# Chancellor’s tax hikes trigger crisis warnings from UK hospitality sector



The recent budgetary changes introduced by Chancellor Rachel Reeves have sparked serious concerns regarding the future of the UK hospitality sector. With one in three hospitality businesses now reported to be operating at a loss, industry leaders warn that further tax hikes could precipitate a wave of closures across pubs and restaurants. This alarming trend represents a significant escalation from previous quarters, highlighting the precarious state of an industry already grappling with rising operational costs.

Research conducted by key industry bodies, including UKHospitality and the British Beer and Pub Association, reveals that around 60% of firms within the sector have been compelled to reduce their workforce in order to stay afloat, with a staggering £3.4 billion in additional costs hitting the industry since April. Echoing these findings, a survey indicated that more than three-quarters of hospitality operators have increased their prices, further burdening consumers who are already facing financial constraints. The groups representing these businesses have articulated a desperate plea for government intervention, asserting, “Jobs are being lost, livelihoods under threat, communities set to lose precious assets, and consumers are experiencing price rises when wallets are already feeling the pinch.”

The Chancellor’s recent budget implementations, specifically the increases in employers' National Insurance Contributions and adjustments to the national minimum wage, have taken a particularly heavy toll on the sector. Industry officials argue that these reforms, which went into effect in April following Reeves's first budget last October, have exacerbated existing financial issues. They advocate for immediate reconsideration of the National Insurance hike and are calling for a permanent reduction in VAT on food and drink served in hospitality venues, as well as necessary reforms to the business rates system.

Adding to the sector's troubles, the Confederation of British Industry (CBI) has released a dismal assessment of private sector confidence, claiming it to be at its lowest since September 2022. Deputy chief economist Alpesh Paleja emphasised that the current climate necessitates “decisive action to restore business confidence and boost growth.” Similarly, Make UK, which represents British manufacturers, has urged Labour to cut industrial energy costs, stating that they are four times higher than those in the US and 46% above the global average. Stephen Phipson, the chief executive of Make UK, cautioned that failing to tackle these high costs might jeopardise the UK’s industrial security and deter potential investors.

The British Beer and Pub Association, alongside other hospitality organisations, reported that if taxes rise and Covid-era business rates relief ends, more than half of hospitality businesses would resort to cutting jobs or halting future investments. This sentiment echoes concerns raised by UKHospitality that recent tax policies will not only lead to job losses but could also threaten smaller businesses, which lack the capacity to offset these increased costs through price increases.

Furthermore, brewers and hospitality operators have warned that rising taxes on alcohol and other sectors could signal the demise of the “affordable pint,” a staple of UK culture. The industry maintains that it is already struggling to absorb rising expenses, and the imposition of additional taxes could curtail consumer spending and lead to closures.

The situation is dire; nearly 90% of venues surveyed by the Night Time Industries Association expect declines in profits, with 40% contemplating closure within the next six months. The hospitality industry is urging policymakers to act decisively to avert a deeper crisis, arguing that continuing on the current trajectory could have lasting repercussions for the sector and the broader economy.

In light of these challenges, the future of the hospitality sector hangs in the balance. With calls for government support amplifying, the path ahead requires immediate strategic engagements to ameliorate the pressures facing this vital industry, which plays a crucial role not only in the economy but also in the social fabric of communities across the UK.

## Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/markets/article-14769935/Chancellors-Budget-hangover-leaves-pubs-red.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.theguardian.com/business/2024/oct/28/pubs-and-restaurants-warn-of-closures-if-taxes-rise-and-business-rates-relief-ends)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/markets/article-14769935/Chancellors-Budget-hangover-leaves-pubs-red.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.bbc.co.uk/news/articles/c0k8n1lpv1lo), [[5]](https://www.telegraph.co.uk/politics/2024/10/08/budget-could-mean-end-affordable-pint-brewers-warn/)
* Paragraph 3 – [[2]](https://www.theguardian.com/business/2024/oct/28/pubs-and-restaurants-warn-of-closures-if-taxes-rise-and-business-rates-relief-ends), [[3]](https://www.theguardian.com/business/2024/nov/10/uk-diners-already-fear-the-bill-but-the-budget-just-raised-it-again-warn-restaurateurs), [[6]](https://www.standard.co.uk/business/rachel-reeves-autumn-budget-bars-pubs-clubs-national-insurance-alcohol-duty-b1193259.html)
* Paragraph 4 – [[4]](https://www.bbc.co.uk/news/articles/c0k8n1lpv1lo), [[6]](https://www.standard.co.uk/business/rachel-reeves-autumn-budget-bars-pubs-clubs-national-insurance-alcohol-duty-b1193259.html)
* Paragraph 5 – [[3]](https://www.theguardian.com/business/2024/nov/10/uk-diners-already-fear-the-bill-but-the-budget-just-raised-it-again-warn-restaurateurs), [[5]](https://www.telegraph.co.uk/politics/2024/10/08/budget-could-mean-end-affordable-pint-brewers-warn/), [[7]](https://inews.co.uk/news/politics/cost-pint-meal-rise-pay-budget-tax-hikes-3351186)

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## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-14769935/Chancellors-Budget-hangover-leaves-pubs-red.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.theguardian.com/business/2024/oct/28/pubs-and-restaurants-warn-of-closures-if-taxes-rise-and-business-rates-relief-ends> - In October 2024, the British Beer and Pub Association, the British Institute of Innkeeping, and UKHospitality jointly warned that pubs and restaurants could face closures if taxes rise and business rates relief ends. A survey revealed that 54% of hospitality businesses would reduce employment levels, and 51% would cancel planned investments if full business rates were reintroduced. The groups called for the government to make the Covid-era rates relief permanent to support the struggling sector.
3. <https://www.theguardian.com/business/2024/nov/10/uk-diners-already-fear-the-bill-but-the-budget-just-raised-it-again-warn-restaurateurs> - In November 2024, UKHospitality, representing over 200 hospitality businesses, warned that recent tax increases, including hikes in employers' National Insurance contributions and the National Living Wage, would lead to higher costs for consumers. The trade body expressed concerns that these measures could result in small business closures within a year, drastic job cuts, and cancelled investments, urging the government to reconsider the impact on the hospitality sector.
4. <https://www.bbc.co.uk/news/articles/c0k8n1lpv1lo> - In November 2024, over 200 pub and restaurant bosses warned Chancellor Rachel Reeves that tax rises in the recent Budget would 'unquestionably' cause closures and job losses. They highlighted the disproportionate impact of increased National Insurance contributions on the hospitality industry, stating that businesses had 'no capacity to pass the costs onto customers,' leading to potential job cuts and closures of smaller firms.
5. <https://www.telegraph.co.uk/politics/2024/10/08/budget-could-mean-end-affordable-pint-brewers-warn/> - In October 2024, brewers and hospitality firms warned that increasing taxes on alcohol and pubs in the Budget would spell 'the end of the affordable pint.' They stated that the industry 'cannot afford other costs, let alone tax increases,' and that higher taxes would lead to reduced consumer spending and potential closures of pubs and brewers across the country.
6. <https://www.standard.co.uk/business/rachel-reeves-autumn-budget-bars-pubs-clubs-national-insurance-alcohol-duty-b1193259.html> - In November 2024, the Night Time Industries Association (NTIA) warned that London's late-night economy was in 'severe jeopardy' due to additional costs imposed by the Budget, including increases in employer National Insurance contributions and the National Living Wage. A survey of over 500 member venues found that almost 90% expected a downturn in profits, with 40% considering closure within the next six months.
7. <https://inews.co.uk/news/politics/cost-pint-meal-rise-pay-budget-tax-hikes-3351186> - In November 2024, UKHospitality urged the government to maintain a permanently reduced business rate and to apply the proposed rise in employer National Insurance contributions to higher earners only. They warned that failing to do so would reduce job creation and hinder growth in the hospitality sector, which is already facing challenges due to the end of the business rates relief scheme introduced during the Covid-19 pandemic.