



COVID-19 SUPPORT: HOSPITALITY SECTOR - A LETTER FROM MICHAEL IZZA TO RT. HON. RISHI SUNAK, CHANCELLOR OF THE EXCHEQUER

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ICAEW published a letter from Michael Izza to the Rt. Hon. Rishi Sunak, Chancellor of the Exchequer, *COVID-19 Support: Hospitality Sector* on 20 December 2021.

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20 December 2021

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
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Dear Chancellor

COVID-19 SUPPORT: HOSPITALITY SECTOR

I am writing regarding the challenging situation being faced by the hospitality sector in the face of the spread of the Omicron variant, and to suggest options for support measures which could be explored by HM Treasury.

As you are aware, ICAEW chartered accountants have been on the front line of the economy throughout this pandemic, whether running their own businesses or acting as trusted business advisers to many more. I have personally been hearing from our members working in, and advising, the hospitality sector that many businesses are facing a very real risk of running out of cash.

Most are, of course, heavily reliant on trading in November and December to give them the working capital needed to cover overheads and get through the quieter January and February months, before trading picks up again and gains momentum from March onwards. The following comment, received from one of our tax practice members, summarises the situation on the front line:

"Having reviewed the sales data from the weekend, it is clear that the trading is less than half what it should be at this time of year, and I will need to rework cash forecasts and assess how my clients can survive the coming months. It is an industry that has been hit hard by Government restrictions and guidance. The statement that there is support via business rates and a reduction in VAT is fair; however the VAT rate increases back to 20% at the end of March and the so-called recovery loan scheme is impossible to obtain when there is a working capital need.

The hospitality industry desperately needs Government support, if I can't help my clients and get them through the coming months the impact is not just personal to them. The impact would also be on staff, suppliers and also me as a sole practitioner. Having lost major clients due to the impact of Covid, I don't want to lose more even though I do everything I can to help them. I have a personal and individual relationship with every client and need to ask the ICAEW to help them get the support that they deserve."

There is a substantial risk that we will see businesses being closed permanently, rather than premises simply mothballed pending a return to more normal trading conditions, an outcome that would be devastating to the lives and livelihoods of those who run and work in businesses in this sector.

We would strongly urge you and your colleagues to consider every opportunity to inject cash as soon as possible, targeting help to those most valuable to the economy. In considering the tools to hand, we would note that the following could relieve the imminent cash flow crisis:

1. The current quarter's VAT payment could be deferred. This would be particularly useful for SMEs using the cash basis for their VAT returns.
2. A temporary increase in the 50% business rates rebate, which is already targeted at this sector. This could include increasing the amount per business not just per premises.
3. A business rates reduction back-dated to the date of the announcement of Plan B measures on 8 December 2021 advising people not to come into the office to work.
4. A further immediate VAT reduction to help those still able to trade, using standard industrial classification codes.
5. Reopening the grant schemes used earlier in the pandemic.
6. Deferring collection of existing government-backed loans or VAT-deferred debts.

ICAEW would be happy to discuss these measures further with your officials, as well as any others being considered, if that would be helpful.

Yours sincerely



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