

## J D WETHERSPOON PLC

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#### **Wetherspoon calls on hospitality industry to back political support for tax reform**

A few days ago, the leader of the political party which is leading in the latest polls, offered the hospitality industry something many had assumed impossible - in effect, tax parity with supermarkets.

There's no question that this initiative would utterly transform the competitiveness of pubs, which have lost 50% of their beer trade to supermarkets since the millennium, according to analysts at bankers Morgan Stanley.

In this plan, VAT would be reduced to 10% for the hospitality industry, with further reductions in excise duty and business rates to come.

Most pubs could probably, for example, offer one beer, one lager and one cider for, say £2.99, with these tax reductions - and STILL have a higher gross margin than today.

By eliminating the tax differential between supermarkets and the hospitality industry, and restoring margins to devastated businesses, these changes would enable pubs to regain some, or all, of their lost trade.

You would think that this offer from Reform would have been greeted by a crescendo of enthusiasm, ecstasy and support from the licensed trade and its supporters.

However, surprisingly, initial support has been underwhelming, at least from the great and the good in the hospitality industry.

For example, Mark Brumby of Langton Capital, a widely read pub trade publication, damned the proposals with bland reporting, by saying:

"A 10% cut could either see the price of a pint drop by 5p or operators widen their margins. Reform has also said it would halve the rate of VAT for the ...hospitality sector".

Try and control your excitement, Mr Brumby, we beg you..

And one of the main industry umbrella organisations, the BBPA (British Beer and Pub Association) said:

"We're pleased that political parties are recognising the value of the local and want to ensure their success...".

Not exactly a ringing endorsement of the best offer any politician has ever made to the hospitality industry in history, is it?

But, weirdly, we've been here before. A Frenchman, Jacques Borel, started a VAT Club in 2010, aimed at reducing VAT for food in the UK hospitality industry to 5%, having successfully achieved similar reductions in a substantial number of countries.

Bizarrely, the then CEOs of two of the biggest pub companies, Enterprise Inns and Greene King were openly hostile to Jacques' tax equality argument - others were indifferent or agnostic.

Even more bizarrely, the then editor of the biggest pub trade publication, the Morning Advertiser, withdrew support for the VAT campaign, since, he told me, Jacques was "having a bad game". Not as bad a game as you, mate, I thought.

Sometimes, you are at a loss to understand what appears to be perverse human behaviour. What could the motivations of the CEOs and the editor possibly have been?

Perplexed, Wetherspoon, at considerable cost, decided, at the time, to conduct a major survey of UK publicans, those on the frontline that the CEOs and editor purported to represent - especially the employees of the recalcitrant CEOs of Enterprise and Greene King.

Unsurprisingly, sanity prevailed in the lounge bars of UK pubs. Cardinal Research reported in 2013 that "96% of licensees think the pub and restaurant industry should campaign for a reduction of VAT on food".

Cardinal added that "94% support the campaign by the VAT Club" and that "86% agree that it's unfair that supermarkets pay no VAT on food but pubs/restaurants have to".

Needless to say, Greene King's and Enterprise Inns' s licensees strongly supported the VAT Club and disagreed with the views of their own CEOs.

But here we go again! So what goes through the minds of the directors of the biggest pub companies as they watch their trade switch, almost weekly, to supermarkets, due to the vast tax-supported price differential between the on and off-trade?

A range of thoughts, probably. I suspect, but don't know, that the CEOs in the Borel era were closet, or not-so-closet supporters of the government of the time - and didn't want to rock the boat. Chancellor George Osborne, not really a pub guy, was outright hostile to Jacques the Lad.

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Some others mistakenly thought they weren't competing with supermarkets, so why bother. Not others were short-termists: I'm off in a year or two, so I'm alright, Jacques.

But credit where it's due, the family brewers, long-termists and driven by principle, not politics, were on board. Well done to Fuller's, Shepherd Neame, St Austell and many others.

The principle in question is that the beleaguered hospitality industry needs to get behind whatever organisation or political party promises a fair and equitable tax regime.

So here's the question for the British public - and for the senior figures in the hospitality industry. Do you believe in tax equality with supermarkets?

If you don't, pubs may increasingly become a "special occasion" experience, as a result of high prices, rather than the melting pot for daily rendezvous between neighbours, workers and lovers of the glorious past.

If you do believe in tax equality, then you'd better support it, because the supermarket industry has nicked half your trade in recent years - and it will gobble up most of the rest in no time flat.

Finally, it's not your job to worry about how tax equality is funded. As someone once said, the tax system needs a "sensible rebalancing". And as a former Treasury official said to Jacques Borel and myself - don't tell us how to raise the money. It's not a lot in the scheme of things. Tell us what's wrong and we'll do the number crunching.

ENDS

#### Enquiries:

Nigel Connor	Legal Director	07818 232529
Eddie Gershon	Company Spokesman	07956 392234

Please send any questions by email to [investorqueries@jdwetherspoon.co.uk](mailto:investorqueries@jdwetherspoon.co.uk)

#### Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed, and the Company aims to maintain them in excellent condition.
2. Visit our website: [www.jdwetherspoon.co.uk](http://www.jdwetherspoon.co.uk)

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