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British pub group urges the U.K. to cut pub VAT to 10% before the Budget

The institute said 40% of members expect to close if the tax burden increases again.

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The British Institute of Innkeeping has urged the UK government to cut value-added tax on all pub sales to 10% ahead of the Budget on Oct. 28, saying many operators are working long hours with little profit and warning that more closures could follow if taxes rise again.

The trade body made the case in a letter from its chief executive, Steve Alton, to Prime Minister Keir Starmer and Chancellor Rachel Reeves after a survey of BII members pointed to continued financial strain across the sector. According to the organization, only 25% of pubs said they had made a profit between January and August, despite what Alton described as a strong summer for trading.

The same survey found that 20% of respondents expect to close if the current combined tax burden remains in place. If taxes increase again, that figure rises to 40%, the BII said. Alton argued that current pressures are limiting investment in businesses that play an economic and social role in towns, cities and villages across the country.

He said staff costs, energy bills and what he called unfair cumulative taxation are undermining businesses that communities depend on. He also said about 40% of every pound spent in a pub now goes to the Treasury, a level he said is holding back spending on jobs, refurbishment and local suppliers.

The BII said its members would respond quickly to a lower VAT rate. If VAT on all pub sales were cut to 10%, 75% of respondents said they would invest in their businesses, according to the survey. Another 62% said they would increase staff hours and grow their teams, while 50% said they would spend more with local suppliers.

The issue has wider importance for the drinks industry because VAT directly affects the prices pubs charge and the margins they keep on beer, wine and spirits sold for consumption on premises. A lower rate could potentially ease pressure on operators, support customer demand and help preserve orders flowing back through brewers, wineries, distillers and other suppliers. If closures continue, the effect could move in the opposite direction by reducing on-trade sales outlets.

Alton said the government should use the Budget to give pubs what he called a fair deal, with a 10% VAT rate at the center of the package. He said operators are ready to invest, grow their teams and spend more with nearby businesses if tax policy gives them room to do so. He also warned that losing longstanding pubs would mean lost local jobs, less support for suppliers and fewer venues that bring people together in their communities.

The intervention comes as the #VATsTheProblem campaign continues to gather support across the hospitality trade. The BII said the campaign, which is backed by several industry voices, has reached nearly 390,000 signatures. More than 800 businesses have also signed a separate open letter organized through the campaign calling for a lower VAT rate for the sector.

The latest push adds to pressure on the government as hospitality operators prepare for the autumn fiscal statement. Pub groups and trade bodies have argued for months that the sector faces a difficult mix of wage costs, energy expenses, debt and taxes at a time when consumer spending remains uneven. The BII’s letter frames VAT relief as a way to protect existing venues while unlocking spending on hiring and capital improvements.

The government has not yet announced any change to VAT policy for pubs. For now, operators are watching the Budget closely as they head into the colder months, when trading often becomes more challenging and fixed costs remain high.