Written evidence submitted by Merlin Entertainments

About Merlin Entertainments

Merlin Entertainments is a global leader in location-based, family entertainment. As Europe's Number 1 and the world's second-largest visitor attraction operator, Merlin now operates 130 attractions, 20 hotels and 6 holiday villages in 25 countries and across 4 continents. Merlin's purpose is to deliver memorable experiences to its 67 million guests around the world, through its iconic global and local brands, and the commitment and passion of its c.28,000 employees (peak season).

Merlin Entertainments is a privately-owned company and is headquartered in Poole, Dorset, UK. It has 29 number of attractions located within the UK, including Alton Towers, THORPE PARK, Chessington World of Adventures, Warwick Castle, LEGOLAND Windsor, The London Eye, Madame Tussauds and various SEA LIFE centres.

2020 has been Merlin's most challenging year to date, as the vast majority of our 130 attractions around the world were closed for part of the pandemic, including all of our UK attractions which had to shut their doors between March and June / July, missing out on their busiest and most crucial trading period. When these attractions did safely re-open, they benefited from the pandemic staycation boost, but with significantly reduced capacity to enable social distancing. With a lower footfall, our UK attractions have not been able to provide so many seasonal jobs; nor generate substantial additional spend from our guests for the wider community surrounding our attractions and local visitor economies.

Nevertheless, a range of Government measures – including the moratorium on rent enforcement, the temporary reduction in VAT to 5% and the business rates holiday – have helped our UK attractions to resume trading, offering safe, memorable experiences to thousands of visitors between mid-summer and the November lockdown – whilst ensuring that our ticket prices remain competitive and attractive.

We are making this submission to the Treasury Committee as we consider that there is a strong case for the Government making more permanent changes to the UK's tax system in order to help the hospitality and leisure sectors recover and flourish in the long-term, giving businesses such as ours the confidence to invest, boost productivity and competitiveness to ensure that the UK continues to have an attractive offer for both domestic and overseas visitors.

We agree – as set out in this inquiry's "call for evidence" – that the reconstruction of the economy after the unprecedented economic fallout of the coronavirus pandemic is an opportunity to reflect upon and address these issues. We welcome this opportunity to contribute to the Treasury Committee's deliberations and hope that the Government will be receptive to any recommendations it puts forward which would aid a rapid return to growth and productivity in sectors such as ours.

Our response

We note the 11 questions set out in the "call for evidence". This response is focused on the one question which is immediately relevant to Merlin Entertainments:

- **What overall level of taxation can the economy bear without undesirable or counterproductive harm to economic growth?**

The application of the standard rate of Value Added Tax (VAT) – 20% - on services supplied to tourists puts the UK at a disadvantage when compared to a number of its European neighbours. Tourism is – by its very nature – an inter-country industry, with neighbouring economies competing to offer would-be visitors with reasons to take advantage of their respective offers.

As the long-running Cut Tourism VAT campaign has outlined, every other country in Europe (except Denmark) has regular lower rates of tourism VAT than the UK. Standard rate VAT on tourism in the UK is approximately twice the average of other major European destinations such as Spain, Germany and Italy.

The Government's decision in July 2020 to introduce a temporary 5% VAT rate on most tourism and hospitality-related activities was very welcome, and we cut lead prices at our major attractions in response. We strongly believe that this stimulated demand through the second half of the summer and the autumn – helping us to recover from the earlier period of closure.

If this were to revert to standard rate VAT in April 2021 (as is currently intended), we would be applying 15% price increases as we enter the vital Easter 2021 period, i.e. the very time that we need to be stimulating demand by offering good value day trips and short breaks to hard pressed British families who will be seeking affordable leisure opportunities. A reversion to standard rate VAT would hamper the visitor economy's recovery efforts at a time when many working in the industry hope to be finally turning a corner with an uninterrupted summer season.

We believe that the Government should make a permanent reduction in the VAT rate for tourism. Although the short-term cut has clearly helped, a permanent reduction would give businesses such as ours the confidence to invest and grow to secure sustainable growth in the visitor economy – and for the first time have a level playing field with our European neighbours. A lower rate of VAT on services supplied to tourists would result in lower prices, increased sales and more employment in this sector, which in turn encourages growth in the wider economy.

Our 20 years of experience shows that the single biggest factor in international tourists coming to the UK is price. When the pound is strong, we always see a drop off. That is why we are pushing for tourism VAT to be kept at a reduced rate, to ensure the UK can compete with European destinations on an ongoing basis. A permanent cut in VAT would level the playing field with our international competitors. It would also help to drive the UK's economic recovery in 2021 and beyond.

On other taxation issues, Merlin is keen to see business rates reformed, but that requires a more technical, detailed response which we will make in submission to future review processes.

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