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New HOTREC–Syntesia Study Warns:

VAT hikes could cost nearly 1 million jobs in Europe's hospitality sector

HOTREC today publishes a major new study by Syntesia Policy & Economics on the impact of taxation on the hospitality sector across the EU, Iceland, Norway and the UK. The findings come at a critical moment as several governments consider increasing VAT rates and expanding tourism taxes.

Drawing on economic modelling and three in-depth case studies (Ireland, Amsterdam, Denmark), the report provides the clearest evidence to date that sharp or poorly coordinated tax increases would have severe economic and social consequences, especially for SMEs and rural communities.

Sharp VAT increases risk deep economic damage

The study finds that even seemingly small VAT changes can trigger major economic losses in a sector characterised by thin margins, labour-intensive operations, and limited capacity to absorb sudden cost shocks.

"Economic modelling for the study indicates that a 1-point VAT increase could trigger scenarios including sales reductions of about €8 billion and over 100,000 job losses."

The scenario analysis shows a risk of even more disruption in case of sudden realignments to standard VAT rates, due to broader impacts on the tourism ecosystem:

"Applying standard VAT rates to the sector could have major knock-on effects from business closures and bankruptcies – nearly 1 million job losses, equivalent to a 0.5% fall in GDP."

Such impacts would be particularly acute in rural areas, where hospitality businesses are often the last remaining employers and vital to local economies.

Tourism taxes rising rapidly – up to 40% of VAT revenue in some destinations

The study highlights a fast-growing reliance on tourism taxes, which in some countries already exceed VAT revenue for accommodation. In cities like Amsterdam, combined VAT and tourism levies will soon reach over 33% of a hotel bill, driven by a 2026 VAT increase and a 12.5% tourism tax.

A fragmented tax framework and an uneven playing field

The sector faces a complex mix of VAT, tourism levies, parafiscal fees and high labour taxes, while short-term rentals often remain exempt or poorly enforced. These gaps distort competition, particularly in urban areas with high visitor demand.

HOTREC calls for coordinated and evidence-based tax policy

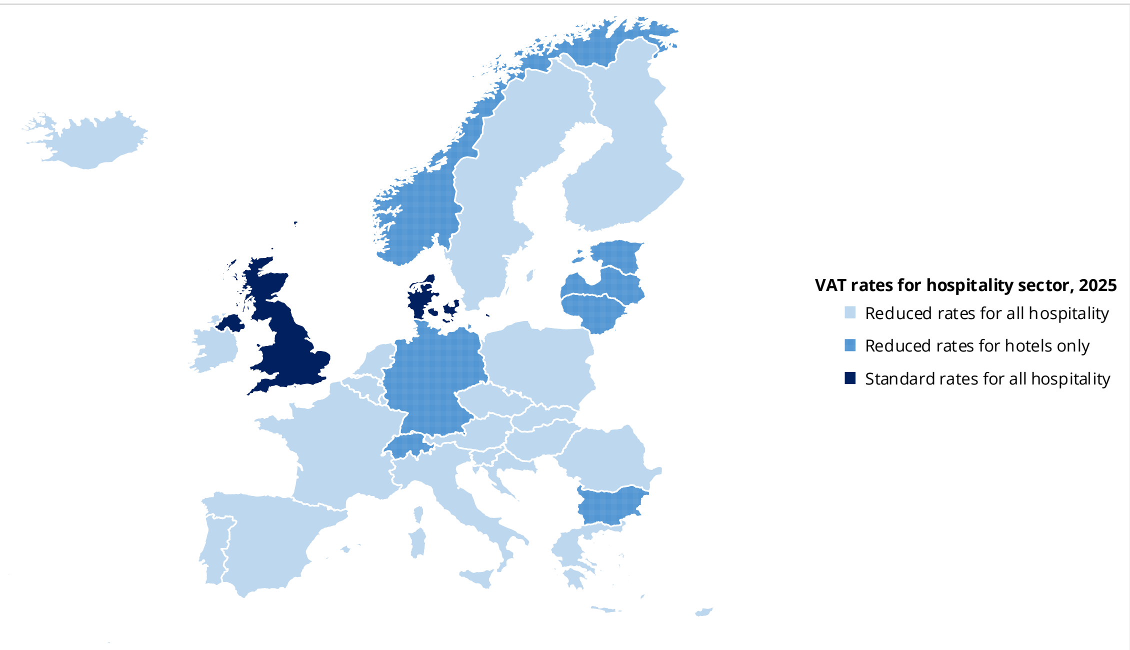
HOTREC urges policymakers to consider the cumulative impact of VAT, local tourism taxes, labour costs and regulatory burdens – rather than evaluating tools in isolation.

Based on the study, HOTREC recommends 1) Avoiding sharp VAT increases or immediate alignment with standard VAT rates, 2) Coordinating national and local taxation to avoid cumulative burdens, 3) Reinforcing fair taxation of short-term rentals, and 4) Ensuring tourism-tax revenues are transparent, proportionate and reinvested.

Alexandros Vassilikos, President of HOTREC, stated: *"The evidence is clear: sudden or drastic tax hikes risk triggering business closures and massive job losses, undermining Europe's diverse hospitality ecosystem. Reduced VAT rates are not a privilege – they are a stabilisation tool that protects employment, SMEs and affordable hospitality for all."*

The Taxation Study is now available:

- Executive Summary – Interactive version
- Executive Summary – Downloadable PDF
- Full Report – Interactive version
- Full Report – Downloadable PDF



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