

Budget 2022 generally positive for hospitality but VAT increase will be a problem – LVA

Extending Wage Subsidy and Rates Waiver vital for facilitating recovery of sector

LVA warmly welcomes waiving of Government charges on late night venues for rest of year

The Licensed Vintners Association (LVA) has said Budget 2022 was generally positive for the hospitality sector but warned the VAT increase coming next September will be a serious problem.

The LVA believes the extension of the commercial rates waiver until the end of the year and the retention of the EWSS until April 2022 are were vital measures that will facilitate the recovery of the industry and sustain some hospitality businesses under pressure into the new year.

The LVA also warmly welcomed the decision that Government charges imposed on late night venues such as late bars and nightclubs will be waived until the end of 2021. This is an issue the LVA raised extensively with the Government in the run up to the Budget.

Any licensed premises seeking to operate late must secure a Special Exemption Order (SEO) in advance. Each SEO requires a payment to Government – which effectively amounts to a tax – of €410 per night for each individual venue.

Late bars and nightclubs are expected to reopen on 22nd October, following 585 consecutive days of closure. Had these charges not been waived the LVA estimated the 300+ late bars and nightclubs around the country would have been forced to make advance payments of €2.2million to Government, before they could reopen. The LVA argued this would have been an unfair imposition on businesses which had zero business in more than 18 months.

While most of the measures struck a positive tone for the sector, the Government's decision to increase the hospitality VAT rate next autumn will be a problem the LVA believes. Currently the hospitality VAT rate is 9%, but the Government confirmed it is to rise to 13.5% from September 2022, a 50% increase the rate imposed. This will have a significant inflationary impact on costs across the hospitality sector. The LVA anticipates further engagement with the Government on this issue will be necessary.

"Overall this has been a generally positive Budget for the hospitality sector," said Donall O'Keeffe, Chief Executive of the LVA. "The extension of the rates waiver and the retention of the wage subsidy supports will provide some stability to businesses who have effectively been shuttered for most of the last 18 months and who are still operating with severe constraints in place. It is going to take months for our industry to recover and these measures are essential to allow pubs and other hospitality businesses to get back on their feet.

"The Government's decision to waive the charges on late bars and nightclubs is also hugely important. The LVA has been making the case that it would be grossly unfair to expect businesses who have been kept closed for 1.5 years by order of the Government, to then have to make advance payments to the Government before they could open their doors again. Thankfully this point has been taken on board in the Budget deliberations and these charges will be waived until the end of the year, putting the recovery of late night hospitality on the front foot ahead of reopening on 22nd October.

"Looking ahead, we are concerned about the implications of the decision to increase the VAT rate from next September. That's going to have a significant inflationary impact on hospitality costs from next autumn onwards, with the level of VAT charged effectively due to rise by 50%. We think that will be problematic for the sector and we will be seeking to further engage with the Government on this matter," Mr. O'Keeffe concluded.