

# **‘Nobody expected to be hit with this crisis’: Hospitality businesses call for urgent VAT cut**

Business leaders are calling on the government to urgently cut VAT, as they struggle with increasing costs.

Many businesses are being hit by the same increases in bills as households, on top of other costs such as business rates.

But they also face the challenge of trying to sell their products or services to customers who are cutting back on spending.

Manchester’s night time economy adviser Sacha Lord told Sky News: “I can’t paint any positive picture at the moment – I’m more concerned now than I actually was during the pandemic.

“Operators have taken on so much debt in the last two years, and that debt, by the way, did actually save businesses and jobs.

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“But coming out of this, nobody expected to be hit with this crisis.”

He said that both [Rishi Sunak](#) and [Liz Truss](#) – the candidates vying to replace Boris Johnson as prime minister – are not acting quickly enough.

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"We need immediate intervention and I think, for once, myself and the other trade bodies, we're all calling for the same thing.

"We're calling for an immediate reduction in VAT – that will save businesses and save jobs."

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VAT cut 'the only way to get over this next hurdle'

Simon Wood, who owns a number of restaurants including his flagship in Manchester, agreed, telling Sky News: "The VAT reduction for me and for many operators is the only way to get over this next hurdle."

He said the four months ago, the gas bill for his restaurant WOOD Manchester was £3,000, plus another £3,000 for electricity. Now it is £8,000 for each – a total of £16,000.

"That's £26 per person who comes through the door, roughly.

"Can you imagine if I popped £52 on a table of two before they've even come in and had a drink or a bite to eat?"

He added: "It's a situation we can't change and that leads into recruitment – if people do leave, we struggle to replace those positions because the revenue isn't coming through the building and we've got bills to pay and overheads which are sky-rocketing."

He said his own businesses was not going to go bust but said there would be "some casualties" in the sector.

"We have to adapt or pivot or whatever phrase you want to put on it.

"And we have to figure out a way to get by this and hopefully some respite comes in the form of a VAT reduction or energy costs with a sensible cap, and someone from government intervenes with a sensible strategy."

'A deluge of new cost pressures'

David Bharier, head of research of the British Chamber of Commerce (BCC), said: “In recent months, our research has highlighted the increasingly precarious state of the UK economy. Firms that scraped through the pandemic are now faced with a deluge of new cost pressures.

“Our most recent survey from Q2 showed that energy costs are cited as the top driver of inflation by businesses. Two thirds are telling us they plan to put up their own prices in the next three months – the highest level on record. Inflation is now cited as by far away the top concern by firms across the UK.

“Cutting VAT on businesses’ energy bills to 5% would at least ease the squeeze on firms’ cashflow and give them some room for manoeuvre.

“The next budget must be the main priority of any new prime Minister and chancellor – a chance for them address both the short-term and structural issues facing the economy.”

Sky News has asked for comment from HM Treasury.