

The Budget and Hospitality: Impact, Outlook and Opportunities – Survey Findings



**Institute of
Hospitality**

Introduction

This report summarises the insights gathered from the Institute of Hospitality's member survey on the anticipated impact of the Government's Budget on the hospitality sector.

The findings reflect a strong level of concern across businesses of all sizes, with recurring themes around business rates, VAT, labour costs, and investment confidence.

Business Rates – Overwhelming Concern

Common themes:

- Rates are too high, unfair, and disproportionately impact hospitality.
- Predicted increases for 2026 described as “astonishing”, “crippling”, and “devastating”.
- Numerous calls for business rates reform, relief extensions, or sector-specific caps.

Member’s quote:

“Business rates reform in 2026 should aim to support sustainable growth, reward innovation, and recognise the vital contribution of hospitality.”

VAT – Strong Demand for Reduction

- Calls for VAT to be reduced to 10%, 5%, or aligned with European levels.
- Mentioned as the single biggest relief that would boost competitiveness, tourism and investment.

Member’s quote:

“A targeted reduction in VAT for hospitality would immediately improve cash flow and allow businesses to reinvest.”

Labour Costs

- Minimum wage increases and employer NI contributions are seen as major pressures.
- Many say combined payroll costs will lead to reduced hours, job cuts, and higher prices.

Member’s quote:

“Employer NI adds £1-£2k per person from the bottom line. This is unsustainable.”

Investment Confidence

- Many respondents said uncertainty and cost increases are halting refurbishment plans, stopping technology investment, and stifling growth.
- Some international respondents note the UK is becoming less competitive compared to global markets.

Member's quote:

“Uncertainty is profoundly damaging, especially in a sector built around celebrating life moments.”

Workforce Challenges

- Several comments highlight recruitment costs, especially visa sponsorship, as a growing barrier.
 - Calls for visa cost reductions, salary threshold reviews, and government support for sourcing skilled staff.
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Top Policy Change Requested by Businesses

Repeated suggestions include:

- Reduce VAT for hospitality
- Reform or reduce business rates
- Reduce National Insurance
- Freeze or review minimum wage increases
- Provide targeted relief for hospitality
- Improve visa access for workers
- Sector-specific support packages or investment incentives

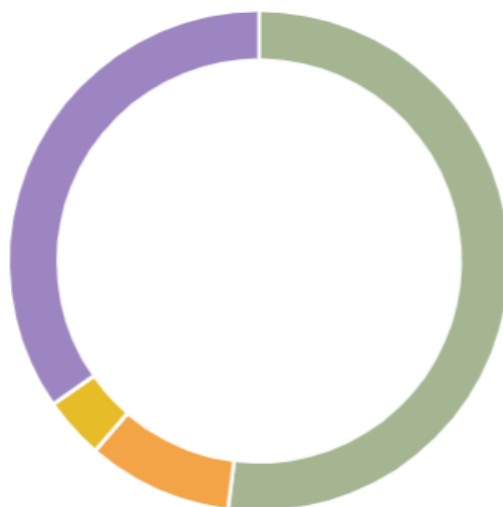
Type of Hospitality Business

Businesses represented:

- **Hotels:** 52%
- **Restaurants:** 9%
- **Events:** 4%
- **Travel & Tourism:** 0%
- **Other (consultancies, suppliers, training providers, contract catering etc.):** 35%

SINGLE SELECT

What type of hospitality business do you represent?



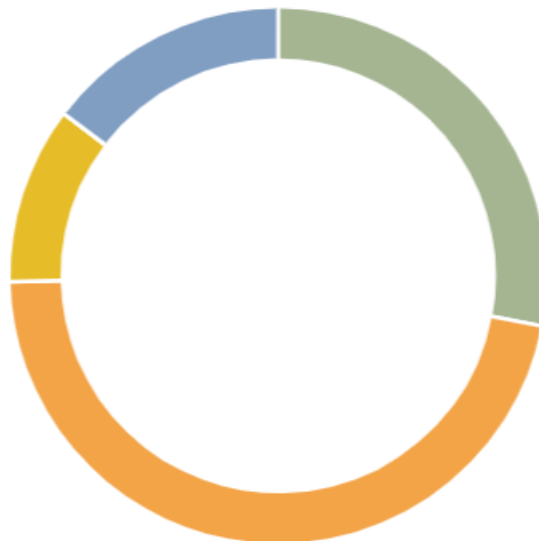
Region of Operations

- **England:** 47%
- **UK-Wide:** 28%
- **International:** 15%
- **Scotland:** 11%
- **Wales / Northern Ireland:** 0%

PRESET DATA

Which UK nation or region best represents your operations?

- UK Wide (21 - 28%)
- England (35 - 47%)
- Scotland (8 - 11%)
- Wales (0 - 0%)
- Northern Ireland (0 - 0%)
- International (11 - 15%)



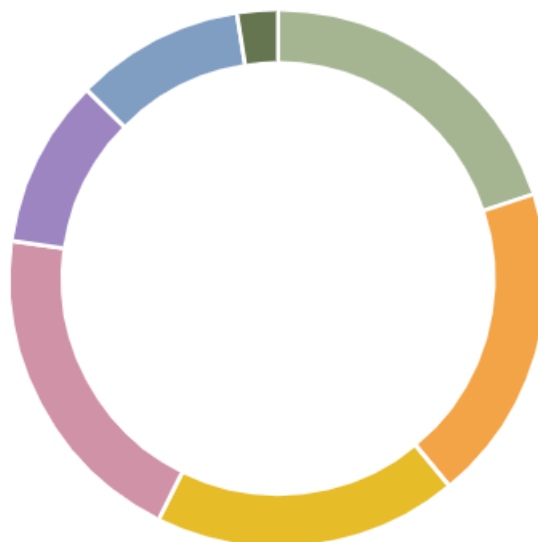
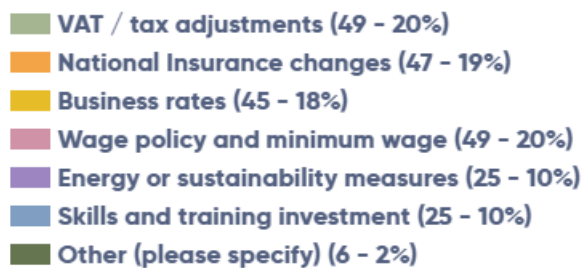
Measures That Will Have the Greatest Impact

Top concerns (multi-select):

- VAT / Tax adjustments: 20%
- Wage policy & minimum wage: 20%
- National Insurance changes: 19%
- Business Rates: 18%
- Energy / Sustainability measures: 10%
- Skills & training investment: 10%
- Other: 2%

MULTI SELECT

Which of the following Budget measures will have the greatest Impact on your business?



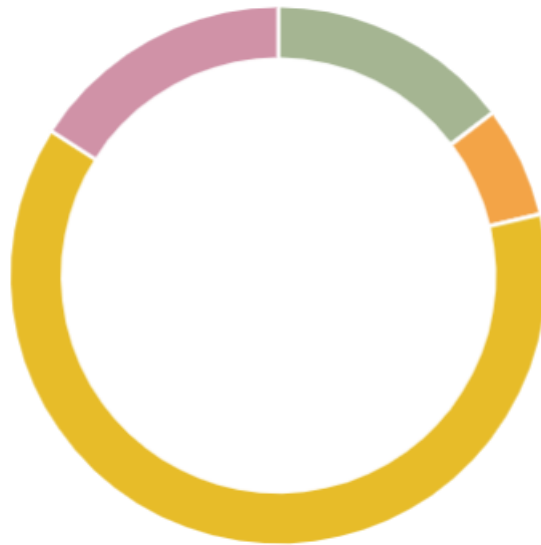
Expected Impact on Profit Margins

- **Decrease:** 63%
- **Unsure:** 16%
- **Increase:** 15%
- **No Change:** 7%

SINGLE SELECT

How do you expect this Budget to affect your profit margins over the next 12 months?

- Increase (11 - 15%)
- No change (5 - 7%)
- Decrease (47 - 63%)
- Unsure (12 - 16%)



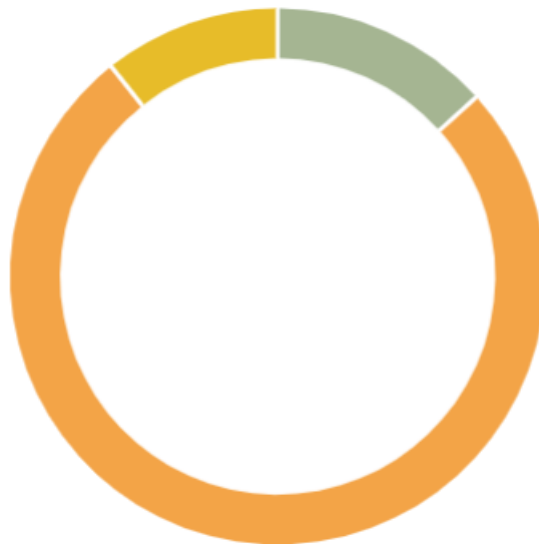
Investment Decisions (Tech, Refurb, Sustainability)

- **Negatively influenced:** 76%
- **No impact:** 11%
- **Positively influenced:** 13%

SINGLE SELECT

To what extent will these measures influence investment decisions (e.g. technology, refurbishments, sustainability)?

- **Positively (10 - 13%)**
- **Negatively (57 - 76%)**
- **No impact (8 - 11%)**



Workforce Development Support

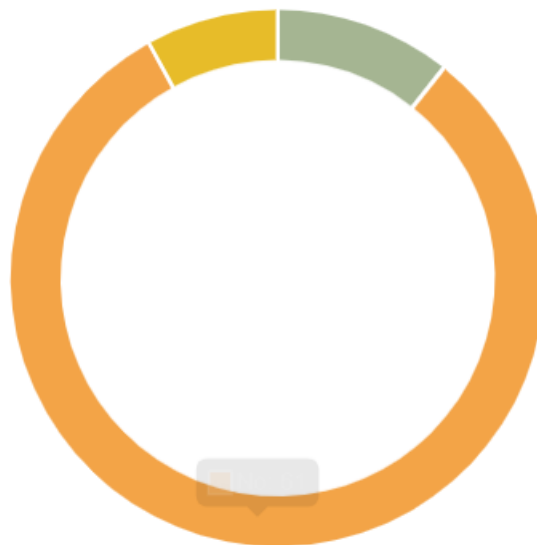
Members were asked whether the Budget supports workforce development in hospitality:

- **No:** 81%
- **Yes:** 11%
- **Unsure:** 8%

SINGLE SELECT

Do you believe the Budget adequately supports workforce development in hospitality?

■ Yes (8 - 11%)
■ No (61 - 81%)
■ Unsure (6 - 8%)



Conclusion

The survey paints a clear picture: hospitality businesses overwhelmingly expect the Budget to reduce profit margins, dampen investment, and offer insufficient support for workforce development.

The most urgent issues highlighted are:

- Business Rates Reform
- VAT Reduction for Hospitality
- Labour Cost Relief (NI & Wage Policy)
- Support for Investment and Skills