over fifteen years, broadly confirms full pass-through for changes in the standard rate but finds pass-through for reduced rates "generally noticeably lower". In the leading restaurant study, nearly all independent businesses left consumer prices unchanged.

3. Price responses are also asymmetric, and a study of the Irish hospitality sector itself finds the same thing: rate increases are passed through more than rate cuts. A temporary reduction followed by restoration may therefore leave the price level higher than if the reduction had never been made. One study of German supermarket retail finds the asymmetry running the other way, and I set that out rather than leave it to be produced against me.

4. Almost none of that evidence is British. I searched for a published ex post evaluation of the reduced rate that ran from July 2020 to March 2022 and could not identify one. The National Audit Office found that of 341 non-structural tax reliefs, 25 had been evaluated since 2015, and that the budget for commissioning evaluations of tax reliefs was reduced to £600,000 in 2023-24.

5. Nor could such an evaluation easily be produced for Northern Ireland on present statistics. The Office for National Statistics publishes experimental Northern Ireland consumer price estimates, but states that it does not recommend their use for policy or decision-making

purposes, and the boosted Northern Ireland price collection began only in January 2022 — after the reduced rate had largely run its course.

6. The reason the Government gave in 2018 for refusing a Northern Ireland-only rate was that European Union law made it impossible, and it was stated in terms expressly conditional on membership. That condition has gone. The Windsor Framework applies European Union VAT law in Northern Ireland in respect of goods, and a Treasury minister confirmed in June 2026 that "VAT on services, including hospitality, does not fall within the scope of the Windsor Framework". The objection now given is complexity, not law.

7. My recommendations are at paragraphs 34 to 37. In order of priority, I ask the Committee to recommend that the scheme running until 1 September 2026 be evaluated while the data are fresh; that a retrospective evaluation of the 2020 to 2022 reduced rate be published; that a Northern Ireland-only costing be published; and that the Office for National Statistics be asked what would be required to bring Northern Ireland price statistics to a standard fit for policy use. A short annex sets out two questions the Committee may wish to put to the Government.

Interest and expertise

8. I am an independent tax adviser with over twenty years of cross-border practice. I completed a doctorate at the University of Leeds in 2026 on structural constraints in access to tax incentives — on how the design of legal and administrative machinery determines who can in practice obtain a fiscal benefit to which they appear entitled in principle. I am not a VAT specialist and not a Northern Ireland specialist. I have no commercial interest in the hospitality or tourism sectors and act for no business in either. This submission has not been published elsewhere. Because of those limits, the annex is confined to quotation of the relevant provisions and to questions for the Government. I do not offer legal conclusions of my own, and where I identify a difficulty I have tried to state what can be said against my own reading as well as for it.

The comparison with the Republic of Ireland is not what it seems

9. The premise most often stated in this debate is that the Republic of Ireland applies 9 per cent VAT to hospitality while Northern Ireland applies 20 per cent. The Committee will hear that comparison from several directions. It is too coarse to bear the weight placed on it, and correcting it changes what a reduced rate would actually have to do.

10. Ireland operates a standard rate of 23 per cent, a reduced rate of 13.5 per cent and a second reduced rate of 9 per cent [1]. The move of restaurant services to the second reduced rate is recent: Revenue's manual records that "restaurant services are liable to VAT at the reduced rate up until 30 June 2026", and that "from 1 July 2026 the second reduced rate of VAT applies" [2]. The 9 per cent rate does not apply to accommodation. Revenue's guidance on guest and holiday accommodation places hotel and guest accommodation at 13.5 per cent, and illustrates the split with a worked example in which a one-night stay is charged at 13.5 per cent and the breakfast within it at 9 per cent [3].

11. The Irish Government's press release of 30 June 2026, marking the commencement of the measure announced at Budget 2026, states the position expressly: "The measure will not apply to hotel accommodation but will apply to the food and catering provided by hotels." The same release records that the rate is established "on a permanent basis" and that the measure has "no sunset clause" [4]. That last point matters for anyone drawing a

comparison with the United Kingdom's temporary schemes, which are structurally different measures.

12. The most significant correction concerns drink. Revenue's Tax and Duty Manual on restaurant and catering services provides that "supplies of alcohol, bottled waters, soft drinks, sports drinks and vegetable juices (excluding fruit juice) are liable to VAT at the standard rate even when provided as part of a catering service" [2]. Ireland's standard rate is 23 per cent. On the wet trade, therefore, the Republic charges three points more than Northern Ireland, not eleven points less. For a public house, a bar, or any venue whose margin is concentrated in drink, the direction of the comparison reverses.

13. A third category runs closer to parity than the headline suggests. The same manual provides that "the supply of cold takeaway food is liable to VAT at the zero rate" [2], and cold takeaway food is zero-rated in the United Kingdom too. Neither zero rate is unqualified: each system excepts broadly similar categories, so that ice cream, confectionery, alcoholic drinks, other beverages including bottled water and fruit juices, and sports drinks are standard-rated in the United Kingdom [5], and drinks are likewise standard-rated in Ireland [2]. Subject to those exceptions, the two jurisdictions treat cold takeaway food alike.

14. The accurate statement of the position is therefore this. On hot food consumed on the premises, Ireland is at 9 per cent and Northern Ireland at 20 per cent — apart from the temporary scheme described at paragraph 44 — an eleven-point gap. On accommodation, Ireland is at 13.5 per cent and Northern Ireland at 20 per cent, a gap of six and a half points. On alcohol and soft drinks within a catering supply, Ireland is at 23 per cent and Northern Ireland at 20 per cent, a gap of three points in Northern Ireland's favour. On zero-rated cold takeaway food the two are broadly aligned. A single headline number conceals all of this.

15. If the Committee is minded to recommend a reduced rate, the Irish experience also shows that disaggregating food from accommodation is harder than it sounds. Ireland's Tax Strategy Group examined precisely this question in 2024. It recorded that if accommodation stayed at 13.5 per cent while food and catering reverted to 9 per cent, the change would have to apply to all accommodation including bed-and-breakfast establishments and small hotels because of the principle of fiscal neutrality; that Revenue had identified "significant practical operational concerns" over packages ranging from bed and breakfast through to all-inclusive board and lodging; and that apportionment within such packages would give rise to "increased risk of avoidance and scope for manipulation of the VAT system" [6].

16. The same paper is candid about cost. As the first of six reasons for caution it records that "the cost of a further temporary VAT reduction to 9% for a full year is estimated to be €764 million", that "even where the measure is restricted to food and catering services, the estimated full year cost is €545 million", and that "therefore this would constitute an enormous fiscal transfer of taxpayer's money to the sector which the evidence available at present does not support" [6]. Ireland proceeded anyway, as a political decision. I draw the Committee's attention to the passage not because it settles anything but because it is the assessment of officials in the jurisdiction whose rate is being held up as the model, and because it turns on evidence — which is the subject of the next section.

17. For the United Kingdom, the corresponding published figure is older and broader. In 2018 HM Treasury estimated that "a UK wide reduced rate of VAT on accommodation, attractions and food and beverage services" would "cost the Exchequer approximately £10 billion per year" [7]. No Northern Ireland-only figure has been published, so far as I have been able to establish. That gap is the subject of my third recommendation.

What the evidence on pass-through actually shows

18. The most comprehensive study is Benedek, De Mooij, Keen and Wingender, published in International Tax and Public Finance in 2020. It uses monthly observations on consumer prices and VAT rates for around 70 commodity groups in 17 eurozone countries over 1999 to 2013. Its conclusion is that “the usual presumption of full pass through is broadly confirmed for changes in the standard rate, but pass through for reduced rates appears to be generally noticeably lower” [8]. That distinction is the one that matters here, because what is proposed for Northern Ireland is a reduced rate.

19. Three studies bear directly on the sectors in question. Benzarti and Carloni evaluated the 2009 cut for French sit-down restaurants and found that “firm owners pocketed more than 55 percent of the VAT cut; consumers, sellers of material goods, and employees shared the remaining windfall with consumers benefiting the least”. Their published long-run decomposition, thirty months after the reform, puts the consumer share at 13.6 per cent [9]. Kosonen studied the reduction of Finnish hairdressing VAT from 22 per cent to 8 per cent and found that “hairdressers cut their prices only by half of what a complete pass-through would have implied, and that there was hardly any adjustment in equilibrium quantity due to the reform”, while “hairdressers were able to increase their profits significantly” [10].

20. The third is the most useful to this inquiry, because it explains why the answers vary. Harju, Kosonen and Nordström Skans analysed large restaurant VAT reductions in two European countries and found that “responses in the short and medium run were clustered around two focal points of zero pass-through and full pass-through”, and that “differences between independent restaurants and chains is the key explanation for this pattern”. Specifically: “while nearly all independent restaurants effectively ignored the tax reductions and left consumer prices unchanged, a substantial fraction of restaurants belonging to chains chose a rapid and complete pass-through”. They add that “in the longer run, prices converged, but primarily through a price reversion among chain restaurants”, and that the difference “does not appear to arise because of different market characteristics such as location, initial price levels, meal types and restaurant segment” [11].

21. That finding deserves the Committee’s attention because of what it implies about sector composition. If pass-through turns on whether a business is an independent or part of a chain rather than on market characteristics, then the mix of independents and multiples in a given market determines how much of a reduction reaches consumers there. I do not have Northern Ireland composition data of a quality I am willing to put before the Committee, but the Committee is well placed to obtain it.

22. There is also an asymmetry, and it cuts against temporary measures. Benzarti, Carloni, Harju and Kosonen, in the Journal of Political Economy in 2020, find that “prices respond significantly more strongly to increases than to decreases in value-added taxes”, that “prices respond twice as much to VAT increases as to VAT decreases”, that “this asymmetry results in higher equilibrium profits and markups”, that “firms operating with low profit margins are particularly likely to respond asymmetrically to VAT changes”, and that “these asymmetric price effects persist several years after VAT changes take place”. They report the same pattern across all VAT changes in the European Union from 1996 to 2015 [12].

23. The most directly relevant study of all concerns the Republic of Ireland, and I should have found it sooner. Carroll, in a working paper of the Irish Fiscal Advisory Council published in October 2025, examines “the extent to which changes in VAT rates are passed through to consumer prices in the Irish hospitality and tourism sector”, using an event-study approach

across two rate cuts (2011 and 2020) and two rate increases (2019 and 2023). The finding is "evidence of an asymmetric VAT rate pass-through, with VAT rate increases being passed through more than VAT rate cuts". Increases were passed on "by between 36% and 88%". On the cuts the author is careful, and I reproduce the hedge as he states it: "while the data is less conclusive on the pass-through of VAT rate cuts, the results suggest that the VAT rate cuts are passed on less than VAT rate increases, by between 0% and 50%" [13]. The Council is Ireland's independent fiscal watchdog, but this is a working paper and has not been peer reviewed, and I put it forward on that footing. It is nonetheless the closest thing available to a direct answer to the Committee's question: the same sector, in the jurisdiction whose rate is the comparator, measured after the event.

24. I should record squarely that the asymmetry finding is contested, and by a study whose other result also cuts against my argument. Fuest, Neumeier and Stöhlker examined the temporary German VAT reduction of 2020 using daily prices for more than 60,000 supermarket products and found that "the reduction of VAT rates led to a price decrease of 1.3%, implying that 70% of the tax cut were passed on to consumers" [14]. Seventy per cent is high pass-through, and it is right to say so plainly. Two qualifications belong with it. The first is mine: the setting is supermarket grocery retail, a scanner-priced, high-frequency-repricing sector quite unlike hospitality or attractions. The second is the authors' own. In the working-paper version of the same study they report that "the price effect of the VAT increase was only about half that size", and observe that "this result is the opposite of what Benzarti et al. (2020) find" [15]. The literature is therefore genuinely divided on the direction of asymmetry, and I put this material to the Committee as a serious body of findings rather than a settled one.

25. The one substantial British data point is not about VAT at all, and it points the other way. Following the fuel duty cut of March 2022, the Competition and Markets Authority found that "supermarkets, which account for 44% of all fuel sales, cut prices by just over 5p per litre immediately following the duty cut", though a footnote records that some supermarkets said their reductions "also reflected the fact that VAT fell by 1p per litre as a result of the duty cut", so part of the five pence was mechanical. The next bullet records that other retailers cut by less: "around 3.5p in the case of oil company-operated sites, and 2.1p in the case of independently operated sites" [16]. The Authority's later summary of that work states that "on the whole the fuel duty cut appeared to have been passed on to consumers, with the largest fuel retailers doing so immediately and others more gradually" [17].

26. The Authority also found, in the same market study, that supermarket "average annual fuel margin … has increased year-on-year from 4.4% (4.6ppl) in 2019 to 7.6% (10.8ppl) in 2022", and estimated that the increase produced "a combined additional cost of around £900m for customers of the four supermarket fuel retailers in 2022" [18]. Immediate pass-through at the pump and rising margins over the year are not inconsistent findings; they are the reason a snapshot of prices in the week after a change cannot answer the question the Committee has asked.

27. Finally, the Government's own impact notes have never claimed that a reduction would reach consumers. The July 2020 note for the hospitality reduced rate says nothing about pass-through at all; its only reference to prices is a one-off cost of "changes to IT systems and / or menus to alter prices" [19]. The note of 3 March 2021 for the extension says: "Where businesses opt to pass some or all of the saving on to customers this may result in increased spending in these sectors" [20]. The note for the current scheme says the measure "is expected to have a positive impact on individuals and households … to the

extent that businesses pass on the VAT reduction in the prices they charge” [21]. The Fuel Duty note of 23 March 2022 uses the same construction, projecting an effect on inflation “if it is fully passed on” [22]. The conditional is doing real work in each of these, and the condition has never been tested after the event.

28. I note, because a reader will otherwise raise it, that on 17 June 2026 the Government announced that a number of major operators had committed to passing on the current reduction. Those commitments are voluntary; the accompanying material is framed in terms of what the Government expects and of what follows if a business chooses to pass the reduction through, and so far as I have been able to establish no price monitoring, reporting or enforcement mechanism is attached to them [23]. Voluntary commitments by large operators are not evidence about a sector as a whole, and on the findings above they are least likely to tell us anything about independent businesses.

The evaluation gap, and what I ask the Committee to recommend

29. Almost every study set out above is foreign. That is not a stylistic complaint. It means the United Kingdom has run a temporary reduced rate in these sectors for twenty months, and is running a second scheme as this submission is written, without producing evidence of its own about whether either reached consumers.

30. I searched for a published ex post evaluation of the reduced rate that ran from 15 July 2020 until 31 March 2022 and could not identify one. I put it that way rather than asserting that none exists, because a negative of that kind cannot be established from outside government. What can be shown is the general position. The National Audit Office reported in January 2024 that “as at December 2023 the UK had 341 non-structural tax reliefs intended to achieve social or economic objectives”, that the number of non-structural reliefs evaluated since 2015 was 25, and that “in the past three years HMRC has dedicated an average annual budget of £797,000 for evaluating reliefs, reducing the latest budget to £600,000 in 2023-24”. In fairness to the Department, the same report records that further evaluations are under way and that “once completed HMRC will have evaluated 36 of the 341 reliefs since 2015”. The Office’s own conclusion was that “this suggests that more rather than less evaluation would improve the Exchequer position” [24].

31. The Republic of Ireland is not in the same position. Its 9 per cent rate has been the subject of at least four published pieces of analysis: a Revenue review, a Parliamentary Budget Office paper, the Tax Strategy Group paper already cited, and the Fiscal Advisory Council working paper discussed above [25] [26] [6] [13]. They are of different kinds and I would not call all four evaluations. But the contrast in the volume of published analysis is real. The Parliamentary Budget Office paper, reporting the assessment of the Commission on Taxation and Welfare and of the Department of Finance rather than stating a finding of its own, records that “there is limited evidence VAT achieves price reductions for consumers and is instead used to protect profit margins of businesses” [26].

32. There is a second obstacle, specific to Northern Ireland, and I must correct something that is sometimes asserted. It is not the case that no Northern Ireland price index exists. The Office for National Statistics has a published development programme and releases experimental Northern Ireland consumer price estimates, most recently in a dataset covering January 2026 [27] [28]. The difficulty is what the Office says about them. It states plainly: “We do not recommend the use of these metrics for policy or decision-making purposes”, and that “we are still investigating methodologies and so results may be subject to change”. It also records that the boosted Northern Ireland price collection “was implemented in January

2022” [27]. The reduced rate ran from 15 July 2020 and the rate returned to 20 per cent on 1 April 2022. The boosted collection therefore began after most of the period one would want to study.

33. That is a fixable problem, and it is very nearly the whole of my recommendation. It does not require a decision on the rate. It requires the Government to finish work it has already begun and to publish analysis it is best placed to produce. I put the four recommendations in order of urgency.

34. First and most urgently, the temporary reduced rate now in force runs from 25 June 2026 to 1 September 2026 [29] — it ends on the day this call for evidence closes. It is a live, bounded, United Kingdom-wide natural experiment, and the supplies it excludes provide a ready-made comparison group: an adult’s meal beside a child’s at the same table, a sports admission beside a museum admission. If it is to be evaluated at all, the data need to be captured now. I ask the Committee to recommend that HM Revenue and Customs commit, before the end of this year, to publishing an evaluation of it.

35. Second, I ask the Committee to recommend that HM Treasury and HM Revenue and Customs publish a retrospective evaluation of the temporary reduced rate that applied from 15 July 2020 until 31 March 2022 — introduced by order at 5 per cent and continued at 12.5 per cent by section 93 of the Finance Act 2021 [30] [31] — addressing what proportion of the reduction was reflected in consumer prices, whether that proportion differed between independent and multiple operators, and what happened to prices when the rate was restored.

36. Third, I ask the Committee to recommend that HM Treasury publish a Northern Ireland-only costing of a reduced rate for hospitality and tourism, disaggregated between food and catering, accommodation, and admissions, so that the Committee and the sector are debating a figure rather than an extrapolation from the United Kingdom-wide estimate of approximately £10 billion published in 2018 [7].

37. Fourth, I ask the Committee to recommend that the Office for National Statistics be invited to set out what additional resource or methodological work would be required to bring the Northern Ireland consumer price estimates to a standard the Office would itself be willing to recommend for policy use, and by when. Without that, no Northern Ireland-specific tax measure of any kind can properly be evaluated after the event, and this Committee will face the same evidential vacuum on the next occasion the question arises.

Why the reason given in 2018 no longer applies

38. The Government last examined this question in 2018 and refused; the history is set out in the House of Commons Library briefing on the subject [32]. Its stated reason has since ceased to apply, and the Committee is entitled to have that acknowledged rather than have the 2018 conclusion carried forward as though nothing had changed.

39. The reason was European Union law. Under the heading “Legal context”, HM Treasury’s summary of responses recorded: “Under the current legislation, the UK is unable to offer different rates of VAT across the UK. This is in accordance with rules, set out in the Principle [sic] VAT Directive … designed to ensure that similar goods and services bear the same tax burden, within the territory of a member state”. On VAT specifically the document was explicit, and explicit about the condition attached: “Consideration of the legal framework clarifies that options for VAT reform are restricted under EU law and a reduced rate of VAT

for Northern Ireland only is not possible. Until the UK leaves the EU, our rights and obligations remain unchanged. As has been set out in the 'Legal context', it is therefore impossible for the government to take action on VAT in Northern Ireland exclusively" [7].

40. A second strand of the 2018 reasoning concerned State aid and tax devolution, and its scope is often stated loosely. Paragraph 5.4, under the "Legal context" heading, opens with air passenger duty — "in the absence of a Northern Ireland Executive, options for differentiated rates of APD within a member state are limited by the legislative framework" — cites Case C-88/03 Portugal v Commission, and ends with an unqualified sentence: "The UK government cannot unilaterally vary rates for different regions of the UK". I quote that sentence because it is the strongest single thing in the document against the case I am making. Two things should be said about it. It appears in a paragraph whose opening words concern air passenger duty and whose authority is a case about the devolution of tax powers to the Azores. And where the same clause appears again at paragraph 5.28, under the heading "APD", it carries a qualifier the earlier sentence does not: there the Government said the United Kingdom cannot unilaterally vary rates for different regions "without contravening current EU law on State aid" [7]. The qualifier identifies what the constraint actually was.

41. That constraint no longer operates in the same way. Article 8 of the Protocol on Ireland/Northern Ireland, now known as the Windsor Framework, provides that "the provisions of Union law listed in Annex 3 to this Protocol concerning goods shall apply to and in the United Kingdom in respect of Northern Ireland" [33]. The Government's command paper of February 2023, describing the arrangement the Windsor Framework replaced, records that "under the old Protocol, EU VAT and excise rules apply in Northern Ireland, strictly in relation to goods, in order to avoid a hard border in Northern Ireland" [34]. And in answer to a written question tabled by Lord Dodds of Duncairn, Lord Livermore replied for HM Treasury on 3 June 2026: "VAT on services, including hospitality, does not fall within the scope of the Windsor Framework" [35].

42. The Windsor Framework in fact widened rather than narrowed the room for manoeuvre, even on goods. Joint Committee Decision No 1/2023 provides that the United Kingdom in respect of Northern Ireland "shall not be required to apply the third subparagraph of Article 98(1) and the first subparagraph of Article 98(2) of Directive 2006/112/EC and may therefore apply reduced VAT rates to supplies covered in more than 24 points in Annex III" [36]. The command paper describes the agreement as delivering "full flexibility on rates in the future" [34]. It would be wrong to present the Windsor Framework as an obstacle here: on goods it is a source of flexibility, and on services it does not bite at all.

43. What has replaced the legal objection is a policy objection. In the same answer of 3 June 2026, the Treasury said: "There are no current plans to introduce regionally differentiated VAT rates for hospitality, which would add complexity to the tax system" [35]. Complexity is a legitimate reason, and I do not dispute that a differentiated rate would produce some. But it is a different kind of reason from impossibility, and it is one on which the Committee can properly press for detail: what the complexity consists of, how it compares with the complexity the Government has just accepted in the scheme now running, and whether it has been quantified at all. A legal impossibility ends the discussion; an administrative cost does not.

44. One observation on the current scheme bears directly on that comparison. It is sometimes described as tightly targeted at children. That is only partly right. Group 17 is confined to

food that is “part of a children’s meal”, and item 1 of Group 18 to admissions held out for sale only as a child admission or as a family admission including one or more children. But items 2 and 3 of Group 18 apply to admissions for any customer to “circuses, fairs, amusement parks, adventure parks, soft-play centres, zoos, observation attractions, farm visitor attractions and nature reserves” and to “museums and other similar cultural facilities” [29]. The Government has therefore already accepted the administrative burden of distinguishing, within a single sector and often within a single business, between supplies at 5 per cent and supplies at 20 per cent, with a start date and an end date, and without defining “child” anywhere in the Order. Whatever the complexity of a territorial boundary, it should be measured against that, and not against an idealised uniform system.

Annex: two questions the Committee may wish to put to the Government

The Committee’s questions are mainly economic and my substantive evidence is above. The two matters below are legal and arise only if a reduced rate for Northern Ireland is pursued. Consistently with paragraph 8, I set out the relevant provisions and the question, and do not offer a view on the answer.

A. Whether a Northern Ireland-only reduced rate would engage the Subsidy Control Act 2022

45. If the European Union objection has gone, the domestic subsidy control regime is the next place a Northern Ireland-only rate would be tested. So far as I have been able to establish, the Government has never stated a position on whether a reduced rate of VAT engages the Subsidy Control Act 2022 at all. The point could not have arisen on the earlier reliefs: the Act came into force on 4 January 2023, after the 2020 to 2022 rate had ended [37].

46. The relevant provisions are these. Section 2(1) defines a subsidy as financial assistance which is given from public resources by a public authority, “confers an economic advantage on one or more enterprises”, “is specific”, and has or is capable of having an effect on competition, investment or trade. Section 3(2) provides that financial assistance “is not to be treated as conferring an economic advantage on an enterprise unless the benefit to the enterprise is provided on terms that are more favourable to the enterprise than the terms that might reasonably have been expected to have been available on the market to the enterprise”. For tax measures, section 4(4) provides that assistance is not specific unless enterprises “obtain a reduction in the tax liability that it or they would otherwise have borne under the normal taxation regime” and are “treated more advantageously than one or more other enterprises in a comparable position under the normal taxation regime” [38].

47. On territoriality, the statutory guidance provides at paragraph 15.100 that “where a measure providing financial assistance is adopted using a power which is UK-wide, the reference area is the UK as a whole”, so that “financial assistance provided exclusively in a specific geographical area within the UK may be considered to be specific”. Paragraph 15.101 addresses the converse case, where an administration “covers a discrete area – such as a devolved government” and assistance is made available by a public authority “acting autonomously with regard to process and funding” to all enterprises in that area [39]. Two provisions bear on which of those applies here, and I set them out because they cut against reading paragraph 15.101 as an easy answer. Taxes under any law applying to the United Kingdom as a whole are an excepted matter under Schedule 2 to the Northern Ireland Act 1998 [40], so a Northern Ireland rate would be set under a United Kingdom-wide power. And section 4(5) of the Act identifies the normal taxation regime by reference, among other things, to whether the public authority “is autonomous institutionally, procedurally,

economically and financially as regards the regime" and "has the competence to design the features of the regime" [38].

48. The question I invite the Committee to put is whether the Government has analysed how these provisions apply to a Northern Ireland-only reduced rate of VAT, and if so what conclusion it reached. If the answer is that no such analysis exists, that is worth establishing before the question is reached in practice rather than after.

B. A drafting point on goods and services

49. This is a narrow point and I put it as a caution rather than an objection. The Windsor Framework applies European Union VAT law in Northern Ireland in respect of goods, and a reduced rate confined to services — the supply of catering, of accommodation, or of admission — would sit outside it, which is the effect of the Treasury's answer of 3 June 2026 [35].

50. The 2020 model was not drafted that way. Group 14 as inserted by the 2020 Order covered "supplies in the course of catering of … any hot food or hot drink for consumption off those premises" [30]. A takeaway is a supply of goods, so legislation modelled on the 2020 Order and applied to Northern Ireland alone would engage Article 8 directly, in a way that a rate confined to on-premises supplies would not.

51. The Government has, however, already drafted the alternative. In the scheme now in force, Group 17 is confined to food "for consumption on the premises on which it is supplied" and Group 18 to rights of admission [29]. Both are supplies of services. If the Committee recommends a reduced rate, the current Order is the readier model, and the Committee may wish to ask the Government to confirm that a services-only measure would raise no Windsor Framework question. I should add, so as not to leave an unspecified difficulty hanging, that engaging Article 8 would not necessarily be an obstacle: as noted at paragraph 42, the Joint Committee Decision permits reduced rates across more than 24 points of Annex III to the Directive, and Annex III includes foodstuffs. The point is only that the analysis on that side of the line is different, and additional.

Conclusion

52. The legal reason given in 2018 has gone, and the Government now advances a policy reason in its place. That change deserves to be acknowledged on the record. But the more useful thing the Committee can do is smaller and cheaper than a decision on the rate. Two temporary reduced rates in six years have produced no published British evidence about whether either reached consumers; the evidence that does exist — including, in Irish hospitality itself, an ex post study finding that cuts pass through less than increases — suggests that in labour-intensive services a substantial part of a reduction is often retained, and that independent businesses pass on least; and the statistical apparatus needed to test the question in Northern Ireland is unfinished. Commissioning the evaluations and completing the statistics would cost a small fraction of the measure under discussion, and would mean that the next time this question is asked it can be answered.

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