

VAT Increase on Hotels is Baffling



While the decision to retain the VAT rate for newspapers at 9% is evidently welcome from our perspective, Paschal Donohue's 4.5% increase on the hospitality sector is impossible to justify.

As economist Jim Power succinctly put it at last Wednesday's Waterford Chamber Business Breakfast, not only is the VAT increase on the hospitality sector hard to rationalise in the context of Brexit, "it's absolutely nuts". Most of us who've gone to Dublin for concerts, matches and other events in recent years will know only too well how expensive, indeed exorbitant, hotel rooms in a vast majority of cases have become. One suspects this may have crossed more than a few minds within the Department of Finance in advance of green-lighting this VAT increase.

Hotels in the capital, in addition to those on the fringes of the M50 and surrounding counties may well be booming, but the same cannot be said for hotels and guest houses in both Waterford and the South East.

In the wake of the closure of rural post offices and with Garda Stations in several county towns (such as Carrick-on-Suir) not fully open on a daily basis, the sense that rural and regional Ireland has been further disregarded by the Government is more than notional. As Irish Hotels Federation (South East) Chairperson Aidan Quirke put it: "Ireland will now have a higher tourism VAT rate than 26 countries in Europe with which we compete. We are already a very high cost economy by international standards so it is astonishing that the Government is now imposing additional taxes on tourists and making our country less attractive as a destination."

Mr Quirke said that regional businesses will "bear the brunt" of the VAT increase, "as about €300m of the €466m in additional taxes will be taken from the rural economy, which has been slower to recover from the economic crisis. This is a devastating blow for the many tourism businesses that struggle to break even or stay open outside the peak season."

Speaking to local hoteliers last week, their concerns were made plain. The prospect of taking on additional staff has been effectively neutered by the VAT increase.

Business levels had been stymied by the inclement weather of the past year, and given the considerable investments that several hotels have made in terms of room refurbishment and other improvements, profit margins remain very tight.

That the primary business decision made in the Budget was a negative from Waterford's perspective is a major disappointment.

An additional measure for films made in designated areas across the regions is to be introduced but what if any impact this will have from a South Eastern perspective remains to be seen.

Had Minister Donohue stood in the Dáil last week to announce the approval of €104.5 million in capital funding for the North Quay project, we'd all have jumped for joy with such a development. But this largely conservative budget, featuring so punitive an increase on our hospitality sector, has once again left us feeling like Ireland's forgotten cousin. We deserve better.

* The impact of the 'Journalism Matters' briefing to Oireachtas members at Leinster House appears to have made a welcome impact given the retention of the 9% VAT rate for our sector. The campaign will continue to be championed by both regional and national newspapers as a buoyant journalism sector forms an essential component of a robust democracy.