

To:

The Hon. Mrs. Tsveta Karayancheva
Chairwoman of the National Assembly
of the Republic of Bulgaria

Brussels, 14 May 2020

Dear Chairwoman Karayancheva,

Subject: introduction of reduced VAT rates for Bulgarian hospitality sector

As the European umbrella organisation of hotels, bars, restaurants and cafes in Europe, HOTREC is committed to ensuring a safe environment for citizens and supporting the hospitality sector navigate an unprecedented crisis.

The case is clear across Europe: COVID-19 restriction measures, while inevitable and crucial, are hugely damaging hundreds of thousands of hospitality enterprises. While we look forward to a gradual re-opening of establishments across Europe over the course of summer, a return to 'business as usual' – with strong prospects for growth and employment opportunities, as forecast as recently as at the start of 2020 - is nevertheless impossible to foresee at this moment in time for the hospitality sector.

The outlook for hospitality businesses in Bulgaria, as in the rest of Europe, is bleak. It is extremely unlikely that revenues will return to normal figures following the lifting of restriction measures and a vast majority of businesses will be struggling to make ends meet in the upcoming months if not years to come. All kinds of financial support to offer the sector a lifeline are thus of great importance.

This is why we write to you to express our **full support for requests emanating from the Bulgarian Hotel and Restaurant Association (BHRA) for the introduction in Bulgaria of a differentiated rate of 5% VAT for accommodation, meals and entertainment activities for a period of 1 year after the termination of the emergency measures, and a 9% VAT rate for thereafter.** Evidence from across Europe shows that differentiated VAT rates for hospitality businesses are one the most effective measures to support employment, investment and competitiveness at national level.

It should be noted that hospitality sector jobs and establishments cannot be relocated to third countries: all jobs created directly benefit the people, the economy and the state budgets in Europe. The reduction of VAT rates, with increasing employment effects, can create social welfare savings by bringing back people to the job market. It also adequately addresses the risk of higher consumer prices for hospitality services; in the absence of reduced VAT rates, establishments may have no other resort than to raise prices to survive.

In the aftermath of the financial crisis, France, introduced a reduced VAT rate on restaurant services in 2009. The French National Institute of Statistics and Economic studies estimated that the number of bankruptcies in the sector decreased by 17%, thus saving 18.000 enterprises and 30.000 jobs when assessing the measure.

In Germany, in 2016, 6 years after a reduction from 19 to 7% in the accommodation sector, it was estimated in 2016 that an additional 46,666 jobs had been created. This corresponds to an increase of 18.5%, which is significant compared to the 14.6% rise in the overall economy in the same period of time. A few weeks ago, Germany acted decisively to counter the effects of the COVID-19 crisis, introducing a much welcome reduction from 19% down to 7% of VAT for food served in restaurants over the period from 1 July 2020 until 30 June 2021.

In expressing full solidarity with our member organization BHRA, we urge the Bulgarian government to introduce a reduced VAT rate for hospitality services and stand at your disposal for further information on the economic and social benefits of reduced VAT rates in Europe.

Yours sincerely,



Jens Zimmer Christensen
President of HOTREC