INDEPENDENT RESEARCH, ANALYSIS & ADVOCACY

42

29.06.26

Tax Reform and the Hospitality Industry

Analysis and Information from GPEG

GPEG
SEEKING OPPORTUNITY FOR ALL

info@gpeg.org.gg
www.gpeg.org.gg

THE GUERNSEY POLICY & ECONOMIC GROUP LBG
REGISTERED NUMBER 68254

TAX REFORM 2026 PROPOSALS

WILL HIT GUERNSEY'S TOURISM INDUSTRY HARD

Guernsey's tourism industry will suffer a triple whammy if the tax reform proposals don't make an exception for hotel and tourism operators.

- The tourism industry is already seeing the minimum wage increasing to £13.10 from October 2026. This alone represents a 9.2% increase to the wages bill over 2 years since 2024.
- Employer social security contributions are proposed to rise to 7.6% by 2029 under the tax reform proposals.
- GST of 3% will hit the bottom line for hotels because they won't be able to increase their room rates any further – they are already finding it difficult to compete with Jersey and other tourist destinations.

Unless hotel operators are given dispensation to be able to zero-rate their rooms under GST, the Island should be prepared for a number of these businesses closing down.

Hospitality businesses are well-known to be highly price sensitive. Hotels are often forced to absorb tax increases rather than pass them on to guests, in order to maintain occupancy. Looking at operator rates for Guernsey's tourism industry for 2027, most Guernsey hotels are having to maintain 2026 pricing because of the state of competition in their market.

On the other side of the coin, operating costs are rising significantly. Utility costs have increased by some 19% over two years, payroll costs have already risen by some 22% over two years (inclusive of mandatory pension contributions). Recruitment and immigration costs have also risen substantially. With the cost of an employment permit and the annual leave to remain fee, costs per employee have increased from £13 per year (pre-Brexit) to around £420 per year now.

Tourism and hospitality businesses suffer because they have higher wages costs proportionally to their income. Under GST, they will have less taxable costs to recover against income, which adversely affects the impact.

The tourism industry recognises that a dispensation to zero rating would have an impact on the amount raised in total from GST. However, instead they would prefer a modest tax on profits. This, they say, would provide better certainty, support forward planning and encourage continued investment.

The Tax Reform Proposals need to recognise the resilience and contribution of Guernsey's tourism sector.