

LONDON ASSEMBLY

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Neil Garratt AM
Chairman of the Economy Committee

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
(Sent by email)

11 March 2022

Dear Chancellor,

I am writing to you on behalf of the London Assembly Economy Committee in relation to VAT on hospitality and tourism sector purchases, following on from our recent investigation into rebuilding London's tourism industry in the aftermath of the COVID-19 pandemic.¹

Before the pandemic, London was the third most visited city in the world, welcoming a record 21.7 million inbound visitors in 2019. Tourism has been an essential part of London's economy, employing 700,000 people – one in seven of the capital's jobs – and accounting for 11.6 per cent of the capital's GDP. The industry is especially reliant on international visitors, who account for 70 per cent of spend in London's hospitality and tourism businesses. But the sector has been hit hard by the pandemic, and it continues to suffer due to the substantial reduction in the number of overseas visitors.

¹ The Economy Committee held a meeting on rebuilding London's tourism industry on 13 October 2021. The guests in attendance were Justine Simons OBE, Deputy Mayor for Culture and the Creative Industries; Allen Simpson, Acting Chief Executive Officer of London & Partners (L&P); Kate Nicholls OBE, Chief Executive, UKHospitality; Despina Tsatsas, Executive Director, Young Vic; and Sandra Botterell, Director of Marketing and Commercial Enterprise, the Royal Botanic Gardens, Kew.

At the Economy Committee's meeting in October last year, we heard from a number of experts in the sector about the impact of the pandemic on the tourism industry and what can be done to rebuild it. Guests emphasised how valuable the Government's packages of support have been since the start of the pandemic, and in particular the importance of the cut in VAT on purchases in the hospitality and tourism sectors. As you know, VAT for these sectors was cut from 20 to 5 per cent in July 2020, but subsequently increased to 12.5 per cent in October 2021 and is due to return to 20 per cent in April 2022.

The Committee heard that retaining the 12.5 per cent VAT rate until March 2023 would provide a lifeline for the industry, with one guest arguing that it would be 'the single biggest thing that we can do to... deliver the recovery.' Guests emphasised that, although London's tourism industry has made an impressive recovery so far, it remains fragile and is still in need of support, with recent data indicating that tourism in London may not recover until the middle of decade.

We therefore urge you to maintain the 12.5 per cent VAT rate on purchases in the tourism and hospitality sectors until March 2023. This will provide vital support to the industry in a challenging time and ensure that London can once again be a world-leading destination for international tourism.

We would be grateful to receive your response to this letter by Friday 1 April. Please send your response by email to the committee's clerk, Lauren Harvey (lauren.harvey@london.gov.uk).

Yours sincerely,



Neil Garratt AM
Chairman of the Economy Committee