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Worst year in the history of the pub trade

Item Type	other
Citation	Licensed Vintners Association, 'Worst year in the history of the pub trade', [other], Licensed Vintners Association, 2020
Publisher	Licensed Vintners Association
Rights	Y
Download date	2026-04-11 09:14:58
Link to Item	https://hdl.handle.net/20.500.14765/97484

Worst year in the history of the pub trade

Drinks industry says VAT reduction is now of “utmost urgency” to help pubs as delayed reopening threatens hundreds of businesses

July Stimulus hailed by Government as ‘radical and far reaching’ and a ‘package of scale that can be deployed at speed’ must deliver specifically for pubs

Government’s decision to further postpone pub reopenings will have dire consequences for already hard-pressed businesses and their employees

Temporary reduction (until 31 December 2020) in VAT rate on on-trade alcohol from 23% to 9% will be of “universal benefit” to all pubs

Measure will allow pubs to recoup Covid-19 expenses and cover some losses due to reduced capacity

Drinks Industry: “It is simply not realistic to keep such an important domestic sector of the economy closed for five months and more and then expect it to reopen without adequate state redress.”

A drinks industry group comprised of the Vintners' Federation of Ireland, Licensed Vintners Association of Ireland, and Ibec group Drinks Ireland has said that its VAT reduction on on-trade alcohol proposal (for pubs, restaurants and hotel bars) is now of “utmost urgency” following the Government’s decision to postpone the re-opening of pubs and bars until Monday, 10 August and possibly later.

The industry group has proposed a temporary reduction in the VAT rate on-trade alcohol from **23% to 9%** until 31 December 2020 as a direct support for pubs – the VAT reduction would contribute directly to overheads for businesses and is intended to benefit the pubs, rather than the consumer. It is not intended as a demand stimulus, but a business support.

An Tánaiste, Leo Varadkar TD has promised a July Stimulus that is ‘radical and far reaching and of a scale to meet the challenge.’ A VAT reduction for pubs, which are among the worst hit businesses, will go far to meet the myriad challenges facing this sector. ‘It is money that will save businesses and jobs in real time,’ said LVA CEO Donall O’Keeffe.

‘While pricing is a matter for each individual business, this VAT reduction on alcohol is intended as a business support for pubs. This targeted support is essential for every pub in the country at a time when 60% will have been closed for five months or more, with no trade, overheads and increased costs to cover. A VAT reduction is the only measure that will provide an immediate difference. If pubs are forced to remain close until 10 August and beyond, many may not reopen and jobs will be lost,’ he said.

This change would reduce the VAT bill for pubs, reducing the costs of doing business – when they reopen – and allow pubs to offset some of the huge costs associated with reduced turnover due to social distancing’s impact on capacity, as well as the required upfront expenditure in protective equipment and building modifications.

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While food-serving pubs were permitted to reopen at the end of June, by 10 August those pubs that do not sell food—about 60% of all pubs—will have been closed for five months. The additional three weeks of

closure—and the prospect of more still—will simply compound pubs' present financial difficulties, potentially to breaking point in areas that are highly dependent on these businesses.

DCU economist Anthony Foley, [in a recent report](#), found that on-trade pub alcohol sales will decline by 50% or more for the second half of 2020 while, even if pubs regain half their normal capacity by the end of 2020, which is an optimistic scenario, as many as 22,500 jobs could be permanently lost.

Padraig Cribben, Chief Executive, VFI, described the Government's decision to postpone the reopening of the majority of Ireland's pubs until 10 August, and possibly beyond, as compounding "the worst year in the history of the Irish pub trade".

"We understand why this country was locked down in March. Pubs were among the first to do so, and many closed before the Government ordered them to. It was the correct thing to do.

"However, it is not realistic to keep such an important domestic sector of the economy closed for five months—especially when so much of its business relies on these key months from March to August—and then expect it to reopen without adequate state redress.

"The current uncertainty is also hugely demoralising for pub owners, their families and the tens of thousands of people employed in pubs. They now face yet more disruption to their personal and professional lives. Direct and tangible support in the form of reducing costs which a VAT reduction would deliver instantly is the only way."

Patricia Callan, Director, Drinks Ireland said:

"A temporary VAT decrease would be *universally* beneficial. It would help all pubs in one direct measure that is administratively easy to implement. It would allow pubs to recoup some of the money that they have spent investing in the costs of reopening and make it easier for them to repay debt and cover for reduced capacity due to social distancing.

"We believe the postponement has only made our proposed temporary VAT decrease even more pressing, and we urge the Government in the strongest possible terms to implement it as part of their July stimulus package – a package that has been hailed as '*a package of scale that can be deployed at speed.*' A VAT reduction can be deployed at speed."

This measure would be in line with other EU countries, which are using temporary reductions in VAT to provide immediate support to their drinks, hospitality, and tourism sectors in the midst of the Covid-19 crisis.

"As of 1 July, Austria reduced the VAT rate on on-trade alcohol temporarily from 20% to 5% as a Covid response measure specifically to support businesses – not as a consumer support. In Cyprus, the VAT rate on services has been reduced from 9% to 5% until January 2021 and this applies to alcohol sold in the on-trade. In Spain and Italy, VAT on on-trade alcohol has long been set at the hospitality. Ireland needs to follow suit,' Callan said.