

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Bil Llety Ymwelwyr \(Cofrestr ac Ardoll\) Etc. \(Cymru\)](#)

This response was submitted to the [Finance Committee](#) consultation on the [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#).

VAB149: Ymateb gan: Llais Bragwyr A Tharfarnndai | Response from: Welsh Beer and Pub Association (WBPA)





Visitor Accommodation (Register and Levy) Etc. (Wales) Bill - Written evidence for the Finance Committee

The Welsh Beer & Pub Association

The Welsh Beer and Pub Association (WBPA) is the voice of brewers and pubs, representing our members local interests and supporting the ability for our sector to trade and operate in Wales. As part of the wider British Beer and Pub Association, our members brew 90% of the beer produced in Britain and look after 20,000 of our country's much-loved pubs. They range from family brewers and regional pub companies to international breweries and includes Wales's largest pub estates. It's a diverse group, but they all have one thing in common; a passion for beautifully crafted beer and warm and welcoming pubs for locals and visitors alike.

The beer & pub sector in Wales

The Welsh beer and pub sector has an integral place within the local economy, generating over £1.5 billion in Gross Value Added and hundreds of millions of pounds in tax revenue. Yet despite this economic importance, a number of challenges are now placing the viability of the sector at risk. The sector was badly affected by the COVID-19 pandemic and recent economic pressures are hitting the sector harder in Wales than across the rest of the UK; net closures of pubs have been higher in Wales than the rest of Great Britain, with 6.5% closing between 2018 and 2023 vs 4.6% in England and 3.9% in Scotland.

From grain to glass, the Welsh beer and pub sector supports over 25,000 jobs directly and up to 43,000 jobs through the entire supply chain. These jobs are in every constituency up and down the country, supporting local economies, and agricultural communities too. Pubs and breweries are cherished in every single community across Wales, acting as an economic anchor on the local high street and as venues for tourists, attracting additional footfall, and providing that further social and cultural benefit so often overlooked in business and industry. The beer and pub sector in Wales stands at a crossroads due to some critical challenges, juxtaposed by a plethora of opportunities for growth.

Escalating costs have hit the industry hard and have had a detrimental, and in many cases existential, impact on pubs throughout Wales. Increased raw material, energy, and labour costs have hit the sector hard. These increased costs have squeezed profit margins with **pubs receiving on average a meagre 12p on each pint they sell** after taxes and other expenses.

High rates of taxation have long burdened the industry with sticking plaster policies acting as mitigations for over a decade. UK beer duty outpaces its European neighbours drastically, sitting 12x higher in some cases and 3x higher on average. This stark contrast is a policy decision. In Germany, where a similar proportion of the population's employment depends on the tourism sector, beer duty sits at 4.4p per pint, and in Wales it sits at 54.4p per pint.

Last year's cut in business rates relief in Wales, from 75% to 40%, increased financial pressures on pubs. **This meant the average pub in Wales was £6,000 worse off compared to their English counterpart due to lower relief and lack of a small business multiplier.**

The Welsh Government in December 2024 maintained business rates relief at 40% for 2025/2026 but the industry continues to call for long-term, permanent business rates reform to level the playing field with other sectors and to provide financial certainty.

Across Wales, there has been persistent licensed premises loss which has damaged local communities and employment prospects. Encouragingly, this trend was bucked in 2024. Figures from the Welsh Beer and Pub Association (WBPA) found closure rates to be lower last year than in previous years.

According to the WBPA's pub database, there were 2,924 pubs in Wales in 2024, a decline of 63 since 2022 (3,006), and a decline of 189 since the previous report in 2019 (3,132). Pub numbers in Wales have been declining consistently since at least 2017, when there were 3,215 pubs in operation. This trend has been exacerbated by the Covid-19 pandemic and the recent inflationary environment, causing great strain on businesses across the region.

There is cause to remain concerned. In April 2025, employment measures announced in the October 2024 Budget will come into effect. The increased National Living Wage and Employer National Insurance Contributions are expected to cost the UK-wide beer and pub industry more than £500 million.

The high cost-of-doing business, combined with disproportionate taxation continues to place pub culture in Wales at risk. Ongoing new regulations may well impact on the sector's ability to operate. The proposed DRS and EPR recycling costs, which current estimates show will cost 5-7p per glass bottle, are a concern for manufacturers and publicans alike, amplified further due to divergence of DRS schemes across the UK.

Economic contribution by the beer & pub sector

In 2022, the beer and pub sector contributed approximately £1.5 billion in Gross Value Added (GVA) to the Welsh economy. Of this, £540 million came from direct activities within the sector. Despite the challenges posed by the pandemic, the sector's total GVA contribution increased in real terms compared to pre-pandemic levels in 2019.

Indirect Impact: The sector's procurement of products and services from within its supply chain generated an additional £420 million in GVA.

Induced Impact: The spending of wages by those directly and indirectly employed in the sector contributed a further £530 million in GVA.

Employment The sector supported approximately 43,000 jobs across Wales in 2022, with 25,000 jobs directly within the sector. An additional 8,000 jobs were supported indirectly through supply chain activities, and further 10,000 jobs were induced by consumer spending from those employed directly and indirectly in the sector.

Wages The total wages paid by the sector amounted to £710 million in 2022. Including £310 million in direct wages, £190 million from indirect impacts, and £210 million from induced impacts.

Regional Impacts The South Wales Central and South Wales East regions saw the highest economic benefits, with GVA contributions of £350 million and £360 million, respectively. North Wales, Mid and West Wales, and South Wales West also saw significant contributions, with GVA impacts ranging from £230 million to £290 million.

Estimated GVA benefits of the beer and pub sector, Welsh electoral regions, 2022

Region	Direct	Indirect	Induced	Total
North Wales	100	80	90	260
Mid and West Wales	110	90	90	290
South Wales West	80	80	80	230
South Wales Central	120	90	90	350
South Wales East	140	100	100	360
Wales	540	420	530	1,500

Source: ONS, BBPA, Oxford Economics.

Tax Revenues The sector contributed £1.2 billion in tax revenues to the Exchequer in 2022. The largest contribution came from excise duty (£450 million). The pub subsector generated the highest total tax contribution of £730 million, primarily through VAT receipts (£310 million). Breweries contributed £460 million, the rest of the on-trade £30 million, and the off-trade £40 million.

Capital Investment In 2022, the sector saw £80 million in net capital investment. South Wales Central and South Wales East had the highest levels of net capital expenditure, driven by their strong GVA in the pub sector.

Youth and Part-Time Employment The sector offered significant employment opportunities for younger people and those seeking flexible working patterns. Approximately 40% of the direct jobs in the sector were held by individuals under 25 years of age, accounting for 10,200 jobs. Additionally, 56% of workers in the sector were employed part-time, which is particularly beneficial for those still in education, re-entering the labour market, or balancing work with family responsibilities. This underlines how important flexible working is to the sector.

WBPA position on the Visitor Levy

Having set out the major contribution that the beer and pub sector makes to the Welsh economy, we feel that the Levy will likely have a negative impact on that contribution if implemented.

We believe that on balance the Visitor Levy will have two main impacts on the sector:

- As a direct tax on pubs that also offer visitor accommodation it will create a further cost pressure which will be passed onto visitors that book overnight accommodation;
- As an indirect tax and deterrent for tourists to visit those locations that have implemented the Levy. As a disincentive to potential visitors due to higher accommodation costs it will have a knock-on effect that will ultimately reduce footfall for pubs and hospitality more generally.

In essence, this represents another burden on businesses in a sector that is already struggling with cost pressures and will be facing further major cost increases from April. Accepting that the expectation is that the Levy cost is passed onto visitors as part of their bill for an overnight stay, it will simply make that stay more expensive and therefore less appealing to potential visitors when they make their decisions on where to visit.

We believe that the way to boost the visitor economy in Wales is to *encourage* day visitors to become overnight visitors, thereby boosting spend in local accommodation, hospitality, attractions and entertainment businesses. It is precisely this ambition that this policy would hamper through the imposition of a tax, creating a barrier to growth rather than promoting it.

We also have concerns about the use of levy funds collected by local authorities. Whilst ostensibly there is a degree of public support for a levy on the basis it will then be used to support the local tourism economy, the reality is that is unlikely to be the case.

One of the aims of the Bill is to “Require local authorities to use the net proceeds for the purposes of destination management and improvement in its area and report on the use of the proceeds.” The scope of this aim is too broad and we feel it will lead to local authorities using the funds for expenditure that does not directly support local tourism businesses. Instead, we have concerns that levy funds will invariably be used to cover the costs of facilities and infrastructure that are primarily for local residents rather than the tourist economy and the businesses that operate within it.

Welsh Beer & Pub Association

15th January 2025