

# **Visitor Levy (Scotland) Bill - summary of submissions to the Local Government, Housing and Planning Committee's call for views**

On the 26 June 2023, the Local Government, Housing and Planning Committee issued a call for views on the Visitor Levy (Scotland) Bill ("the Bill"). This asked 13 questions about both the general aims of the Bill and some of its specific provisions. The consultation ran from June to 15 September, with the Committee receiving 379 submissions.

Responses were received from individuals, small businesses, community groups, local authorities, general business organisations such as the FSB and the Scottish Chambers of Commerce, as well as organisations representing the tourism and hospitality sector such as the Scottish Tourism Alliance, the Association of Scotland's Self-Caterers and the Scottish Bed and Breakfast Association. Some larger accommodation businesses such as Airbnb, Travelodge and Expedia also provided extensive responses. All submissions are [published in full on the Committee's webpages](#).

This paper provides a summary of the main themes raised. It is worth noting that the respondents to any call for views are a self-selecting group and we therefore cannot say that the views expressed here reflect those of the population as a whole. Contributions are qualitative in nature – an expression of someone's opinion on an issue or question. Submissions received may demonstrate 'volunteer bias', in that they over-represent individuals or groups who have strong opinions or interests in an issue.

## **Q1: What are your views on whether local authorities should have a power to place a levy on top of the price charged for overnight accommodation in their areas?**

The first question is the most general as it asks for views on the broad aim of the Bill. As such, respondents have used the opportunity to express frustrations (and sometimes anger) about wider concerns such as short term lets licensing regulations and their view of the treatment of the tourism sector by the Scottish Government.

A majority of respondents to the call for views do not agree with the idea of a visitor levy and feel that councils should not be empowered by this Bill to introduce levies. Most - although not all - of those opposing the Bill are involved in the provision of accommodation, for example owners of B&Bs, hotels, self-catering accommodation, hostels and campsites.

Many respondents from the tourism and hospitality sector describe the difficulties they have faced over the past three years, namely COVID-19, the associated lockdowns and a subsequent cost-of-living crisis. Added to these, many respondents highlight the short term lets regulations and suggest they are having a damaging effect on the sector at the very same time as this legislation is being

considered. The Bill is therefore viewed by many respondents as an unwanted policy being forced on a struggling sector. They suggest that any levy introduced will increase business costs and regulatory burdens whilst at the same time making Scotland less attractive to overnight visitors.

On the other hand, a sizable minority of respondents agree with the aims of the Bill, citing personal experiences of paying similar taxes when travelling to destinations abroad. They see a small additional fee on top of accommodation costs as a normal part of the European tourist experience. Many express the view that tourism often has negative consequences for communities which a visitor levy/tourist tax can help ameliorate. Others agree with the principle of a visitor levy but have concerns about how this particular levy will be enacted through the Bill. There are also those who have concerns about the Bill, not because they are unhappy with the idea of a tourist tax, but because the Bill does not cover cruise ship tourists, day-trippers, wild campers and many people staying overnight in motorhomes.

Some respondents would be more comfortable with the idea of a levy if it was introduced across the whole country, or if it was based on a vehicle toll scheme or arrival/departure tax. Some business owners are concerned about it being local authorities who have the responsibility for introducing and collecting levies, and are sceptical about money raised by councils being used to improve the tourist experience, although they may not disagree with the principle of a visitor levy.

### **The views of local authorities**

The majority view of the 17 local authorities responding to the call for views is that they are in favour of the Bill and welcome the flexibilities which would allow councils to implement a levy if they so choose, and design it in a way that suits local circumstances. They feel that a discretionary visitor tax, like that administered by local government in destinations across Europe, could help strengthen local democracy in Scotland, whilst the income generated would be invested into infrastructure and services used by visitors.

COSLA highlights the importance of local authorities having their own revenue raising powers, particularly in light of “stagnating local government finance settlements” over the past decade. They accept that budget reductions by councils over the period have been concentrated in specific service areas of local government, “many with a direct link to the services used by tourists”. They quote Accounts Commission figures showing that “between 2010/11 and 2021/22, revenue expenditure on culture and leisure fell by 23.6%, with spending on roads dropping by 16.1% and environmental services by 12.8%”. They argue that revenues raised by a visitor levy could be spent in these areas, to the benefit of both tourists and residents. However, South Lanarkshire Council also notes that the Bill will probably only benefit a handful of local authorities because the majority of councils do not have enough overnight visitors to merit the introduction of a levy scheme.

The Scottish Local Authorities Economic Development (SLAED) believes that a levy would provide an opportunity for local authorities “to take a holistic approach to tourism infrastructure with longer-term solutions based on greater funding certainty”.

And Argyll and Bute Council emphasises the importance of a potentially “consistent and reliable income stream” which could be tailored to the needs of its area.

Highland Council and Edinburgh City Council believe that their areas are often the main reasons why people decide to visit Scotland. Both highlight the increase in visitor numbers in recent years and describe some of the pressures mass tourism can put on local infrastructure and services. As such, Highland Council states:

“The Council is the most appropriate and well-placed organisation to implement and collect a visitor levy. The Council supports the principles of local decision making, particularly to help the people affected most by the challenges of local tourism. The Council therefore strongly agrees with the Bill Policy Memorandum statement of empowering local government and strengthening local democracy by giving Councils the discretionary fiscal power to implement a levy to support the region.”

Although accepting the Bill provides scope for local authorities to make a number of decisions at a local level, Orkney Islands Council still identifies a “one-size fits all approach” in the Bill as it only allows for the taxing of overnight visitors. Similar to Inverclyde Council, they would prefer flexibility to include cruise ship passengers within the scope of a visitor levy, but the Bill as it stands exempts such visitors. Orkney Islands Council also asks for the Scottish Government to look at granting a general power of competence for Scottish local authorities. Rather than increasing fiscal autonomy to local authorities in a gradual, piecemeal manner, as represented by the Visitor Levy Bill, a general power of competence would:

“Not only expand the scope for local democracy, putting Scotland on a par with England, Wales and Northern Ireland, which already have such powers, it could also provide Orkney Islands Council with a mechanism through which revenues from a wider range of tourism-related activity could be more equitably levied.”

In its submission, Renfrewshire Council identifies various administrative burdens that could arise for those local authorities choosing to introduce a levy. These relate to research, data gathering, charging mechanisms, maintenance of a customer base, reporting, consultation and potential enforcement activity. An important consideration for SLAED is that national guidance and best practice should be prepared by the Expert Group well in advance of levy implementation. This should “fully consider the impacts on all stakeholders in terms of cost, administrative burden, complexity, impact on competitiveness, and market distortion”.

### **The views of business organisations and larger accommodation providers**

The Scottish Tourism Alliance (STA) is the overarching trade body for the tourism and hospitality industry in Scotland. It comprises over 250 trade associations, businesses, destination groups and other organisations with an interest in tourism. Its membership is spread across all regions and destinations in Scotland. Before the Bill was announced by the Scottish Government, the STA was consistent in its opposition to plans for the introduction of a levy or tax on visitors to Scotland.

Indeed, the STA's submission acknowledges that the introduction of a visitor levy "remains contentious for the tourism and hospitality sector, with a significant proportion of the business community still strongly opposed to its introduction".

Accepting that the Bill has now been introduced, the [STA wants to ensure](#) that "any legislation works effectively for tourism, local authorities and, most importantly, continues to be in the best interests of visitors and local communities". As such, the STA's submission focusses on ensuring money raised through any levy is used to "support and grow the country's valuable tourism asset" whilst arguing that "the burden of collecting the levy is kept to a minimum for businesses". This latter point is developed throughout their submission:

"The STA strongly believes that accommodation providers should not be shouldering the set-up costs of collecting the levy on behalf of councils, and that the relationship between businesses and local authorities should be one of support rather than enforcement and imposing of penalties."

The STA accepts there are other parts of the tourism industry which are more positive about the Bill, "that see the potential value of the net revenue raised from a visitor levy being used as a force for good and to grow Scotland's valuable tourism sector". It is therefore important to the Alliance that money raised through any levy does not "disappear within local authority budgets and displace funding for existing council services". Likewise, the Association of Scotland's Self-Caterers (ASSC), who are opposed to the Bill, are concerned that any levy "will be viewed by cash-strapped local authorities as a means to generate extra revenue":

This is also the view of UKHospitality Scotland who recognises that the burden of collecting the levy will fall to accommodation providers, "resulting in additional costs for them on administration, system development and reporting". As such, UKHospitality Scotland argues "that the set-up and ongoing costs of collecting the levy on behalf of councils, should not fall to businesses and must be covered from revenue generated by the levy". This is a view supported by the British Holiday and Home Parks Association who represents many small and family-run holiday parks. They make the point that:

"While the Local Authorities can opt to compensate themselves for setting systems up, the accommodation providers are given no compensation for the time and money they will need to spend."

As is the case with many other submissions, the Association of Scotland's Self-Caterers (ASSC) raises the issue of short-term let licensing schemes and the problems with their implementation over the past year. The ASSC insists that "genuine and meaningful engagement" needs to take place between industry and local and national government if a similar situation is to be avoided with the Visitor Levy. Airbnb also encourages the Local Government, Housing and Planning Committee to consider the potential impact of the Visitor Levy Bill "alongside the other legislative and regulatory interventions being taken forward by the Scottish Government, to ensure it has a fair understanding of the wider health and stability of the Scottish hospitality sector".

The Federation of Small Businesses (FSB) highlights the fact that tourists to Scotland already pay relatively high levels of tax on their accommodation (through a 20% VAT rate) when compared to other European countries. Some of their members therefore fear that the introduction of a Visitor Levy “could risk making Scotland less competitive internationally and domestically and also incur additional costs for already struggling businesses”. This is a belief shared by many organisations including the Scottish Passenger Agents' Association, and UKHospitality Scotland highlights specific concerns about impacts on the business travel and events market:

“We remain concerned about the impact a levy will have on the decisions visitors make on where to visit for leisure. Also, the decisions of event organisers on whether to bring lucrative business meetings, conferences and events to destinations in Scotland where a levy has been introduced. This in turn would have a negative impact on other areas of the visitor economy and hospitality sector.”

It is suggested that competitor areas which could benefit from Scotland becoming more expensive are Northumberland and the Lake Districts (for the domestic UK tourist) and Ireland for the international tourist.

The Scottish Chambers of Commerce (SCC) notes the breadth of views that exists amongst the Chambers of Commerce network on the issue of the Visitor Levy. Nevertheless, they identify existing pressures such as the rising cost of doing business, existing business regulation and taxation, plus inflationary and recruitment difficulties as being challenges which the tourism sector are currently struggling with. As such, the SCC asks that whatever levy scheme is implemented it should “not place more administrative burden, administrative headcount and any subsequent administrative costs on the individual businesses”. They conclude that they would prefer a [Business Improvement District \(BID\) type approach](#) to any levy plans, which, they believe, “would work best for all parties involved”.

Underlining tourism’s importance to the Scottish economy, Travelodge Hotels believes that “we should be looking at ways to attract more visitors to Scotland and not to deter them by adding a Visitor Levy”. They confirm Scotland’s position as a “key staycation destination for millions of Britons every year” and are concerned that “an additional levy will impact domestic visitors and families at a time when consumers are already facing a cost-of-living crisis”. Expedia is also concerned that the Visitor Levy Bill “threatens to act as a drag on Scottish tourism”.

Travelodge highlights the potential complications for businesses with multiple locations across various local authority areas, with specific concerns about inconsistency and confusion for customers. As a centrally managed UK-wide business, the devolution of this policy to local authorities will have practical implications for Travelodge’s business model such as their web-based reservations and accounting processes:

“From mid-2026 it is likely that our systems and processes will need to be capable of the collecting, processing, accounting for and payment of varying local Levies, by hotel per council district. This will require significant systems

development given our web-based prepayment model and creates long term uncertainty for the business.”

The Scottish Bed & Breakfast Association is also opposed to the introduction of any new levy, but if one must be introduced, they would prefer “a simple, consistent Scotland-wide levy rather than a postcode lottery of 32 different visitor levies”.

A number of submissions express concerns with the Bill in terms of how it could operate in a rural dimension. For example, the National Farmers Union’s view is that tourism supports local economies and ensures many small and remote communities survive. They feel that introducing something which could potentially deter tourists due to increasing costs “would be detrimental to the survival of these communities”. Likewise, the British Holiday and Home Parks Association states that many holiday parks are mainly rural and away from tourist hubs, therefore “they might never see direct benefits of the funding which, they feel, is more likely to be spent on major attractions or infrastructure in destinations that will not provide them with benefits”.

As such, the Highlands and Islands Regional Economic Partnership insist that the Scottish Government must ensure that the visitor levy legislation takes account of the differences between the rural and urban tourism landscape, for example “the unique opportunities and challenges which relate to the introduction of a levy in island communities”. One such consequence of taxing campsites is that this may encourage more people to wild camp or stay in motorhomes parked in laybys and unofficial parking areas. The British Holiday and Home Parks Association states:

“It has been made very clear from BH&HPA member responses that there is already a problem with ‘wild camping’ and ‘irresponsible camping’, and that a visitor levy is likely to make that worse as visitors try to avoid additional charges. This directly takes money away from our members but also has indirect effects such as litter, sanitation, safety/fire issues and dishonest use of holiday park facilities.”

This view has been repeated throughout a number of submissions, especially from rural businesses that have seen big increases in motorhomes and wild campers over recent years. It is viewed as fundamentally unfair that guests staying in paid accommodation could end up subsidising free services used by wild campers and some motorhome drivers “who do not contribute to the local economy and don’t get charged this levy”.

### **Responses from small business owners, individuals and communities**

The following section summarises some of the most common issues raised by the large number of individual respondents and those representing small businesses and local community organisations. Points are organised under headings of “in favour” and “opposed”, although it is worth stressing that this is not a black or white issue for many respondents. Some respondents are in favour of tourist taxes, but do not like certain elements of the Bill, whilst some strongly oppose the Bill but nevertheless see some benefits in having additional money locally to improve the tourist offer.

### ***In favour:***

Around a quarter of responses to our call for views were positive about the idea of a visitor levy as set out in the Bill.

- Many other countries already charge some form of visitor levy or tourist tax. They feel that a small charge will not have an adverse effect on tourist numbers as the appeal of Scotland as a destination is strong.
- Respondents say they have never been put off travelling somewhere abroad because they had to pay a tourist tax. Why should Scotland be different?
- Mass tourism can have a big strain on public services and infrastructure in certain tourist hotspots and some respondents say that tourism is booming, “but the places for recreation are not booming with it”.
- Money raised will enable continued investment in “the tourism offer” of these hotspots. Money could be used to improve roads, public toilets, charging points, motorhome stopovers, waste facilities and be used for community projects such as planting community flower beds.
- Some see this as an issue of fairness for local residents, with a levy reflecting the fact that visitors make use of a range of public amenities provided by local authorities but make no direct contribution towards the cost of providing them.
- Costs are currently borne by local authorities and funded by local people meaning that visitors (many of them relatively well off) are being subsidised by local people (many of them not well off).
- Visitor levies can support the aims of local tourism strategies to make tourism work better for residents.
- A visitor levy would provide local authorities with additional funding for the provision and maintenance of a wide range of public amenities used (and expected) by visitors. Such amenities are often the victims of public spending cuts resulting in poorer experiences for visitors and locals.
- In Edinburgh, some respondents are embarrassed by the condition of local amenities. One individual stated: “Edinburgh gets hammered by the tourist burden and much of the revenue does not remain for the benefits of the local population. Frankly, Edinburgh is very poorly maintained - weeds in footpaths, broken paving slabs, potholes, litter, rubbish, graffiti, overgrown hedges, vandalism; producing a general air of decrepitude and an impression that the citizens do not care about their city”.
- According to Edinburgh World Heritage, visitor levy systems have the potential to “turn downward-projecting/unsustainable USP tourism models into a virtuous cycle of co-support between conservation, community and tourism that supports all in the long-term”.

- Many accept that it is a delicate balance between supporting the local area and not discouraging tourists to visit.
- Many rural respondents feel strongly that money should be spent in the locality in which it is raised. This idea appears to have strong support in some Highland and island areas, where respondents fear that money spent in areas such as Skye could end up being distributed to areas such as Inverness.
- Aberfeldy Development Trust and other community organisations argue that the levy funds should not just be invested in infrastructure to support tourism but should also be invested to support local communities who are impacted, both positively and negatively, by that tourism. This could include support for affordable housing.
- A few respondents mention the Rural Tourism Infrastructure Fund but it is managed centrally and does not give local authorities the ability to respond directly to local circumstances.
- Some respondents feel that local authorities are best placed to know what their area's needs are and what would work best in their area.
- It is important that the funds generated are fully "additional" and not seen as a means of substituting, reducing or replacing existing council funding

***In favour of a visitor levy, but not supportive of certain elements of the Bill***

- A number of respondents are in favour of a visitor levy scheme but feel it should be introduced at a national (i.e. Scotland-wide) level rather than by local authorities. They feel that a national scheme would be easier to administer, easier for visitors to understand; and would ensure a more equitable approach.
- Some respondents feel that having 32 different visitor levies will create duplication of effort plus confusion for Scotland's visitors and for tourism accommodation providers.
- Others feel that the levy plans are not local enough, with some respondents arguing that levies should be decided and placed at a much more local level such as parish, town or community council.
- Many cite recent issues with short term licencing as an example of why local authorities cannot be trusted to administer a local visitor levy. Scottish Land and Estates state that confidence within the industry that such a scheme will be introduced and administered fairly and consistently via local authorities is "at a very low level".
- Many respondents feel strongly that the levy should be a fixed amount per person and not a percentage (this is explored in other sections).



- Outer Hebrides Tourism welcome much in the Bill but are cautious about the appropriateness of applying the levy as a charge purely on overnight accommodation.
- The problem many rural areas face is not caused by accommodation providers guests – “they do not empty black and grey waste roadside, they rarely have huge vehicles which are parked overnight in cemeteries, across gates and in front of people’s houses without permission”.
- One respondent referred to Vancouver Island where a tourism tax is in place however you pay it in accommodation, cafes/ restaurants and tourist attractions.
- Some individuals are very unhappy that cruise ship passengers will be exempt: “these tourists contribute the least to the communities they are visiting, indeed take revenue away from local accommodation providers and hospitality businesses... cruise ships are big polluters and often overwhelm smaller destinations”.
- Some people supporting a levy feel that it is wrong that accommodation providers will have to shoulder the set-up costs of collecting the levy on behalf of councils. One respondent stated that “my worry is that it will be a tax on the accommodation provider and not the tourist”.
- Many do not like how the Bill focusses on enforcement and the imposing of penalties rather than on improving the relationship between businesses and local authorities.
- A small number of respondents (less than 10) felt that a levy should only be paid by visitors coming from other countries. Others believe that people visiting an area for business or work purposes should be exempt.
- Some island communities and businesses feel that a levy on tourists arriving on (or departing from) the island would be more effective for them.
- Some are in favour of a levy but question the timing of such a levy, “when tourism is buckling under the pressure of the cost of living crisis and other extremely badly designed legislation, such as the short term let licencing”.
- A few respondents agree with the idea of a levy but strongly disagree with the requirement to spend money on supporting tourism. They feel it should primarily benefit residents.

## **Opposed to the Bill**

Around two-thirds of responses express opposition to the Bill. Many, but not all, are from people running accommodation businesses. There is a strong sense amongst some business owners that the accommodation sector is being targeted by the Scottish Government, and that the Bill will lead to new burdens and costs being placed on providers. Some respondents are particularly angry that the Bill comes at

the same time as self-catering and bed and breakfast businesses are going through the short-term lets licencing process. The following summarises the most common points raised by small business owners, community organisations and individuals opposed to the bill:

- Tourists to Scotland already pay high levels of tax, with VAT across the UK being higher than similar taxes in most other European countries.
- This is an “accommodation levy” not a “visitor levy” because day visitors, free campers and cruise ship passengers will pay no levy. People paying to stay overnight contribute more to local economies, but they are the ones being penalised by the levy.
- Wild camping and motorhomers need to dispose of their rubbish and they require toilet facilities. The cost of providing these services, and for rangers patrolling wild camping, are currently met by councils [and national parks authorities]. Businesses will begrudge paying money into a fund that will continue to facilitate and encourage this behaviour and undermine accommodation businesses.
- The cost of staying in some rural and island communities will become prohibitively expensive for some tourists.
- VisitArran and The Arran Trust state that a levy on overnight accommodation could encourage greater numbers of day trippers, which will arguably impact further on the very infrastructure such a scheme would be looking to support, through TVL’s generated income.
- Luss Estates Company state that the levy being linked to overnight accommodation is not correct: “there are many tourism businesses and areas that are extremely busy, but that have few bedrooms - why should a levy be only aimed at visitors staying the night. As an example c1 million visitors come to Luss every year, but there are only maybe 100 beds - clearly, if there is an issue it is not being created solely by those staying the night”.
- Scotland will become less competitive compared to other parts of the UK and Ireland. The Scottish Licensed Trade Association states that the UK is already second bottom in the World Economic Forum ranking when measured solely on international tourism price-competitiveness
- If businesses choose not to pass on levy costs to customers then the levy is a tax on business not on tourists. One small guesthouse owner stated: “If we increase costs to guests, we will have NO guests. If we don’t increase our prices, we will have no income at all.”
- Tourism and hospitality businesses have had 3 years of disruption, and this is yet more disruption for a sector struggling to recover.

- Accommodation providers are being required to be unpaid tax collectors for councils. This is particularly galling as many respondents feel that local authorities have not handled their short-term lets duties particularly well.
- This will place new burdens on accommodation providers and will lead to additional staff and software fees before and during a levy's implementation.
- Requirements related to the Bill may lead to businesses choosing to stop operating which could have major consequences for rural economies, as tourists sustain local shops, post offices, restaurants, cafes, hotels, fuel stations, craft shops, visitor attractions, community halls, sports centres, ferries, buses, taxis, small businesses and so much more.
- Having local authorities decide on levies will lead to a confusion of rates across all local authority areas if there is no universal standard charge.
- Many respondents do not believe that local authorities will spend revenues on improving the tourist offer. Levy funds could become "a convenient slush fund for covering cracks in Scottish government underfunding of statutory duties".
- Some respondents feel that much of the money raised will be spent on the wages of council staff administering the levy. As such, a better solution would be to foster voluntary gifting schemes which are then spent by local destination management organisations and business/community groups.
- The Royal College of Surgeons Edinburgh sees this as a "cash grab on business with monies simply going into a black hole with tourism businesses having little or no opportunity to input on how monies are spent".
- Why should people pay a levy if they are visiting relatives in the area or are requiring short-term accommodation due to the sale or renovation of their property?
- A visitor levy could damage Scotland's reputation as a place welcoming to tourists. Many respondents feel tourists should be encouraged to come and spend their money, not be punished for it.
- The proposal may create potential competition between different council areas - including in some cases resulting in adjacent properties (bordering a council boundary) incurring differing costs.
- Some respondents claim that councils have not been properly funded by the Scottish Government. This is the real reason why infrastructure used by tourists is not up to scratch.
- Local authority areas with a lot of tourist accommodation will benefit and see improvements in their areas. Other areas with high numbers of day trippers but few overnight visitors will see no benefit.

## **Q2. Given that the Bill is likely to result in different councils introducing a visitor levy in different ways or not doing so at all, what impact do you think the Bill will have in your area and across different parts of Scotland?**

One of the main aims of the Bill is to provide local authorities with additional financial powers with which they can decide themselves if a visitor levy is appropriate for their area. If they choose to introduce one, councils have a degree of freedom to design the scheme to suit local circumstances, including powers to decide how much their rates should be. The Committee is interested to hear views on this aspect of the Bill and the following summarises the range of opinions expressed.

### **The views of local authorities**

The freedoms afforded by the Bill have been positively received by many of the 17 local authorities responding to the call for views. Likewise, COSLA welcomes the ability for local authorities to design and introduce a Visitor Levy based on local needs and circumstances. It is clear that not all local authorities intend to introduce a levy. For example, Orkney Islands Council believes that a visitor levy scheme based on the taxing of overnight visitors (and excluding cruise ship passengers) would be “insufficient to generate revenue to provide for the cost of introducing and administering the scheme and relieving tourism pressures”.

Edinburgh City Council, on the other hand, is very likely to introduce a levy. It stresses how important the city is for Scottish tourism and demonstrate this through a range of visitor statistics. Indeed, it believes Edinburgh is “the primary pull factor for the country”. Its submission argues that the pace at which visitor demand is growing in the capital, while economically advantageous for the sector, “requires sustained and further investment” from the Council. Having the powers to introduce and design a visitor levy to suit the needs of the capital is therefore vital.

The Highlands and some islands areas are probably another “primary pull factor”, but the needs of communities in these areas may be different to those of Edinburgh and Glasgow. Highland Council welcomes the ability to derive a “consistent and reliable income stream which can be tailored to the needs of Highland will have significant benefits for visitors and communities”. With visitor numbers increasing after Covid-19, Highland Council feels “it is likely that visitor management issues will continue to escalate and reach unsustainable levels in many areas”.

Argyll and Bute Council agrees that the levy needs to be delivered through a local decision-making process administered by individual local authorities. However, it informs the Committee that it is working with the Highlands and Islands Regional Economic Partnership Senior Officers’ Group and SLAED, to collaborate with other local authorities and VisitScotland on the implementation of a local visitor levy (recognising local and regional variations)”. The Bill allows for two or more local authorities to jointly establish a scheme if they wish.

SLAED identifies some potential problems with different rates across the country, for example it is concerned that this variation could lead to “disparities in tourism costs and influence tourists to choose to visit certain areas over others”. East Lothian Council states that localities with higher rates may face a competitive disadvantage compared to areas with lower or no levy:

“...higher taxes may lead some visitors to reduce their spending or choose cheaper alternatives, affecting businesses in the tourism sector (for example shorter stays, cheaper accommodation, or stay in a no-levy area and only visit a levy area).”

Glasgow Life, who lead on Glasgow’s Tourism and Visitor Plan, believe that “local tax levels should be broadly similar across Scotland and should not distort consumer decisions around visitor destinations”. Nevertheless, a number of councils welcome how the Bill enables them to choose whether or not to introduce a levy, with West Lothian Council stating:

“The introduction of a visitor levy has to be a local decision where elected members consider the positive and negative impact as part of the decision-making process. It is vital that the impacts, both positive and negative, are fully explored and considered as part of the process, however these are likely to be unique to specific areas and local circumstances.”

### **The views of business organisations and larger accommodation providers**

Business organisations are concerned about variation in levies across different areas. For example, the STA state that an area introducing a levy could discourage visitors from staying overnight there, giving the following example:

“If Dundee charged a visitor levy, then someone may choose to stay overnight in neighbouring Angus or Fife where a levy isn’t charged”

This could lead to more day trippers in Dundee and fewer overnight visitors, potentially “displacing” spending away from restaurants, bars and shops in the city. This is a point also discussed by Sykes Family Cottages, who say that this type of situation would “unfairly make someone’s business uncompetitive compared to one in the neighbouring area of the LA area”, leading to:

“...a business that someone has spent time and money building without knowing that they are in effect going to have to pay the levy by lowering their prices to avoid losing business to nearby competitors.”

Nevertheless, the STA does welcome the provisions giving power to flexibly apply the visitor levy at different times of the year, as well as the powers to apply to only some parts of a local authority area. This was a key ask of the [STA’s Local Visitor Levy Manifesto](#) that the levy could be applied seasonably “to avoid having a detrimental impact on rural and island areas during the off-season”, and to allow the visitor levy to be applied tactically:

“In Croatia, for example, their version of the levy is not charged during off-peak periods to make visiting cheaper at these times and potentially extend the visitor season [...] By strategically choosing not to charge the levy in some parts of the local authority, this can encourage more visitors to choose to stay overnight in less visited locations.”

The Camping and Caravan club also welcome the option for seasonality, and the FSB Scotland is keen on the local flexibility of the approach “as we believe one size cannot fit all when it comes to the diverse needs of local authorities and their respective business communities”.

Expedia, Travelodge and Airbnb, on the other hand, would prefer a more consistent application, with the latter stating this is particularly important for operators offering accommodation in more than one local authority area. Travelodge are concerned that having multiple different schemes and rates across Scotland would create “considerable inconsistency, confusion for consumers and increased costs for businesses”. Like other large operators, they are a centrally managed UK-wide business. Thus, “the devolution of this policy to local authorities will have a significant impact on our business model for our web based reservations and accounting processes”. Their submission sets out what this would mean practically:

“From mid-2026 it is likely that our systems and processes will need to be capable of the collecting, processing, accounting for and payment of varying local Levies, by hotel per council district. This will require significant systems development given our web-based prepayment model and creates long term uncertainty for the business.”

Expedia argues that “tourism taxes are particularly prone to tax leakage” as mistakes can be made by the accommodation provider or tourist. They therefore state that the “the best tourism taxes therefore seek to apply a single rate across an entire jurisdiction, with no exemptions or variability”. This is at odds with what is being proposed in the Bill:

“Our concern is that the Scottish model presented to Parliament will result in a patchwork of different rates and exemptions, across geographic areas that are inconsistently defined. This will be confusing for travellers and accommodation providers, hard to administer and difficult to enforce. Ultimately it will mean that the levy is less effective at raising money for local communities.”

The Confederation of Passenger Transport Scotland representing bus and coach operators believes that companies offering tours will need to be aware of the levy in different parts of the country. The UK Short Term Accommodation Association believes that all variations of the levy throughout Scotland should be listed on a single page on the Scottish Government’s website, so that travellers and accommodation providers can easily find which rate they will be paying or charging

Airbnb also call for a “consistent application” in terms of the design of a levy, although they are more accepting of the idea of local flexibility in terms of rates. The British Holiday and Home Parks Association would prefer a more centralised

approach, as would Sykes Family Cottages who are afraid that “having different percentages in different areas of a local authority area means there could be far more than 32 different levels of levy across Scotland”. They are concerned that this would be too complex for operators with multiple sites and may lead to operators inadvertently failing to comply with local regulations.

The STA therefore highlights the need for a national approach to awareness raising, involving local authorities, Scottish Government and VisitScotland:

“Failing to do so will create confusion among visitors, as consistency in messaging will be key to avoiding the introduction of a visitor levy deterring visitors. For example, many accommodation providers such as caravan parks are reliant on walk-ins and there is a risk that they will lose business if the visitor levy charge is not publicised properly at a national level.”

### **Responses from small business owners, individuals and communities**

Respondents used the opportunity to talk about a number of issues; however the following summarises the most relevant points to the question asked. These relate to what impact a levy could have on particular areas and what could be the impact of having variations across the country.

#### **Positive impacts**

- Based on their own experiences travelling abroad, some respondents believe a small levy would have minimal impact on tourist numbers and spend.
- Areas with high numbers of tourists can charge a higher rate and those areas struggling to attract overnight visitors can charge a lower rate or no rate, thus encouraging more people to stay in less popular places.
- Some respondents in Edinburgh believe that the city has suffered for years with high numbers of tourists, but the city as a whole has not benefitted from the money being spent. A local levy is a way to address this.
- Edinburgh residents will appreciate that visitors are now making a direct contribution to paying for facilities and services (i.e. infrastructure / refuse collection) which they previously felt that the taxpayer was paying.
- If it does result in fewer visitors to Edinburgh, a small number of respondents would welcome this outcome.
- Some rural respondents are hopeful that funds raised could improve infrastructure in their areas, to the benefit of tourists and residents alike.
- Outer Hebrides Tourism believes that a visitor levy could be a game-changer for the islands in terms of creating a sustainable source of funding
- A couple of community groups state that different communities have different needs. Councils should be free to decide what happens in their own areas.

## Negative impacts

- Some small business owners fear that areas with a levy will be more expensive than those areas without. They are concerned that this will lead to fewer people staying in these areas, which will impact accommodation providers but may also have a knock-on effect on restaurants, gift shops, retailers, cleaners, laundry, and other parts of the local economy.
- Various rates being charged across the country will be confusing for visitors travelling to different destinations in Scotland. A national levy would be easier for visitors and businesses.
- Many visitors travel around Scotland. If each place has different rules “it looks unorganised and creates a feeling of distrust if one night it costs £5 and the next it’s £10”.
- There is a distrust amongst some business owners that local authorities will manage their new responsibilities competently and transparently. Some respondents claim that councils are “hostile” to the tourism sector.
- If local authorities introduce a levy in areas where there aren’t many leisure tourists – for example North Lanarkshire - then the people having to pay will be those staying for business or work, or people visiting family.
- One accommodation provider states that most property management system (PMS) software has the ability to charge an extra tax “but only based on country roles. none of the software allows for local changes”. This is a particular issue for chain operators who operate in different charging jurisdictions. This will make the tax difficult to collect and administer.
- It is unfair that a small business in one area will face all the burdens that accompany a levy, but another business a few miles away will not.
- Visitors to Orkney, Shetland and other island destinations already pay a large additional fee (ferry or flight) to get there. If accommodation becomes any more expensive, some small businesses fear customers will not come.
- If the areas close to the Border introduce a levy, some local businesses feel the biggest beneficiaries will be businesses in Cumbria and Northumberland.
- Many island residents use overnight accommodation within their own or another authority in order to access essential medical services, attend parents’ evenings, deliver children to school-organised events or return home on the one-boat-a-day that has a check in of 6:15am. These short stays “can already be cripplingly expensive without adding a tax to them”.
- Clear guidance should be given by the Government to all local authorities to avoid similar problems manifesting during the implementation of the STL regulations.



### **Q.3 Do you agree with the Bill’s definitions of a “chargeable transaction” and of “overnight accommodation”?**

The Bill defines “overnight accommodation” as “a room or area provided to a visitor for residential purposes in or at a type of accommodation otherwise than as the visitor’s only or usual place of residence”. The cost of breakfast, entertainment, car parking, etc should not be included in the taxable amount. Part 2 of the Bill also lists the types of accommodation that will be subject to a Visitor Levy. These include hotels, hostels, guest houses, bed and breakfast accommodation, self-catering accommodation, camp sites, caravan parks, boat moorings or berthing, etc. The Committee is interested to hear views on these definitions and the following summarises the main points raised:

#### **The views of local authorities**

Inverclyde Council argues that there are other forms of accommodation that place burdens on local areas that are not captured by the Bill e.g., motor homes and camping (although it is recognised that this would be difficult to manage). And it especially would like to see the Bill widened to include cruise passengers. Orkney, Dundee, Aberdeen, Comhairle nan Eilean Siar and Shetland councils make similar calls. Highland Council would like to see the list of ‘types of accommodation’ include wild campers and motorhomes when not staying in paid sites, as well as cruise visitors:

“Whilst the Council recognise that there are certain additional challenges from collecting a levy from wild campers, motorhomes, and cruise ship passengers to those staying in paid accommodation such as hotels, legislation should not restrict the ability for Local Authorities to work through viable solutions and introduce a suitable levy framework, be that as part of the initial levy scheme to be approved, or as part of future schemes. The world is rapidly moving into a new technological era and it is likely that new effective solutions will emerge, such as AI enabled vehicle recognition. It would therefore be short sighted for the legislation to focus exclusively the on paid accommodation and not seek to future proof the legislation.”

South Ayrshire Council agrees with the definitions as set out in the Bill’s explanatory notes. However, it recognises that it will be “cumbersome” for accommodation providers to separate non-chargeable transactions, such as food, parking and beverages. The Council would like further clarity on “chargeable transactions” so it can avoid a situation where a provider says the “overnight accommodation” costs £10 per night and £90 breakfast costs £90. North Ayrshire Council make a similar point stating that an accommodation provider could essentially offer a ‘free’ bed and then present an overnight charge which they can attribute to breakfast, parking, servicing, marketing, etc: “this could prove very difficult to manage and take up local authority time and resources, reducing potential scheme income”.

#### **The views of business organisations and larger accommodation providers**

The STA supports the definition of a “chargeable transaction” in the Bill. However, the current definition of “overnight accommodation”, and the decision to exempt wild camping and moveable campervans from being charged a visitor levy, “risks there being an uneven playing field between traditional and newer models of visitor accommodation”.

It argues, as do many campsite owners and self-catering businesses, that it is particularly unfair that the revenue raised from a visitor levy is often cited as being needed to fix the problems being caused by wild camping and motor accommodation (e.g. improving of roads, litter and human waste management), particularly in rural and island communities like Skye and the Western Isles. The STA believes an immediate solution is that the Bill be amended to include the rented provision of campervans and motorhomes under the definition of “overnight accommodation”, charged at the point of hire and that the visitor levy contribution goes to the local authority area where the rental is made.

Airbnb agrees with the legislation’s definitions of a chargeable transaction and of overnight accommodation; however with regards to “overnight accommodation”, it suggests the word “residential” be replaced with “living quarters or sleeping accommodations” as this has a clearer and more specific meaning. Edinburgh Chamber of Commerce would appreciate clarification on how any levy would apply to zero-rated accommodation, i.e. if a hotel room is provided as a complementary service or as payment in-kind.

The Professional Association of Self-Caterers sets out some objections based on the practicalities of running a business reliant on a variety of booking platforms. For example, an accommodation provider may use up to twenty or thirty different booking platforms:

“The accommodation provider has no means to adjust final pricing to accommodate percentage taxes on the same, unless the platform concerned implements the necessary coding changes. If the accommodation provider uses dynamic pricing, which is increasingly common - where the price is not set until the transaction actually occurs - things get more complicated still.

Beyond the initial booking scenario, the accommodation provider then has to figure out how to deal with the levy in the context of refunds, partial refunds, refunds that may involve commission refunds, or not, changes of dates that involve changed prices, changes to bookings that involve additional guests resulting in additional charges, or additional charges with no additional guests e.g. adding a travel cot for a baby, or paying for a dog. This starts to turn into an administrative nightmare for the average micro-accommodation provider.”

The British Holiday and Home Parks Association highlight the point that some holiday park operators may offer a package option “for example, incorporating an on-site breakfast, a swim or inclusive waste management”. It may be difficult for them to break down totals, to pull out what the accommodation cost is:

“This will also discourage the business model of creating package bookings (i.e. stay plus use of pool and an evening event) which is a positive sales tool for businesses.”

### **Responses from small business owners, individuals and communities**

It is worth noting that a number of respondents who are absolutely opposed to the Bill have not commented on specific provisions as they feel the only way forward is for the Bill to be dropped. Other individuals and business owners provide views and suggestions on the proviso that their preference would be for no levy at all. The following summarises some of the most common points raised by individuals, communities and small business owners. Almost all rural businesses mention the wild camping and motor home issues, as well as cruise exemptions, all of which are discussed above:

- On islands, a daily fee could be added onto ferry charge including for campers not booked into chargeable accommodation.
- There should be a charge on campervans who cause lots of congestion and impact on the roads with minimum local benefits.
- It will be difficult for B&Bs to separate accommodation from breakfast charges and only apply the levy to the accommodation bit. That means another layer of complication.
- It is difficult to separate out the value of a "full Scottish breakfast" and other hospitality provided by hosts for B and Bs.
- Ferranti Mountaineering Club are keen to see clubs exempted from the Bill: "It is important to distinguish between commercial accommodation providers and accommodation provided by kindred Clubs on a voluntary basis, with modest charges simply to cover costs".
- A number of respondents feel it is wrong to focus on accommodation providers. A vehicle charge, road toll or an arrival/departure tax at airports would be better. Other tourism businesses could potentially be charged via a Business Rates or Council Tax supplement.
- Guests often cancel or alter their booking after making their original booking and a refund or partial refund has to be given to them many months after they have made their original booking.
- A SkyeConnect survey found that 85% of respondents believe the levy should also apply to campervans, caravans, and motorhomes with four out of five respondents supporting the use of number-plate recognition technology to charge campervan drivers.

### **Specific issues relating to boating**

British Marine Scotland believe that the "types of accommodation" listed should be amended as it is flawed to list and define "boat moorings or berthings" as a type of

accommodation. This is supported by the Royal Yachting Society. They argue that “boat moorings or berthings” are not typically recognised under normal definitions of accommodation. Rather, they are primarily a safe haven for vessels.

The British Ports Association (BPA) states that any move to increase costs for ports and harbours could impact the commercial viability of such facilities and reduce local tourist spend, “not to mention reduce the attractiveness of Scottish coastal areas to sailing community”. The BPA make the point that unlike tourists using land accommodation, people on yachts and visiting recreational sailors do not always use local authority funded facilities and infrastructure such as roads or domestic recreational parks and waste services. They therefore believe “there is a strong case to remove recreational vessels and moorings from the scope of the rules”.

Many mooring associations are small volunteer-led operations, and some individuals have expressed concern that office bearers will become the “liable person” for keeping records and returning visitor levies. Likewise, the Cruising Association states that boat moorings are often tiny community operations with minimal income, so the extra administrative burden caused by visitor levies “could become the final straw that would make many small providers withdraw entirely”. This could then reduce the moorings available to tourists and the related income which comes to many remote mainland and island communities.

The Scottish Tourism Alliance also supports the views set out in British Marine Scotland’s submission to the Call for Views. It states that the chargeable transaction between a leisure marina or other provider of boat moorings/berthings and the boater does not include “the purchase for the value of the right to reside in or at overnight accommodation”, and instead boaters are charged for a safe haven for boats and marine services fees such as utilities, lifting out, maintenance and repair services, and on-site boat storage. The STA point out that many of these boats do not even have onboard accommodation.

### **Specific issues with the definition of “overnight accommodation”**

The Chartered Institute of Taxation highlight an issue with the definition of “overnight” as it could “allow some scenarios to escape the levy”.

“The charge only applies when somebody ‘takes entry’ to the accommodation – what would this mean? Presumably it would mean checking in and physically entering the accommodation. If a guest were staying in a room but didn’t check in until after midnight and left within the following 6 hours, under this current definition, they would not have occupied the room long enough for it to apply. Is this a deliberate ‘de minimis’? Rather than references to taking entry at midnight, it might be simpler if either: the levy simply applies when a guest acquired the right to reside in the property at midnight (irrespective when they actually did so or not), or the six hours referred to in s.3(3) is changed to three (say) to capture those ‘flying visits’. Also, it would be useful to clarify whether the levy still becomes payable if the number of guests changes post-booking e.g. if the booking were for a room for two guests but only one takes entry – would the booking still be a chargeable transaction?”

Scottish Conservative and Unionist Councillors in Perth and Kinross Council raise a similar point:

“If someone rents a room at 12:01am for one night until 10am that same morning, no charge would be made under this definition. Also, if someone rents a day room (usually between say 8am - 3pm eg for someone who has arrived on an early morning flight and needs a sleep before continuing on), no charge would be required.”

The British Holiday and Home Parks Association believes there is insufficient clarity on the definition of “overnight accommodation”:

“It is not clear what constitutes overnight accommodation. Holiday park lets can be defined as both renting a holiday caravan or a pitch hire where you bring your own accommodation – there is no clarity on whether a levy will apply to one or both. For clarity, whether the proposed levy would apply to privately-owned holiday caravans, or private touring caravans temporarily sited on hired pitches. This needs to be clear from the outset.... There is further ambiguity within the Bill to consider for this sector. Holiday caravan owners can choose to commercially let their caravan privately to paying consumers. They may not be doing this through an OTA but, say, through social media. The monitoring of this and imposition of a levy in these circumstances may be challenging.”

Brandon Lodge Bed and Breakfast believes that the definition of "overnight accommodation" should be broad enough to cover different types of new and evolving accommodations to ensure a fair and equitable application of the levy.

#### **Q4. What are your views on the Bill’s proposal to allow councils to set the levy as a percentage of the chargeable transaction? Are there any other arrangements that you think might be better?**

##### **The views of local authorities**

There are a wide range of views expressed by local authorities.

Many councils, including Dundee, South Lanarkshire and West Lothian Council, agree with the Bill’s Policy Memorandum that a percentage charge is fairer than a flat rate. The latter, South Ayrshire Council argues, “could disproportionately penalise visitors staying in budget accommodation”. East Ayrshire Council agrees, confirming that it should be up to councils to decide which percentage rate is most appropriate for their local area.

However, some councils express a need for more flexibility so that *they* can decide whether a percentage rate or a flat rate is more appropriate for their areas. Orkney Islands Council, for example, write:

“In Orkney, the majority of accommodation providers are small and micro businesses and therefore, a fixed rate would be more appropriate as it would simplify a visitor levy scheme for both visitors and local businesses and make it easier to administer and enforce.”

Likewise, Glasgow City Council would prefer a flat rate because a percentage rate would be more confusing for accommodation providers:

“It would be the responsibility of accommodation providers to calculate the percentage from the accommodation part of the transaction, deduct an amount corresponding to any commission payable by the accommodation provider to a travel booking service, and multiply the resulting amount by the percentage set by their local authority. Using a percentage charging model for the levy will mean an increased time burden on accommodation providers needing to work out the rate to charge for the levy on customers' bills, including deducting an amount corresponding to any commission payable by the accommodation provider to a travel booking service.”

As such, COSLA leaders have argued that councils should have the power to implement a levy as either a percentage rate or a flat rate and they oppose the Bill's requirement for the Levy to be implemented as a percentage rate only. They note that some local authorities may prefer a flat rate as it will be easier to administer. They state that across Europe:

“...it is clear many countries operate a system where municipalities can choose either a percentage or flat rate. In Germany, for example, Berlin and Cologne charge a percentage rate, while Frankfurt charges a flat rate. Going further, in the Netherlands, Amsterdam's Levy charge a percentage rate of the total accommodation costs plus a flat rate per person per night”.

Highland Council and Argyll and Bute therefore argue for more flexibility in the Bill.

East Lothian explains the benefits of a flat rate, for example accommodation providers often offer variable overnight rates which councils will have to know about:

“If the levy is based on a percentage of overnight rates, Councils would need to know those variable overnight rates, and the number of guests charged at those variable rates to be able to calculate and verify that the information being provided by the operator was correct. Some businesses charge at a rate that constantly varies depending on demand (i.e. one stay may include a number of differently priced nights)... A fixed rate per occupant per night, no matter the cost of the accommodation, would be easier to administer and collect.”

Unlike most of the other council responses, East Lothian would like to see a set rate or percentage applicable across the country:

“This would ensure that there is a fair, equitable, and transparent scheme that is easy to understand for visitors making the decision where to stay and for

businesses collecting the levy. For example, a large percentage of tourism visitors do not arrive and stay in one place, they travel across the country and e.g., if they know they will need to add on a set percentage/fixed fee to the cost of the trip this would be helpful.”

### **The views of business organisations and larger accommodation providers**

There is also some variation in the views expressed by the larger accommodation providers and business organisations.

The STA are clear that the use of a percentage charging model for the visitor levy “is overly complex and will be excessively burdensome for certain types of accommodation providers and visitors”:

“To work out the percentage rate to charge for the levy on customers’ bills, they will need to separate the accommodation element of the chargeable transaction from other charges such as inclusive food and drinks, spa and leisure facilities, housekeeping, and things like inclusive Christmas and Hogmanay packages. This also includes deducting an amount corresponding to any commission payable by the accommodation provider to a travel booking service.”

It believes that all accommodation bills will now have to be separated, with a breakdown of accommodation costs and non-accommodation costs to be submitted to local authorities for monitoring and auditing purposes, as well as additional data on costs when there are exemptions recorded. This would be “a significant undertaking for businesses” particularly for the 96% of Scottish tourism enterprises who operate as small businesses (i.e, with between 0 and 49 employees).

Moreover, the percentage model will be more complicated for visitors, especially those staying in multiple local authority areas “such as hostel accommodation on a walking or cycling trip who are already trying to keep the costs of travel low”. It is the STA’s preference that the visitor levy should be a fixed flat-rate charged per night, perhaps tiered to acknowledge different price bands of accommodation. The British Holiday and Home Parks Association also believes that a tiered levy rate would be more favourable than a percentage “which will only lead to confusion”.

Travelodge and the Scottish Association for Scotland’s Self-Caterers are concerned that having different rates across Scotland could create considerable inconsistency and confusion for consumers and increased costs for businesses. The latter organisation believes that the percentage rate model would be particularly complex and cumbersome for small and micro businesses who “may not have IT systems or utilise accountants”. The Scottish Chambers of Commerce also urges the Committee to consider that the VL should be a fixed flat-rate charge “to avoid confusion among visitors and accommodation providers, with the power to charge a higher or lower fee during set periods”.

The Scottish Bed and Breakfast Association sets out what the percentage rate model could mean for its membership:

“To work out the percentage rate to charge for the levy on customers’ bills, B&Bs will need to separate the accommodation element of the chargeable transaction from other charges such as inclusive food and drinks, other leisure facilities chargeable, housekeeping, and things like inclusive Christmas and Hogmanay packages. This also includes deducting an amount corresponding to any commission payable by the accommodation provider to an online travel agent (OTA) - typically 15-18%.... All accommodation bills would need to be separated, with a breakdown of accommodation costs and non-accommodation costs to be submitted to local authorities for monitoring and auditing purposes, as well as additional data on costs when there are exemptions recorded. This is a significant undertaking for very small businesses when there are much simpler levy options that can be introduced.”

Expedia argues that charging the tourism tax as a percentage rate would “distort the market and undermine competition”. It explains that hotels and B&Bs often use online booking platforms like OTAs to list rooms or rates that they cannot sell via their own channels. The price the traveller sees on the booking platform already includes commission, which is generally paid by the accommodation provider, rather than the consumer. Expedia explains how a percentage tourism tax could be problematic:

“...by charging the tourism tax as a percentage rate of the accommodation cost, less the booking fee, travellers will pay less tax when booking through online booking platforms than they would when booking direct with the accommodation provider. This is unfair and creates a distortion in the market which is ultimately neither to the benefit of platforms or accommodation providers.... Commissions paid to online platforms are part of a B2B business arrangement between the platform and the provider. They are not, typically, an additional cost to consumers as otherwise there would be no incentive for consumers to ever book via an online platform.”

Edinburgh Chamber of Commerce carried out research on behalf of the City of Edinburgh Council. They found that a couple of different cities including Berlin and Barcelona commented either that a percentage rate had caused difficulties in calculating the tax for online bookings etc., or that they found a fixed rate much easier to administer and that it was more straightforward for accommodation providers to configure their IT systems to include the levy.

Airbnb, on the other hand, believes that a percentage of the price for accommodation is the easiest model to employ:

“It is the most simple for operators to calculate and is the fairest and most equitable option, with those booking higher priced accommodation paying a greater amount of tax. We therefore agree with the proposals in the Bill.”

Furthermore, it believes that councils who decide to introduce a levy should have the discretion to set the rate, inside a national scale (i.e., between 1% and 5%). This, according to the company, “ensures simplicity and scalability with tax collection, and



provides a consistent guest user experience”. Likewise, the UK Short Term Accommodation Association believes that setting the levy as a percentage of the overall transaction is the best and fairest method. As a model, a percentage of the overall fee is the easiest to calculate and administer:

“A flat fee levy runs the risk of being higher than the cost of the accommodation under certain circumstances and also penalises those on lower incomes, since a flat fee will account for proportionally more of the accommodation fee for less expensive accommodation.”

## **Responses from small business owners, individuals and communities**

Most smaller accommodation providers responding to our call for views are not in favour of a levy at all. However, many say that if this is going to be introduced, it should be a flat rate, preferably nation-wide, rather than various percentages. This would be less confusing for providers and tourists alike and would be easier to operate from a small business perspective. Other points raised include:

- A fixed fee per price band could be easier to understand and administer. “Say £2 per night up to £120 per night charge, £2.50 up to £150, £3 up to £200 & £5 anything above”.
- A per person per night charge for those above a certain age is preferable for some as the percentage model may encourage customers to exceed accommodation occupancy limits in order to reduce costs. “In Bavaria in there is a tourist tax. It is 3 euros 10 per adult and 1 euro 55 per child”.
- A percentage is preferable otherwise you could have a situation where a guest staying in a backpacker hostel pays the same as a guest in a 5-star hotel. A percentage approach is essential: “anything else would hammer budget accommodation and would in effect be a regressive tax”.
- It should be a set amount across Scotland at the same level but paid directly by the visitor to the council based on vehicle registration.
- Others prefer a system of voluntary contributions, where visitors are given the option to contribute to local projects or initiatives; this “could foster a positive relationship between visitors and the local community”. A percentage makes this seem more like a tax.
- On islands a small fee paid by everyone coming to an island as a visitor would work better. Or a general toll for visitors crossing the Skye Bridge for example would be fairer and would not impact accommodation businesses.
- A set levy is simple for visitors to understand and know what their upfront cost is going to be and would be simpler for businesses to operate.
- The proposal in the Bill could penalise those who wish to stay in Scotland for a reasonable period of time, ie longer than a week; making it less likely for people to continue choosing to do this.

- Allowing different authorities to levy different rates is inequitable and unreasonable.
- A percentage charge would disincentivise premium accommodation providers in rural areas who attract visitors to such locations and subsequently spend more money within that local community.
- The visitor levy could be collected as a 'Rates Supplement'; an extra percentage small charge on Business Rates or Council Tax.
- A flat rate charged locally would make it much easier to capture wild campers and motor homes (as a percentage of cost is irrelevant if the person is paying nothing to start off with).
- A flat fee per person will be more equitable as the 'wear and tear' of guests is the same whether they are paying more or less for their accommodation.
- Auchrannie Resort believes that a percentage rate on the accommodation element of a transaction would be difficult for accommodation providers who have packages (including say food or leisure facilities) and commission to separate out the accommodation element and also confusing for the visitor as to how the charge has been calculated. A fixed nightly charge would be easier to administer, although no charge is vastly preferable.

**Q5. What are your views on the absence of an upper limit to the percentage rate (which would be for councils to decide) and that it could be different for different purposes or different areas within the local authority area, but not for different types of accommodation?**

The Bill does not include a maximum limit on what percentage rate can be applied. The Committee was keen to hear views on this and the following section summarises the main points raised.

**The views of local authorities**

COSLA welcomes the absence of an upper limit to the percentage rate and supports councils to be able “to operate the Levy with as much flexibility as possible, including the ability to set different rates for different areas”. Communities should have a role in deciding on the rate of a Levy in their area and this could help strengthen the ties between policymakers and communities. The ability to set different rates recognises that the needs and circumstances of communities vary across the country.

Likewise, the Scottish Local Authorities Economic Development organisation (SLAED) believes that a nationally set cap or upper percentage limit would be “contradictory to the Bill’s original intent, which is to grant fiscal powers to improve

local democracy”. They believe that local authorities should be given the freedom to consider seasonal and geographical variations and design a scheme that meets the individual needs and nuances of their visitor economy and communities:

“Local authorities will take a sensible and pragmatic approach and would not act in a manner that would harm their efforts to regenerate their local economies.”

Individual local authorities such as Highland Council, Aberdeen City Council, West Lothian Council and the City of Edinburgh Council also believe that it should be up to individual councils to determine an appropriate rate based on local circumstances and market conditions.

As noted above, Scotland’s largest local authority, Glasgow City Council, does not support the percentage model. However, if the percentage model is introduced, it believes that there needs to be a nationally agreed upper limit to the percentage rate or fee that can be charged by local authorities:

“If some local authority areas charge a much larger levy fee, this could potentially confuse visitors travelling across Scotland and negatively impact reputation. The Bill [also] needs to state that the VL percentage or fee cannot be raised by more than a certain agreed percentage at the time of review.”

South Ayrshire Council and Orkney Islands Council express similar concerns, with the latter believing that the absence of an upper limit could expose destinations “to the impacts of uncompetitive rates set in other areas”. South Ayrshire Council believes that an upper limit provided by the Bill could help to offer more consistency across the country.

Revenue Scotland, the national tax authority responsible for the collection and management of many of Scotland’s devolved taxes, provides some observations on the “principle of proportionality”:

“The operational reality of this is that the body collecting and managing the levy will need to ensure, through its compliance activities, that the correct rate/percentage/band is being applied based on the characteristics of the transaction. Complexity is added to this where different rates are applied in different locations, areas, or for different purposes. A common and consistent identification (across local authority boundaries) will be critical to ensure certainty and efficiency, for example, how taxpayers will identify which percentage rate applies to their accommodation will need to be simple and accessible.”

### **The views of business organisations and larger accommodation providers**

The majority view of the tourism sector expressed in the responses is that local authorities should not have the freedom to set high visitor levy rates. If a visitor levy is to be introduced (and it is worth repeating that much of the sector is totally against the idea) then the sector would like to see some sort of nationally set limit. The FSB,

for example, believes that a national cap “strikes the right balance between allowing for local flexibility and ensuring that punitive rates are not introduced”.

The STA “strongly believes” there needs to be a nationally agreed upper limit to the percentage rate that can be charged by local authorities and that visitors should not be charged the levy beyond five nights staying in same accommodation. It states that the maximum cap level “must take into consideration competitiveness and diluting of secondary spend in the sector, alongside how much net revenue will be raised”. The STA also believes that the Bill should state that, “when setting the percentage rate, local authorities must avoid causing an adverse impact on the local visitor economy”.

Sykes Family Cottages feel that the range of short term let licensing fees across Scotland “shows the fragmentation which can occur if the Scottish Government does not retain sufficient control over decisions such as these”. They argue that some of the licence fees being charged are far in excess of what was envisaged by the original impact assessment:

“If there is to be variation in percentage applied across Scotland, potentially 32 different percentages, we would be highly concerned if: - there could also be variation in percentages applied within each of those 32 LA areas; or - there was no maximum percentage specified in the legislation. It would not be appropriate for councils to impose a 100% tax on the cost of accommodation, for instance, and the legislation should state what is appropriate.”

The British Holiday and Home Parks Association is also in favour of an upper limit set nationally:

“Local Authorities will, of course, set limits as high as possible in order to accrue additional funding. There will also be a ‘domino’ effect as if one Local Authority sets a high percentage, all will follow suit. Or they may start low but rapidly increase it at every review. An upper limit should be set by the Bill.”

Airbnb also believe that a centrally-set scale of what percentage rates can be charged would be preferable:

“This would allow local authorities to vary the rate of tax collected according to their individual circumstances, but would reduce the likelihood of fragmentation or of councils introducing tourism levies that are disproportionately or damagingly high”.

However, Airbnb is against the idea that councils should have the ability to charge different rates within a single local authority area, “as this would over-complicate administration of the levy and create confusion amongst operators about what tax rate applied in a particular area”. Having seen this sort of variation attempted in other areas across the world, Airbnb feels “it only creates confusion and extra burden for accommodation providers, tax authorities and guests”.

Travelodge is also concerned about the potential for there being considerable local variation. Hostelling Scotland also believes that varying the rate depending on

seasonal demand “will be extremely difficult to administer and seems unfair to guests already paying a premium to stay in Scotland during [peak] times”. Edinburgh Hotels Association also feel there should be no flexibility to amend the charge by accommodation type nor time of the year.

Edinburgh Chamber of Commerce believes there should be a cap put on how much any percentage rate can be increased each year once implemented:

“This will give some level of certainty around the future rate of the Levy and avoid unreasonable increases. Furthermore, it would help ease some of the concerns of industry around the Levy if the Bill put a duty on the Local Authority to avoid causing an adverse impact on the local visitor economy when the rate is set.”

This is a view also supported by the Scottish Bed & Breakfast Association

### **Responses from small business owners, individuals and communities**

Many of the views expressed by individuals and small businesses are also made by business organisations, councils and larger businesses, so are already discussed above. The following are additional points raised by two or more respondents:

- There is a fear that some councils could “abuse” this freedom unless a cap is put in place. Without an upper ceiling, there's a risk of councils setting high rates, which could deter visitors, particularly those on a budget.
- A uniform rate ensures fairness across accommodation sectors, ensuring that no particular sector feels penalised. It could also simplify the calculation and collection process.
- There should be uniformity in the taxes and burdens imposed on businesses to allow an even playing field.
- The scheme would become highly complex if one local authority were levying 5% and another 25%. The absence of an upper limit creates uncertainty.
- Given the requirements to publicise and consult on a proposed levy scheme before the local authority introduces it, it would be hard for a local authority to bring in a percentage rate which local stakeholders felt to be too high.
- There is no reason why the percentage rate should not be lower for camp sites than for someone staying in a hotel. However, others are supportive of the provision that prevents the VL rate charged varying between different types of visitor accommodation.
- A couple of respondents feel the upper limit should be similar to the rates levied in other similar European countries.

**Q6. The Bill would allow councils to apply local exemptions and rebates to some types of guests if they choose to. It also allows the Scottish Government to set exemptions and rebates on a national basis where it considers it appropriate. What are your views on the Bill's proposals in relation to exemptions and rebates?**

Although many councils welcome the opportunities for local flexibility in the Bill, many accommodation providers and their representatives feel the priority should be on reducing complexity and enabling the implementation of the most straightforward scheme possible. Therefore, there are quite divergent views on this part of the Bill.

**The views of local authorities**

COSLA welcomes provision in the Bill to allow local authorities to apply their own exemptions and rebates “as they see fit”:

“There are a number of reasons why local authorities may choose to apply exemptions and rebates. This could be based on seasonal changes to tourist numbers, the occurrence of high-profile events at certain times of the year in specific communities, or even differing needs and circumstances within local authority areas”.

They believe that any national exemptions should only be decided after agreement with local government. This is a view shared by many of local authorities responding to the Committee’s call for views. Despite agreeing with the aims of the Bill here, the City of Edinburgh Council points out that “exemptions create complexities in the collection, enforcement and administration of the scheme, and could generate avoidance opportunities for accommodation providers”. Both Edinburgh Council and COSLA highlight the importance of national guidance which will be created by a cross industry group, including guidance on exemptions.

South Ayrshire Council agrees with the broad principle of applying exemptions to certain groupings, such as those staying overnight in a local area to attend hospital appointments, and Renfrewshire Council believes it could also be useful for national exemptions to include some categories of visitor “such as temporary accommodation placements for homeless applicants, or resettlement of refugees or asylum seekers”. Glasgow City Council states that the Bill as it stands may already provide these sorts of national exemptions.

Local exemptions could be introduced by individual councils. For example, North Ayrshire Council highlights the possible example of islanders staying on the mainland due to a hospital appointment, and Comhairle nan Eilean Siar highlights the example of travel for attending funerals. However, many local authority submissions express concerns that such exemptions could be difficult to manage, both for the accommodation providers and local authority:

“For instance, would they have to ask all of their guests why they are

staying there? It seems like an invasion of privacy. It also means the scheme is open to potential abuse by visitors claiming their stay is for an exempt purpose, so there would need to be a level of 'proof' of exempt purposes, which again increases the administrative burden for all parties."

Scottish Local Authorities Economic Development (SLAED) also discuss the likelihood of local exemptions being complex and negatively impacting on transparency:

"Local authorities should have flexibility to introduce exemptions and rebates based on local circumstances, and these should be clearly and effectively communicated. However, if exemption criteria differ between areas, this could cause confusion for visitors – particularly those visiting more than one area in a single trip".

West Lothian Council believe it is better to have national exemptions and rebates "for clarity and consistency" stating that although the visitor levy is a local decision, "it is unlikely that the individual circumstances where exemptions would apply would vary greatly between different local authorities".

The Chartered Institute of Taxation believes that local authorities should have the option whether to apply the levy in the first place. However, if they choose to do so, then they should be subject to the same rules in respect to exemptions and rebates as every other authority to ensure a degree of uniformity and minimal degree of distortion:

"Ultimately, this is a national levy – whether it applies locally as a local decision, but if it does, it must be applied in a uniform and consistent manner – simply having national (presumably non-binding) guidelines or advice alone with respect to exemptions will not necessarily lead to that, the parameters and rules should be contained within the legislation".

### **The views of business organisations and larger accommodation providers**

The Bill includes provision for Scottish Ministers to use regulations to provide "for the making of arrangements for the issuing of exemption vouchers to categories of visitors" (Part 2, 10). The Scottish Tourism Alliance picks this up in their submission stating that the Bill fails to provide details about what this could entail and how it would work in practice. They call for "absolute clarity" about who will be responsible for administering an exemption scheme. The Association of Scotland's Self-Caterers also believes details of any voucher scheme "cannot be left to later guidance":

"...our experience with short term let licensing and planning guidance bears this out. Instead, we would support the creation of a nationally agreed set of exemptions which should be kept as simple as possible for accommodation providers and visitors".

The STA supports the creation of a nationally agreed set of exemptions, believing, for example, that this should include people staying in overnight accommodation in

their own local authority area, “who already pay a council tax fee and should not face an additional fiscal burden”. Another potential national exemption could be residential school trips. The British Holiday and Home Parks Association believes that accommodation for respite care purposes should also be exempt at a national level.

Expedia believes that “the best tourism taxes seek to apply a single rate across an entire jurisdiction, with no exemptions or variability”. Likewise, Airbnb believes there are challenges with exemptions being based on the type, location or timing of stay and/or the circumstances of the guest:

“Accommodation providers will have major challenges with exemptions that are based on individual circumstances, and it would be complex and potentially burdensome for them to be responsible for verifying the guest’s eligibility. Exemptions and rebates are also difficult for operators and booking platforms to administer and we advise against them. However, if the intention to provide exemptions is retained, they should be limited in nature, harmonised, set centrally and consistent across all local authorities in Scotland.”

As with some of the local authority responses, Airbnb raises the practical problems of accommodation providers having to check whether or not a guest is travelling for medical reasons. Respondents generally feel it would be inappropriate to require an accommodation provider to ask for proof of a guest’s medical condition, and the Scottish Bed & Breakfast Association raises similar concerns:

“The responsibility for administration and enforcement must NOT sit with accommodation providers such as B&B owners. That would be an intolerable additional burden on micro businesses. It should sit with local Councils or with central Government.”

The Scottish Chambers of Commerce believes that the process of seeking exemptions and rebates should be made as simple as possible for visitors and accommodation providers. As such, they are keen for exemptions and rebates to be set on a national basis. And again, the SCC believes that the responsibility for enforcement should not sit with accommodation providers, “due to the new level of complexity and potential reputational risk to providers of their staff having to tell visitors check-in or check-out that they are not actually exempt”.

PASC UK also argue that any exemption and rebate scheme should be national, or there will be confusion, with certain exemptions and rebates applying in one street and not in the next i.e. “a postcode lottery”.

There are concerns from Festivals Edinburgh about potential negative impacts on cultural workers who travel to local authority areas as business visitors, and “enhance the appeal of Scottish destinations with increasingly constrained budgets”. In the case of Edinburgh, this category includes the casts and crews who deliver Edinburgh’s Festivals, “of whom an estimated 17,000 require accommodation”.

## **Responses from small business owners, individuals and communities**



Again, many of the views expressed by individuals and small businesses are also made by representative organisations, councils and larger businesses, and have been discussed above. The following are additional points raised by two or more respondents:

- There should only be exemptions provided for people who are travelling for essential purposes such as medical care.
- It may be discriminatory for a levy to apply to some individuals but not others.
- The more exemptions there are, the more complicated and burdensome the levy becomes for accommodation providers.
- Travel circumstances like visits for family bereavement should be exempt no matter where the visitor originates.
- There is potential for unfairness and inconsistency. The discretion given to councils and the Scottish Government to apply exemptions and rebates on a local basis introduces the possibility of unfairness and consistency. Varying criteria across different areas could result in unequal treatment for providers and guests, leading to confusion and potential disputes.
- There should be national exemptions for people using temporary accommodation for study or work purposes. Seasonal tourism workers staying in the hotel or at the place they work, should also be exempt.
- It is difficult to comment on provisions for national exemptions at this moment as details are subject to secondary legislation.
- The Royal College of Surgeons is concerned that their Edinburgh accommodation is wholly owned charity. They ask “why should we be charging [a levy on] our Fellows and Members for accommodation when they are attending the College to carry out examinations?”.
- Exemptions will greatly add to the administrative burden for accommodation providers and potentially be open to abuse. It would have to be clear that providers would not be penalised for honest mistakes in applying exemption.
- Clear guidelines should be established to prevent misuse or favouritism, and mechanisms for monitoring and evaluating the impact of these measures should be put in place.
- There must be exemptions from this Bill for marinas, harbour associations and authorities. Boat moorings and berthing facilities are for all types of leisure boats including fishing boats, day boats and cruising boats, many of which do have any overnight accommodation.

## **Q7. Do you agree with the Bill’s requirements around the introduction and administration of a visitor levy scheme, including those relating to consultation, content, and publicity?**

If local authorities choose to introduce a visitor levy, they must do so as part of a visitor levy scheme. Part 3 of the Bill sets out what these schemes should include, and how they are to be developed and operated. The Committee is interested in hearing views on visitor levy schemes and the requirements of the Bill. The following summarises the main points raised by respondents to the Call for Views.

### **The views of local authorities**

COSLA are concerned about the likely costs involved for local authorities in consulting on proposed levy schemes, as well as the lengthy lead-in time required by the legislation before levies can be implemented. The Bill requires local authorities to have an eighteen-month lead-in period after consultation and formal announcement of the policy. According to COSLA, “this is clearly excessive”:

“Though we understand the potential concerns of some in the tourism and accommodation provider sector regarding the impact of proposed changes, through engagement with stakeholders, local authority colleagues have concluded that most online platforms and large accommodation providers could implement changes brought by the Levy with minimal impact. For example, for large multi-national providers many systems will already be in place due to tourist taxes or visitor levies being a common feature of cities across Europe.

For local authorities the impact of this delay could be significant. The requirements of the Bill mean that local authorities will not be able to implement visitor levies before 2026. COSLA therefore recommends shortening the legally required lead-in time for consultation and publicity, thus “allowing councils to meet the immediate demands placed on local communities by tourism”.

The City of Edinburgh Council understands that the 18-month delay period was requested by national accommodation representatives to provide sufficient time for providers to communicate to customers, plan and set up collection systems, and to protect future advance bookings. Edinburgh Council believes that “this removes the opportunity for authorities and areas with advanced plans to introduce the scheme swiftly”:

“We therefore ask for the 18-month implementation period to be reviewed and replaced with a recommendation for a notice period provided as non-statutory guidance, the length of which should not be defined in the legislation, but decided by the local authority in consultation with the providers who would be collecting the levy from visitors.”

Highland Council and Argyll and Bute Council responses make similar requests. Whilst West Lothian Council believes that telling councils how long the process

should take “appears to contradict the delegation of powers to local decision making that this Bill is aiming to achieve”.

Glasgow City Council, on the other hand, believes that accommodation providers, and the travel industry more generally, must be given adequate time to properly prepare, and there needs to be proper awareness-raising activities well in advance of a scheme coming into place so visitors are well informed. With the inbound travel and conference industry “promoting prices and taking bookings up to two years in advance”, Glasgow City Council asks for more flexibility in how and when the levy is introduced to allow conference organisers, or tour operators to honour hotel rates set in advance.

### **The views of business organisations and larger accommodation providers**

The STA “strongly welcomes” that the legislation places a clear commitment on local authorities to consult with communities, tourism businesses and tourist organisations before introducing a visitor levy scheme:

“There must be meaningful and in-depth consultation, with an agreed minimum requirement on the level of engagement undertaken with all relevant parties (e.g. volume of responses required, mixture of in-person and written consultation opportunities, publicly publish who has been engaged with).”

The STA believes the Bill should also require local authorities to carry out robust cost-benefit assessments as part of their decision-making. Likewise, the British Holiday and Home Parks Association feel economic impact assessments should be conducted at local authority expense before the introduction of a scheme, and should include “information on the impact, economic and administrative, to businesses as well”. Airbnb would like local authorities to be required to publish any evidence which has been used to support the decision to introduce a visitor levy.

The STA recommends that the Bill makes clear that the decision to introduce a visitor level scheme must be dated *after* the legislation is passed. This is presumably to prevent councils from claiming that their consultation and decision-making processes have already taken place. The STA write:

“Some local authorities will argue that they have already undertaken significant consultation activity. However, some of this was prior to the COVID-19 pandemic and the financial crisis we have since faced. Both tourism businesses and households are in a very different position to 2019, so new consultation is essential before any decision to implement a levy is made”.

The STA also recommends that the Bill be amended to require that the majority of elected councillors in a local authority need to be in attendance for a vote on a scheme and have voted in favour for it to go ahead.

Scottish Land and Estates are supportive of the position that the legislation places a clear commitment on local authorities to consult with communities, tourism businesses and tourist organisations before introducing a VL scheme. However, they

stress that there must be meaningful and in-depth consultation with a minimum requirement on the level of engagement undertaken with all relevant parties (e.g. the volume of responses required, a mixture of in-person and written consultation opportunities):

“This should include regional events, particularly for predominantly rural local authority areas such as the Highlands and Islands, to ensure there is transparency for how the VL will operate, and how the output from the scheme might directly benefit tourism in their area.”

The British Holiday and Home Parks Association would also like to see provision within the Bill for the process of *ending* a visitor levy should it not be successful.

### **Responses from small business owners, individuals and communities**

Many respondents agree with the consultation requirements but would like to see this section of the Bill strengthened to make sure any process is not just a “tick box exercise”. Additional points raised include:

- The 18-month period should be used to design a robust monitoring and collection system. This should be accompanied by a dedicated website reporting how much is being raised and what the money is being used for.
- There needs to be consultation with *visitors* as well as tourist businesses and communities. Consultations should be as local as possible, for example at community council level.
- Consultation is important for engaging stakeholders and gathering diverse perspectives; however, the Bill's requirements should strike a balance between ensuring adequate consultation and avoiding excessive delays or burdensome processes.
- It is essential to minimise ambiguity and provide comprehensive information to ensure everyone understands their rights, obligations, and the purpose of the levy.
- Some responses from islanders stress that consultations and reviews should include islands impact assessments, in accordance with the Islands (Scotland) Act 2018.
- Many accommodation providers are troubled by their experience of the short term let consultation, “where the majority opposed it but it was withdrawn, rehashed and implemented regardless of public opinion”.
- Any consultation and implementation process must engage with those in the front line “so that they know what’s coming and that staff have been properly trained up to use the new systems”.
- Coach tour operators are one example of a tourist organisation who should be consulted, as many trips are planned and booked years in advance.

- If a levy is introduced in an area, providers believe there would need to be a minimum of 18-24 months to build the VL into booking systems.
- Those people making decisions on a visitor levies should visit some businesses to understand the additional workload they could be facing.
- The cost of levy collection for accommodation providers should be considered along with the local authority costs of implementing and running the scheme so that any net benefit can be properly assessed.
- Any levy proposals should be subject to a local vote by businesses in the same way as BID proposals are and with similar criteria for implementation.
- Many businesses already pay a levy for the operation of a local BID, or other more voluntary schemes. Luss Estates Company remind the Committee that in some areas businesses already contribute towards charitable bodies and Development Trusts (such as the Friends of Loch Lomond).
- RYA Scotland believes that the impact of a levy on the marine sector has not been fully considered and evaluated. An impact study of the levy on marinas, berth holders and community run facilities and the possible impact on the marine leisure industry should be undertaken before introduction.
- Consultations can sometimes be very minimal, poorly advertised and “a tick box exercise”. The Visitor Levy Bill should provide a minimum requirement that each local authority must meet, e.g., minimum number of engagement sessions, required number of businesses in different sectors consulted, minimum number of responses to an online survey, etc.
- Consultations have to be meaningful, particularly in larger geographical local authority areas such as Argyll and Bute and Highland Council areas.
- Some accommodation providers feel that 18 months’ notice of a levy is not sufficient time.
- Local authorities should be able to review the scheme at any point after it has been introduced. There should not be a rigid review period. This will allow local authorities to respond quickly if the evidence base suggests that the levy is having negative consequences for local residents and economies.
- Local consultation events should be held. Those living in areas where tourism is an important part of the economy should be able to have their views heard.

### *National Park issue*

Scotland’s two national parks span multiple local authority areas. In the case of Loch Lomond and the Trossachs National Park, it includes parts of Stirling, Perth and Kinross, West Dunbartonshire and Argyll and Bute local authority areas. And the Cairngorms National Park includes parts of Highland, Aberdeenshire, Moray, Angus

and Perth and Kinross local authority areas. The two parks are clearly impacted by tourism and they provide services and infrastructure used substantially by visitors. The submission from Cairngorms National Park Authority (CNPA) asks that due consideration should be given “to the fact that many publicly provided tourism facilities and services are provided by organisations other than local authorities”:

“In particular, Scotland’s two National Parks deliver a number of tourism related services in their areas which are delivered by local authorities in other parts of the country. Probably the two most notable examples of this are their roles in relation to Outdoor Access and Ranger Services.”

The Scottish Tourism Alliance would like to see the national parks “receive a fair share of investment from the revenue raised from the visitor levy”. Luss Estates Company states that where a national park exists and carries some of the burden of the local council, “then a portion of the funds raised should be passed to the National Park”. Loch Lomond & The Trossachs National Park state that the Bill is currently silent on how national parks and national park authorities fit into ensuring that the benefits of visitor levies are maximised in “these nationally and internationally important visitor destinations”. CNPA set out the following idea:

“In view of the fact that National Park Authorities (and potentially other public sector organisations such as NatureScot or Forestry & Land Scotland) are the likely provider of many tourism services, yet local authorities through their tax raising powers will be the only organisations entitled to raise a levy, the Park Authority would recommend that some formal provision be introduced to ensure a fair distribution of funds raised where a service is not provided by the local authority. Consideration could be given to a mechanism modelled on that used for Business Improvement Districts, created via the Planning etc. (Scotland) Act 2006.”

## **Q8. What are your views on the Bill’s requirements for local authorities in respect of records keeping, reporting, and reviewing?**

Local authorities will have to report annually on any scheme introduced, with information published on the amount of money raised, how funds have been spent and progress towards the objectives of the scheme. In addition, there should be reviews of schemes conducted every three years. The Committee is interested in hearing views on these requirements.

### **The views of local authorities**

Some local authorities believe that the proposed requirements are reasonable and appropriate with many local authorities having such arrangements already in place for other revenue streams. COSLA understands the need for record keeping, reporting and reviewing but they also request that “these requirements are proportionate and do not add to the already onerous reporting requirements faced by

Local Government”. The practicalities and costs of doing so for local authorities “need further consideration” according to Highland Council.

Glasgow City Council welcomes the Bill’s requirements for local authorities to keep a separate account of the VL scheme and annually report on money collected and how net proceeds of the scheme have been used. They believe that this transparency will be “integral to the success of the VL scheme and the delivery of its objectives”. The exact details of what local authorities will be required to record and report on must be confirmed at the outset to ensure local authorities have the correct processes in place. As such, some local authorities stress the importance of clarity in the national guidance which will be produced later by the expert group.

Some authorities welcome the three-year review period included in the Bill, with Glasgow City Council seeing this “as an opportunity to review how the scheme is working and whether it is having a detrimental or beneficial impact on tourism and hospitality businesses”. West Lothian Council, on the other hand has concerns about the three-year review requirements:

“The proposal that the levy scheme should be reviewed every three years is inconsistent with standard review timescales therefore it should not be specified the specific timescale but rather that it should be reviewed every administrative term (i.e. every five years). Retention of the ability to review and change the scheme at any point will enable more regular reviews dependent on local circumstances.”

South Ayrshire Council highlight staffing implications for local authorities, who must be given sufficient time to prepare for the introduction of a levy, and they note that the administrative and reporting requirements “will result in a huge duplication of work across local authorities”:

“This is an unnecessary front-end cost. A centrally designed scheme with suitable software and systems which could then be purchased/adopted by individual local authorities would be more cost-effective.”

Inverclyde Council highlights the recent Verity House Agreement between local government and the Scottish Government. It is their view that the agreement should grant councils discretion to keep records and report regularly without these legislative requirements. Shetland Islands Council, on the other hand, want more clarity on whether the Bill stipulates a requirement for a separate bank account for levy revenues or simply to ‘account’ for them separately.

### **The views of business organisations and larger accommodation providers**

The Scottish Tourism Alliance (STA) believes that accountability and transparency are key to ensuring that the net proceeds of any levy are used by local authorities for the purposes set out in the Bill. They also feel that having visitors able to see how their levy contributions are being used to benefit tourism and communities is important:

“For example, in Tuscany part of its marketing includes signage communicating to visitors and locals how the charge has been spent on improving local services and facilities.”

The STA welcomes the three-year review period and reporting duties set out in the Bill for the visitor levy scheme, as this is an “important opportunity” to review how the scheme is working and whether it is having a detrimental or beneficial impact on tourism and hospitality businesses. The UK Short Term Accommodation Association believes that local authorities should be obliged to make an assessment of the impact of the levy as part of their reviews, including an assessment of the negative impacts:

“This should include written and oral testimony from residents and local businesses as well as an analysis of the impact the levy has had on overall visitor numbers.”

Scottish Land and Estates believe that for any levy scheme to demonstrate its worth as an effective resource for the tourism sector, “improvements to local visitor experiences must be seen to be enhanced via increased investment”. Otherwise, visitors will question the value for money of visiting Scotland and go elsewhere.

The Scottish Chambers of Commerce supports the provisions requiring local authorities to publish annual reports. These should “include a full and transparent breakdown of the costs associated in administering a VL scheme for the local authority”. According to Edinburgh Chamber of Commerce this will help to ensure that the Visitor Levy revenue is treated as a *supplementary* revenue stream, rather than an opportunity to fund existing council services and facilities. UKHospitality Scotland feel that reporting should also include progress against KPIs agreed with business, that show the difference the levy is making in supporting destination development.

For the British Holiday and Home Parks Association, it is not clear from the Bill what the recourse for not publishing this key information would be for local authorities. They feel the Bill should state that a reporting committee will be set up to monitor revenue expenditure and be responsible for misuse of funds and what action would be taken in this scenario.

### **Responses from small business owners, individuals and communities**

Business owners did not have too many observations about these parts of the Bill. The main concern is that these requirements could mean money raised is spent by local authorities on reporting requirements, rather than improving tourism in local areas. Some of the other more common points raised are:

- There should be community representation involved within these procedures - they should be transparent.
- Some see this as a “make work project” for consultants and local government employees. Money raised through the levy will be wasted on administrative costs rather than being spent by tourists to the benefit of local economies.



- Significant administrative burdens could divert resources and manpower away from other essential services and initiatives. The requirements mean that much of the revenue raised could be spent on the administrator salaries, bringing little benefit to the local area.
- To avoid money being moved out of the scheme, local communities could be involved in the audit of schemes.
- Provision should be made to cease the levy when objectives have been achieved or if a levy fails to provide sufficiently good outcomes.
- The requirements for record-keeping, reporting, and reviewing may require a level of expertise that is not available within councils or small businesses. There could be challenges in understanding and interpreting the guidelines, ensuring accurate data collection, and meeting reporting deadlines.
- All records, annual reports, and review reports should be easily accessible to the public on an online platform.
- Local businesses, especially those in the tourism and hospitality sector, can offer valuable insights into the scheme's on-the-ground effectiveness. Regular engagement sessions with these stakeholders can be a valuable addition to the formal review process.

**Q9. Do you agree with how the Bill proposes net proceeds should be used and if not, how do you think net proceeds should be used?**

The Bill states that (net) funding raised by a levy should be spent supporting objectives relating to “developing, supporting or sustaining facilities or services which are substantially for or used by persons visiting the scheme area for leisure purposes”. This is one of the more contentious areas of the Bill, not so much for accommodation providers, but for those individuals and communities who feel they are negatively impacted by high tourist number. Some feel that money raised should be used to ameliorate the impacts of over tourism, whilst others believe that money raised from tourists should be spent on services used by them.

**The views of local authorities**

COSLA is confident that the revenue raised by a levy “will be to the benefit of both tourists and residents. For example, strengthening transport links between remote rural communities or improving the quality of the local built and natural environments”. However, like many of the individual local authority responses, COSLA cautions against “overly restrictive regulations on how revenue is utilised”:

“...it is crucial that councils and local communities retain as much freedom as possible. The proposed Visitor Levy has been designed as a discretionary

measure, ensuring a close link between local policymakers and the various needs and circumstances of local communities. We would therefore wish to ensure that local authorities maintain as much flexibility as possible in how revenues raised by the Visitor Levy are spent in the local community.”

Highland Council calls on the Scottish Government “to consider the Verity House Agreement (VHA) when considering this aspect of the Bill”. They believe it should be up to local authorities to develop a scheme in collaboration with local stakeholders. Likewise, Inverclyde Council reminds the Government and the Parliament that the VHA allows councils “to have full discretion over the use of the proceeds of any levy, although in practice most, if not all, will use at least some of the proceeds to support tourism related activities”. Renfrewshire Council believe that flexibility for councils to apply income as appropriate would be better than the requirements of the Bill:

“It could be argued that a significant proportion of local core infrastructure costs support people visiting the area, e.g. streetlighting, roads, potholes, not just direct tourism costs. Another significant area of related spend is borrowing costs on historic capital spend related to improving visitor facilities. It would be useful to set out whether application of the income could include this (if set out in scheme objectives perhaps), or whether any spend has to be prospective.”

West Lothian Council argues that visitors and residents of areas “use the same wider infrastructure with no discernible separation in benefit”. They believe, therefore, that the parameters for use of net proceeds set out in the Bill should be wider.

South Ayrshire Council, East Ayrshire and Shetland Islands Council, on the other hand, believe it is appropriate that revenue generated by the sector should be reinvested services used by tourists; however Shetland Council states:

“it should be clear that investments in areas of general purpose (such as road improvements or investments) are in scope as improvements to the [tourism] sector, given the importance of local infrastructure to servicing the visitor market.”

Likewise, Orkney Islands Council believes that any investment from a visitor levy should also benefit local communities, “in accordance with a responsible tourism approach”. Such a linking of visitor and resident benefits would “likely garner greater public acceptance and support for a visitor levy scheme”.

Dundee City Council is concerned that the Bill’s prioritising of tourism for leisure purposes does not reflect the significant impact business visitors have in the city and as such would want to be able to include spend which may focus also on business visitors. Edinburgh Council raises a similar point, arguing that current wording “sets a precedent by under-valuing the importance of business visitors”:

“Every year Edinburgh welcomes a large number (12% of overnight stays in 2021) of business visitors, ranging from individuals staying for one night for a work meeting to large scale conventions booking multiple hotel rooms over the course of several days. As business visitors would be paying a visitor levy,

it would not be right to be unable to spend the revenue raised on activities specifically aimed at them (such as convention bureau activities, subventions and business events marketing).”

On this note, East Lothian Council believes the Bill could be reworded to include business tourism. They suggest the following wording:

“developing, supporting, and sustaining facilities and services which are substantially for or used by persons visiting the area of the local authority for leisure purposes (including those traveling for business).”

### *The views of trade unions*

Edinburgh Trade Union Council believes levy funding should not be used just for marketing Edinburgh “but to also go some way to meet the needs of the City, generated by growth in the sector, and its citizens, and the workers of the sector”:

“We think that the trade union priorities for the use of the tourist tax are:  
Training and Education: Resources to allow workers in the sector, and people who would like to work in the sector, to acquire useful skills and qualifications. An example of a useful skill is the area of languages so that a better service can be provided to foreign visitors. A trained and skilled workforce can command better wages, terms and conditions and can be the basis of career progression. Some of the tourist tax will have to be invested in Edinburgh schools and the Edinburgh College. Some of the tourist tax will have to be used to encourage existing industry workers to be given paid time off to participate in courses”.

Likewise, the Unite union does not support “the strict parameters contained within the Bill”. They believe local authorities should have flexibility to decide how the net proceeds are used. Money raised should be used to support schemes that would enhance the tourism experience as well as the environment of local communities. These could include:

- Supporting specific, local, sector related employability projects
- Street cleaning and refuse collection for major events and during periods of increased tourist footfall (e.g. Edinburgh’s festivals)
- Supporting local cultural events (including smaller events less obviously focussed on trade and commerce)
- Improve infrastructure including road and bus services including supporting public ownership of buses (such as in Edinburgh with Lothian buses where fares are more affordable)
- Providing additional resources for skills and training
- Supporting local cultural venues (e.g. museums, galleries, arts venues) that are often owned and run by local authorities or their ALEO’s
- Deliver Fair Work practices across sectors
- Improve sustainable tourism to deliver on climate change ambitions
- Providing support for affordable housing in tourism hotspots

- Using funds as leverage for bids for other funding (e.g. European Structural funds, or their successors) and thereby increase amount and impact.

### **The views of business organisations and larger accommodation providers**

The Scottish Tourism Alliance “strongly welcomes” the commitment in the Bill that the net revenue raised from a visitor levy scheme is used to develop, support, or sustain services and facilities that are substantially for and used by people who visit the area for leisure. Revenue raised should be treated as additional funding for enhancing local tourism so visitors feel that their contribution is a ‘force for good’.

In response to those local authorities who would like more flexibility over how funds are used, the STA reminds councils that it is tourism businesses that will be expected to collect the visitor levy on behalf of local authorities, so “it is only fair that the money raised is reinvested in tourism”. Indeed, the STA believes the Bill could be strengthened in this regard to make it clear that revenue can be invested in other tourism priorities, “such as investment in visitor attractions and heritage sites, cultural programmes, and the promotion and management of destinations”.

The STA also supports Bill provisions that aim to ensure spending decisions are made at a local level: “each local authority area will have its own different tourism priorities and needs”. At the same time, the STA does not want the visitor levy to become a ‘toilet tax’ or ‘trash tax’, in other words “to fix problems that should come from existing council budgets and pay deals, such as last year’s bin strikes”.

Airbnb believes that the current requirement in the Bill for funds to be used to develop facilities for leisure purposes may be “unnecessarily restrictive”. They suggest that the wording be changed to “facilities for leisure or tourism purposes”:

“...this would give greater discretion and flexibility to councils on how they use money raised, and would also allow for funds to be used for broader tourism promotion and other activities which support the attractiveness or competitiveness of particular destinations”.

Likewise, Skyes Family cottage believes money raised could be used to invest in local destination marketing organisations (DMOs), helping to draw more visitors to the region, or investment in local capabilities to support tourism-related services:

“Both of these would be worthy uses of the funding raised by the levy, but would likely not be included under the current ‘leisure’ definition. The levy must be treated as a supplementary revenue stream, rather than an opportunity to fund existing council services and facilities”.

The ASSC highlights the importance of “principles of reciprocity and transparency” whereby revenues collected from tourists are spent on services benefitting tourists. They highlight examples across Europe, such as schemes in Barcelona, the Balearic Islands and Switzerland. With regards the latter:

“In Switzerland, where overnight visitors who pay the Kurtaxe/Taxe de Séjour, in many destinations visitors will receive a guest card entitling them to free public transport during the stay. In destinations such as Basel and Lucerne, the benefit is extended to include free Wi-Fi access at hotspots and discounted entry to visitor attractions.”

The Federation of Small Businesses highlights a recent survey of members which shows majority preference for levy moneys to be spent on road maintenance and transport links, facilities such as public toilets, bins, parking spaces and the upkeep of local area and street cleaning. According to the FSB, these results show a desire from SMEs to see any revenue raised used as a force for growth in their local areas, particularly in terms of investing in infrastructure which will make a location more attractive to tourists.

Edinburgh Chamber of Commerce believes the Bill lacks detail on “the mechanism and governance for distribution of the revenue”. They would like to ensure that any governance structure should have a certain proportion of industry representation “to allow their expertise and experience” to shape approaches and policies:

“feedback from other cities support this approach, with Frankfurt for example stating that by involving industry right from the beginning, acceptance of the tourism tax was much higher that it would have been otherwise. ... the requirement that local authorities must only consult “from time to time” with tourist, business and community representatives is unnecessarily vague and we have real concerns that this will be tokenistic at best, and at worst, easily ignored.

Auchrannie Resorts’ response compares the eleven pages in the Explanatory Notes relating to penalties with the one paragraph on how the net proceeds should be used. They feel any levy needs to be very transparent to communities that “proceeds of a levy are used for purposes that fall outside the provision of services that the local authority has a statutory duty to provide”.

### *Specific rural issues*

Scottish members of the British Holiday and Home Parks Association feel that “their views are not often prioritised by legislative bodies, despite holiday parks’ important economic contribution to the sector. As such, they are concerned that Scottish holiday parks may see few benefits from levy expenditure, and they are particularly against the use of levy revenues to fund overnight parking for motor homes:

“If the money raised from the visitor levy was spent on further overnight parking areas, that would be a major negative for the business owners and the levy payers – effectively directly decreasing holiday park income by encouraging wild camping”.

Scottish Land and Estates calls for revenue raised by a levy to be fairly distributed within those local authority areas on the basis of need and merit:

“As an example, rural mainland and island community projects should be able to draw upon VL funds that have also been paid by visitors to inner city locations within that authority area.”

As a community owned island, the Isle of Gigha states that the Argyll and Bute Council has less to do with facilities provided for visitors than in some other areas. The Heritage Trust there feels the island could be unlikely to see any benefit from the funds collected by an LA area-wide levy. They therefore call for the Bill to include “a requirement for the council to work with community groups and Trusts to determine how the funds collected in that locale are spent, then this would ringfence funding to benefit the places where it is collected”.

### **Responses from small business owners and individuals**

Many of the views expressed by individuals and small businesses are also made by representative organisations, councils and larger businesses, so are discussed in detail above. The following are additional points raised by two or more respondents:

- Any levy generated in an area (for example, Skye) should be spent in that same area, not used to benefit another part of the council area.
- The levy should be spent by community groups (possibly Community Councils or Local Trusts). Local people are best placed to decide on the best way of supporting tourism in their areas, not local authorities.
- It's not clear how councils can definitively distinguish between 'tourism spend' and other spending. Residents and visitors use the same roads, parking spaces, toilets, parks and museums.
- Given the importance of culture, heritage and festivals to the success of Edinburgh's visitor economy, Festivals Edinburgh argue that a clear majority of the proceeds of any levy should be allocated to benefit these sectors.
- Other respondents are concerned that the Bill restricts councils' ability to allocate funds to address broader community needs or invest in essential infrastructure and services that benefit both residents and visitors.
- Local committees should be set up to oversee what is decided to be 'developing, supporting, sustaining facilities and services which are substantially for or used by persons visiting the area of the local authority for leisure purposes'. There should be oversight of where money is spent..
- Some feel that 100% of the levy should be used to support communities and tourism, not just “net” amounts. Bureaucracy could use up most of the money raised.
- Some ask who will audit the local authorities to ensure money is spent on supporting the objectives of a levy scheme.

- The 'scheme's objectives' for an authority the size of Highland or Argyll and Bute would be at risk of becoming a 'one size fits all', with the island and remote rural communities finding objectives don't meet their specific needs.
- It is not clear from the definition of 'objectives' in the Bill that local authorities would be able to use net proceeds for wider environmental purposes.
- Some individuals note that councils can fund the administrative costs of the scheme from the funds collected, but the accommodation providers who are actually implementing the scheme and collecting funds on the council's behalf, have no means of being compensated for their time and resources.
- The sustainable development and management of tourism is not just about maintaining and improving the visitor experience, but ultimately about delivering sustainable development and safeguards for host communities. The focus of any scheme should be on demonstrating community benefit.
- Aberfeldy Development Trust “fundamentally disagree with this part of the Bill”. There should be provision to tie the returns from the levy to the communities that it is raised from, and in Aberfeldy one of the most pressing issues is an acute shortage of affordable housing for local people.

**Q10. What are your views on the Bill’s requirements for accommodation providers to identify the chargeable part of their overnight rates, keep records, make returns, and make payments to relevant local authorities? Are there any other arrangements that you think would be better, for example, by reducing any “administrative burden” for accommodation providers?**

Part 4 of the Bill is concerned with returns and payments, with money raised through a levy being remitted to the local authority on a regular basis. The Bill requires the "liable person" - i.e. accommodation providers in a visitor levy scheme area - to make payments to the local authority regularly, and the Bill allows local authorities to determine the form and content of such returns. There is also a duty placed on accommodation providers to keep and preserve relevant records for five years (or any such period specified by a local authority), including "details of any chargeable transactions entered into by the liable person and any associated records of payments, receipts and financial arrangements". The Committee is interested in hearing views on these provisions.

**The views of local authorities**

Orkney Islands Council generally supports these requirements; however, they recognise that they “could impose an administrative and related financial burden on accommodation providers, particularly small and micro businesses”. Orkney and Shetland Councils feel this could be partly mitigated by a visitor levy based on a fixed rate rather than a percentage rate, and accommodation provider access to a shared platform for the electronic submission of returns.

Likewise, City of Edinburgh Council feel that “simplicity would suggest that submissions should be made electronically into an agreed system that has parity across Scotland. Although sympathetic to the added administrative burden for the accommodation providers, the Council feels these provisions are required for the Council to “effectively perform its role in overseeing the implementation and to validate returns”. Like Orkney, Edinburgh City Council believes that a flat fee for the accommodation provider, similar to the flat fee option for VAT payments, would make things easier for accommodation providers.

Argyll and Bute Council believes that existing local tax administration systems could be adapted to provide back-office functionality for the council to automate the issuing of bills and debt recovery processes. Scottish Local Authorities Economic Development (SLAED) states that most businesses already have systems in place to record visitor details and adaptation of these should be explored. However, smaller businesses are less likely to have adaptable systems in place and are therefore at greater risk from the introduction of a levy scheme. West Lothian Council states that assistance could be given to help accommodation providers introduce new processes but this would be a one-off requirement.

SLAED believes that best practice should be sought from other countries that have successfully implemented a levy prior to guidance being issued.

### **The views of business organisations and larger accommodation providers**

As expressed above, the Scottish Tourism Alliance (STA) believes the percentage model set out in the Bill is particularly burdensome on micro and small accommodation providers. This will increase the risk of mistakes being made, with enforcement action and penalties being issued as a result. It is the STA’s preference that “the visitor levy fee structure should be a fixed flat-rate charge to make the process simpler and less costly for accommodation providers, including businesses that operate multiple premises and often across different local authority areas”.

The STA believes that accommodation providers should pay the levy money collected and submit returns to local authorities twice a year rather than on a quarterly basis as suggested: “submitting on a quarterly basis is too onerous and burdensome on businesses”.

Furthermore, rather than the five-year period set out in the Bill, the STA believes businesses should only need to keep records for each *three*-year cycle of the scheme: “Beyond statements of annual accounts, some businesses will not have the physical capacity to keep records for the longer period proposed in the Bill”. The Federation of Small Businesses states that a high number of small businesses already “spend more than eight hours per week – equivalent of a full working day – on regulatory compliance”. They are therefore concerned that the Bill’s requirement for accommodation providers to identify the chargeable part of their overnight rates, keep records, make returns, and make payments to relevant local authorities could increase administrative burdens on small businesses:



“FSB recommends simplifying this process further to alleviate potential onerous work for SMEs. This could include reconsidering the frequency required for submissions to be made to local authorities to reduce the number of returns having to be done in a year. It is also imperative that local authorities create a simple and easy-to-use process, which is digital first, for accommodation providers to submit levy payments in order to reduce the administrative burden and risk of potential penalties for accommodation providers.”

NFU Scotland does not support any proposal which would increase administrative costs or burdens on accommodation providers. They believe if a levy is introduced, “provisions should be put in place to ensure that the administrative efforts and record keeping is carried out by Local Authorities and not accommodation providers”.

The Scottish Bed & Breakfast Association feels that their members “must be able to deduct from levy revenue to cover their set-up costs, admin & IT costs, payment processing costs, OTA commissions etc., before remitting the net levy revenue to their Council”.

The Chartered Institute of Taxation believes that quarterly returns would “seem the best option for making returns, especially if they can be tied into businesses’ VAT and/or MTD for ITSA reporting obligations”. Scottish Chambers of Commerce suggest that accommodation providers should be allowed the option to pay monthly, quarterly, or half yearly payments depending on the spread of their cashflow. The Chartered Institute of Taxation also make the following suggestion for minimising the burden on accommodation providers:

“...the responsibility for collecting the levy [could] be placed on the booking agency/platforms (Booking.com, Hotels.com etc) where bookings are made on these, rather than by the accommodation providers themselves when the guest takes entry. Section 8 allows for third parties to collect and report the levy on behalf of the liable person; whilst this will no doubt ease their burden it can only be done with local authority approval and the accommodation provider would still be ultimately responsible. The agency/platform would likely be better placed to cope with the necessary administration and with many bookings now being made in advance through apps, it might be easier to apply the charge (based upon the relevant local authorities’ own rules) earlier on and remove the administration burden from accommodation providers on such bookings altogether.

The British Holiday and Home Parks Association do not believe that there has been enough national engagement with Online Travel Agencies (OTAs) and other third parties who handle accommodation booking. They feel that if the Bill becomes law, then OTA agreements could be handled at national level. The UK Short Term Accommodation Association believes the system could be improved partially by allowing online platforms to make returns on behalf of operators without requiring permission from the local authority in advance.

## **Responses from small business owners and individuals**

Hearing how additional costs and responsibilities could impact on small businesses is important to the Committee. The following summarises some of the main challenges and concerns raised by individual and small business respondents:

- Part of the cost of the collection of the levy by the accommodation providers could be claimed back.
- Some feel the levy should go through HMRC and should only be applied to vat registered businesses.
- Keeping separate levy details for each guest could be difficult for many small businesses.
- Others feel that accommodation providers already collect this information: “record keeping is just part of running a business”.
- Businesses feel that administrative burden must be kept to the absolute minimum, “it should not be incumbent on accommodation providers to invest in new technology in order to make returns”.
- Serious consideration should be given to develop a Scotland-wide IT solution that all local authorities could access and use for reporting and recording of information associated with visitor levy information.
- Some providers use a bookings manager who charges a fee to take bookings, and they also use an agency like Booking.com or Airbnb that charges a fee for a booking. They will also use a credit card provider that charges a fee if a guest pays by card. It will take a long time to work out all the fees before they then have to work out the charge for a levy.
- Small business owners often work 60-80 hours a week during busy periods. This additional administrative burden could push people into ill-health.
- Additional support should be provided to businesses to raise awareness and support them through the transition. National services like Business Gateway in conjunction with Visit Scotland could help support this transition - but additional funding/resources would be required.
- Annual return would be more appropriate for a small business, in order to coincide with tax returns.
- Some providers would need to find new booking system systems that incorporates this functionality.
- If small businesses are expected to undertake this additional work, it needs to be as simple, user-friendly and intuitive as possible. Templates should be provided to enable efficient record keeping, perhaps online systems could link to online booking platforms, and it could happen automatically.
- Further clarity needs to be given with regards to what records need to be submitted including the implications of GDPR in relation to guests.

**Q11. Do you have any comments on Part 5 of the Bill (Enforcement and Penalties and Appeals)? Are there any other arrangements that you think might be more appropriate in ensuring compliance and reducing the risk of avoidance?**

The Bill aims to provide "a robust regime" to allow local authorities to investigate and enforce compliance with a levy scheme should they decide to introduce one. Part 5 - taking up 16 pages of the 30-page Bill - provides considerable detail on granting local authorities powers to obtain information, inspect business premises, impose penalties and recover unpaid amounts. The Committee is interested in hearing views on these provisions, and the following section summarises the key issues raised.

**The views of local authorities**

South Lanarkshire Council believes that the ability to have appropriate enforcement is essential to enable the implementation of a levy in its area. However, Argyll and Bute Council points out that these provisions would be "discretionary" in the sense that local authorities will be able to decide whether or not to impose penalties where liability arises. Nevertheless, they also welcome provisions in the Bill allowing local authorities the power to apply for summary warrant for enforcement purposes as it "makes recovery of any debt much more efficient". West Lothian Council insist that penalties need to be sufficient to prevent avoidance but cannot be disproportionate to the scheme itself.

Edinburgh City Council and Highland Council are keen to work with industry "as a partner" in developing a levy and to "strongly support a culture of voluntary compliance based around a shared understanding and support for the added value that the raised income will bring for all". However, they also feel that the proposed penalties of £100 for an initial infringement; £10 per day for 3 months and £300 for 6 months "are not proportionate to the value of the levy being collected". They are too small, the Council feels, to act as a deterrent to not paying:

"In some instances, businesses could be better off paying the fine over submitting the levy collection. It is suggested that fines at the level indicated are unlikely to deter non-compliance. Fines should be used as a deterrent to providers and be worthwhile of the enforcement effort if enacted upon. The size of the charge should be proportionate based on the business size."

Highland Council also notes that the powers available are civil only and may not be sufficiently robust to act as a deterrent or to deal with any persistent or wilful non-compliance:

"As a final resort and in exceptional cases, other options should be considered (such as the power to seek court orders to restrict trading or to comply with a notice served under the Act). The power to revoke an operating license, where applicable, might be another option for non-payment after 12 months would be a sufficient deterrent."

North Ayrshire Council, on the other hand, feels that the powers given to local authorities to enter premises and seize documents “seem very heavy-handed and there is potential for human rights/privacy issues with enforcement”. East Lothian believes that enforcement, penalty notices issuing and appeals processes could present significant resource and cost implications for councils. They believe that economies of scale could be secured through national or regional schemes.

### **The view of the Chartered Institute of Taxation**

The Chartered Institute of Taxation believes that any tax regime needs enforcement provisions and “those within the proposed legislation seem proportionate and reasonable”. They are content that a “reasonable excuse” defence is available to the accommodation provider and that the local authority has discretion to reduce, suspend or waive any penalty.

### **The views of business organisations and larger accommodation providers**

Speaking for many of the business respondents to the call for views, the STA believes that the enforcement and penalties set out in the Bill “are draconian and are far too harsh on businesses”. The Scottish Bed & Breakfast Association agree, and like many others, feel that these provisions “set up a confrontational relationship between local authorities and accommodation providers like B&Bs”, rather than fostering a relationship of collaboration and shared priorities. The Association of Scotland's Self-Caterers believes the Bill “ought to be expressing the means by which local councils could support and assist businesses to comply, not policing and penalising them”.

Aberdeen City & Shire Hotels Association (ACSHA) highlights that a “significant concern here is the potential for a business' accounts to be reviewed, especially before they are audited and submitted to Companies House”. There is potential for confidentiality breaches and local authorities requesting data that enables access to areas of the accommodation providers' record keeping not relevant to this levy.

The STA are concerned that the complexity of the percentage model means there is a danger that that local authorities could be heavy-handed with businesses that fail to meet the requirements set as they adjust to implementing levy charges. As such, Outer Hebrides Tourism call for businesses to have an initial period of grace from penalties for late returns and return errors (suggested 1 year) “to allow for business adjusting to the new regime and payment return periods should be set to ensure minimum additional burden to existing business reporting”.

As part of Edinburgh Chamber of Commerce's discussion with other cities that have implemented some form of visitor levy, the key feedback they received around the issue of compliance was that communication is important, “particularly early communication”. Also:

“...that if the levy is first introduced in a way that is easy to comply with and set at a relatively low level, then compliance is likely to be far higher than if legislation is overly onerous, restrictive and costly. Changes can then be

made to legislation further down the line that may not have been so easily accepted when first introduced.

The Professional Association of Self Caterers believes that the percentage model used in this Bill is “liable to widespread error...it is much more complicated than any per capita model, to operate”. Resources should therefore be directed by local authorities “to supporting education and training of the people who will actually need to administer this scheme, rather than expending funds on draconian enforcement actions”. UKHospitality Scotland agrees, identifying this as an important area for national guidance to address: “our businesses already have good working relationships with local authorities on licensing and food safety, for example”.

Airbnb support the proposals in the Bill whereby operators can make appeals to a neutral arbiter. The UK Short Term Accommodation Association also supports this, believing that the key to a successful and healthy regulatory regime “is ensuring that the process of appeal is not prohibitively expensive for operators to undertake”.

### **Responses from small business owners, individuals and communities**

A number of individual respondents highlight the belief that this part of the Bill seems too severe, an issue raised by the STA and others. The following section summarises some of the other common points raised by individuals, small business owners and community organisations:

- The local authority must ensure sufficient information and trained personnel are available to support the rollout of any scheme.
- Some are worried that “a bit like the Horizon post office scandal”, there is a risk that business owners could be wrongly punished.
- Frequent spot-inspections without prior notice and access to customer details, profit information, etc. are very intrusive, especially for micro businesses.
- A couple of respondents say this is an example of “using a sledge hammer to crack a nut”. Enforcement should not be strict, as mistakes can be made but as long as the spirit is adhered to then common sense should be used.
- Penalties should be enforced but only if adequate support has been provided to businesses so they are aware of the impact, and what they need to do to be compliant.
- There should be a positive presumption that businesses are trying to comply with a complicated set of regulations.
- A number of respondents feel this will be difficult to enforce: “will council workers sit outside B&B's etc and count the guests staying there?”
- Accommodation providers must be careful with the storage of confidential information. Handing it over to a third party may be illegal.

- It may be easier and cheaper for a smaller provider to opt to make a reduced single payment per year rather than have the administrative burden of keeping exact records.

**Q11. Do you have any comments on the issues that the Scottish Government proposes to deal with in regulations after the Bill has been passed (set out in the Delegated Powers Memorandum)? Are there any that you think should be included in the Bill itself rather than being dealt with by regulations and if so, why?**

**The views of local authorities**

COSLA supports as much flexibility for local government as possible, and a number of individual local authority responses state that it is sensible to put in place regulations which could be used flexibly to deal with circumstances which arise following the enactment of the legislation. The delegated powers listed means that changes can be made to the VL scheme without the need for new primary legislation. However, it also means that any proposed changes may not be given the full scrutiny usually afforded to primary legislation. Glasgow City Council insists that local authorities should be consulted on any planned changes through regulation so “that opportunity for implications, particularly financial implications, to be considered by the Scottish Government before changes are made”.

COSLA Leaders support the inclusion of a cruise liners element within the Visitor Levy Bill, “and would welcome further work on exploring the feasibility of this over the coming months”. Likewise, Highland Council argues that the Bill should allow for the inclusion, be that through regulations, of cruise ship visitors, ‘wild campers’ and motorhomes not staying within paid accommodation. As such, the Highlands and Islands Regional Economic Partnership feels there is a need for the Scottish Government to “future proof the legislation”.

**The view of the Chartered Institute of Taxation**

The CIOT believe that all fundamental, overarching, ‘structural’ and procedural rules should be contained within the Bill itself “to ensure a uniform, universal and consistent parameters for local authorities to work within”:

“Subordinate legislation should be reserved to those matters which require flexibility, updating and ‘tweaking’ to ensure efficient application of the rules, rather than of the rules themselves, important examples being: the setting of the rates’ levels (and potentially minimum/maximum bands), as well as setting of interest rates and ancillary provisions. This will ensure that all local authorities are aware of the rules and can apply their discretion within the same parameters”.

As such, the only sections the Institute feel should be left to subordinate legislation are: s.64 (setting interest rates), s.66 (the Court of Session’s power to issue

summary warrants) and sections 73 and 74 concerning ancillary provisions and commencement of the levy respectively.

### **The views of business organisations and larger accommodation providers**

Aberdeen City & Shire Hotels Association (ACSHA) agrees that these provisions enable amendments without the need for new primary legislation, “which is helpful from an ability to be agile to put things right quickly should elements of the scheme not be fit for purpose”. Similarly, Edinburgh Hotels Association welcomes these powers in the Bill as they allow Scottish Ministers to add, remove or amend types of accommodation liable for the levy without primary legislation:

“This will allow quick responses to future economic and behavioural changes in the accommodation sector. We would welcome Cruise Ships be added within scope at the outset. It is also welcome that there is provision to create further national level exemptions. However, it would be better that this was decided now and covered in the Bill.”

Edinburgh Chamber of Commerce emphasises that “early dialogue with industry on any changes or further regulations after initial implementation will be critical to ensuring that industry can support and comply with these regulations”. And a number of other respondents stress the importance of “early and meaningful engagement”. The Scottish Tourism Alliance welcomes powers to create a national level of exemptions concerning situations where it is not appropriate to pay a visitor levy under Section 10: “We envision that this will be the case for some exemptions (e.g. overnight stays for hospital treatment or respite breaks)”.

Airbnb believe that any substantive changes - for example, changes to the definition of “overnight accommodation”, to the calculation of the accommodation charge, to any list of exemptions which may be decided, or other technical requirements that may be placed on operators around billing and collection – “should be subject to stakeholder engagement and communicated clearly before being decided by Ministers”.

The Association of Scotland's Self-Caterers welcomes powers for Scottish Ministers to: (a) add/remove/amend types of accommodation liable for the levy without the need for primary legislation; (b) the power to create a national list of exemptions where it is not appropriate to pay a visitor levy; (c) the power to make further provision about the way local councils publicise the introduction of a levy; and (d) the power to introduce national requirements on administration, reporting and reviewing of a levy. The Scottish Bed & Breakfast Association believes that Part 5 of the legislation (on enforcement of the levy and penalties) should be a discretionary power available to Scottish Ministers if it proves that they are needed once a visitor levy scheme is in place.

### **Responses from small business owners, individuals and communities**

- Following some respondent's experiences of the STL license scheme, they believe "there must be flexibility in the scheme to make pragmatic and necessary adjustments to make the scheme workable, fair and just".
- Boating organisations welcome the provision in the Bill for Scottish Ministers, by regulations, "to remove a type of accommodation from being included in (2)". Their preferred approach would be to recognise from the outset the moorings and berthings should not be included in the "types of accommodation" listed.
- It is important that as much detail as possible goes into the bill to reduce uncertainty.
- The range of delegated powers seems unnecessarily wide and appears to be aimed not at easing the operation of the legislation but at restricting full parliamentary debate or subsequently restricting local authorities' flexibility.
- The issues addressed in the Delegated Powers Memorandum (DPM) should ideally be incorporated into the Bill itself rather than being dealt with solely through regulations. By including these issues in the primary legislation, the Bill can provide greater clarity and transparency, ensuring that all stakeholders have a clear understanding of their rights and obligations.
- Including relevant issues in the Bill instead of relying on regulations can help safeguard fairness and consistency in the implementation of the legislation.
- The scope and extent of issues delegated to regulations should be clearly defined in the Bill to ensure accountability.

Another individual expresses surprise that the Bill contains 17 provisions under which the Scottish Government may, through regulations, modify features of levy schemes. Some of these "call into question whether the Bill as a whole does in fact give effect to the empowerment of Local Authorities in this area to which The Scottish Government is ostensibly committed":

"In this latter category I would include the powers in Sections 5, 9, 13, 14, 16, 18 and 31 of the Bill as introduced. I of course acknowledge the point, made frequently in the Delegated Powers Memorandum (DPM), that the Bill would take Local Authorities into uncharted territory. But I doubt that this justifies such a wide raft of residual powers for central Government - or, to put it another way, if The Scottish Government feels it needs such an insurance policy then further consideration should be given to re-incorporating some or all of these powers in the Bill itself."



**Q12. Do you have any comments on the accuracy of the estimated costs for the Scottish Government, local authorities, accommodation providers and others as set out in the Financial Memorandum (FM) and Business and Regulatory Impact Assessment (BRIA)?**

The Bill's Financial Memorandum confirms that local authorities will have to meet all the costs associated with introducing a levy scheme in their areas - the Scottish Government will not provide additional funding to help with start-up or operating costs. It is expected that initial costs will be financed from existing budgets, with the FM stating that these will likely be "offset against future revenues raised through a visitor levy". For businesses, the FM acknowledges there are likely to be various costs that accommodation providers will face if their local authority decides to introduce a visitor levy scheme. The Committee is interested in hearing views on both the FM and the Scottish Government's Business and Regulatory Impact Assessment (BRIA).

**The views of local authorities**

COSLA believes that the financial implications for local government as set out in the Financial Memorandum are "fairly accurate". They state that the largest costs to local authorities on the implementation of a visitor levy will be associated with administrative changes, consultation costs and changes to staffing. South Ayrshire Council would like to see costs adjusted for inflation to show what they might be for local authorities and businesses by the time the scheme is operational in 2026. Similarly, South Lanarkshire Council believes that the cost estimates in the FM "provide a useful framework"; however, they may be out of date by the implementation date due to inflation and salary costs.

Argyll and Bute Council believes it is very difficult to comment on the accuracy of the FM figures without doing an extensive consultation exercise themselves:

"It is also dependent on the software we are able to use. It is proposed that the administration of this within the local authority should sit with the Revenue and Benefits service who already have a system in place for billing NDR and BIDS levies therefore it is possible this could be adapted without a huge financial implication".

East Lothian Council note that the costs set out in the FM for local authorities "suggests a wide range"; however, they believe that authorities will likely face costs "towards the higher end of estimates". In particular, they note that costs in the years prior to implementation are likely to be higher than estimated, because 'consultation and decision-making' will have to include the cost of carrying out local economic analysis prior to a decision to implement. For East Lothian, a regional or national approach could be more efficient than going it alone

COSLA also observes that some implementation costs could be minimised through collaboration between local authorities. They state that local authority colleagues have expressed general agreement with the principle of exploring the use of shared

platforms and services, or building upon existing services already in use, as a means of providing greater efficiency and further savings:

“We are aware that a variety of different IT systems and software programmes are currently employed across Scotland’s thirty-two councils, often due to lengthy contracts with IT providers. As such, the Local Government Digital Office has the potential to play a key role in this, working with councils to provide a shared collaborative service for Local Government which builds upon the digital services councils already employ, consequently reducing individual set-up costs for councils wishing to introduce a Levy.”

Aberdeen City Council feels that the administration costs set out in the FM “feel too high and if so would be prohibitively expensive for most local authorities to implement a visitor levy”:

“A 1.5% charge on accommodation providers may generate revenue of up to £1.5m a year in Aberdeen. We would have difficulty in justifying an administration burden of 15%-33% of the revenue raised to local stakeholders. Any higher rate charged could significantly deter visitors from coming to Aberdeen in an already deflated market”

Glasgow City Council would support a national measurement tool that could help local authorities estimate revenues that could be achieved at a local level, taking into account local occupancy levels, seasonality and pricing levels.

There are two other points raised by individual local authorities which Members of the Committee may wish to consider:

- Comhairle nan Eilean Siar believes that consideration should be given to compensating small local businesses for the initial costs of developing and administering a scheme.
- Aberdeen City Council state “there is a risk that the Scottish Government may reduce their local authority funding once the levy is available as a local tax”.

### **Summary of the Scottish Tourism Alliance’s views on the FM and BRIA**

*It is recommended that Members read the [STA’s submission](#) in its entirety especially in terms of understanding the potential financial impact of the Bill on accommodation providers.*

The STA are concerned about the level of engagement the Scottish Government had with businesses in the process of calculating the estimated costs:

“Only 20 accommodation providers took part in the exercise, with over half of them hotels (12). 5 self-catering businesses, 1 inn, 1 hostel and 1 campsite were consulted. Only two businesses indicated annual turnovers of less than £85,000 were consulted as part of the BRIA, which brings into question how

accurate the cost estimates are for micro and small businesses, which will particularly be impacted by collecting a levy.”

The STA are also disappointed that further consultation and in-person information sessions have not been conducted more recently “to present a more current picture of the existing financial pressures facing business”. They feel that financial implications should also be considered alongside the ongoing cost pressures facing businesses, including how the levy sits with other costs facing businesses such as the Short-Term Lets Licensing Scheme and other planned regulatory measures.

The STA suggests that accommodation providers should keep some of the levy collected up to the point of recouping their start-up costs. It is their view that accommodation providers must be supported and receive financial reimbursement to develop customer communication plans and marketing activity to inform their customers about a levy up to a year before any scheme is introduced.

The Financial Memorandum acknowledges that a visitor levy could be considered liable for VAT, with implications for accommodation providers that operate just below VAT thresholds or potentially lifts others out of the Flat Rate Scheme. In light of confirmation from the UK Treasury that VAT will be added to the total price (including the levy), the STA urges the Scottish Government to revisit its financial estimates for businesses, carrying out a thorough assessment of the actual financial impact of VAT being applied to a visitor levy:

“A significant number of accommodation providers are unregistered businesses and currently do not need to register for VAT or use PAYE, particularly in the short-term let accommodation sector. The BRIA estimates that there are potentially around 2,000-3,000 accommodation businesses unregistered for VAT currently across Scotland....Many businesses already work hard to keep themselves below the VAT threshold, especially in rural and island areas where demand fluctuates during the winter period. There is a risk some businesses might choose to close during the off-peak season to keep their thresholds intact or reduce the number of nights they are available to visitors, reducing accommodation availability and choice for visitors coming to Scotland.”

### **The views of other business organisations and accommodation providers**

- The impact of the costs on accommodation providers needs to be considered alongside the ongoing cost pressures facing businesses.
- This is particularly important for smaller, independent providers who may not have access to a ready-made system for collection of the Levy as international chains may have.
- It will take time for tourism and hospitality businesses to see any benefit from the levy’s net proceeds being used to benefit the visitor economy and destination.

- It is difficult to estimate whether the projected costs of setting up and administering the scheme are accurate, as this will depend on the final design of any scheme and the extent to which exemptions and other aspects of the levy are variable between local authorities.
- Like the STA, the Federation of Small Businesses is concerned that the BRIA has not been as comprehensive as it could have been, particularly in relation to the impacts on campsite businesses.
- The impact of the introduction of a visitor levy scheme goes much wider than the accommodation sector, as Scotland's tour operators will need to be upfront and transparent about a levy charge, which will make their packages more expensive compared to the rest of the tour operator landscape and risks affecting growth in lucrative visitor markets, including America and Australia. It is also likely to impact on visitor spend as people must manage their costs.
- Small businesses in rural areas with limited staff (in most cases entirely owner operated), will be particularly vulnerable if the levy is introduced.
- The additional costs cannot be totally passed on to the visitors, and some or all will be borne by accommodation providers.
- Some businesses could absorb extra costs at the lower end of the scale, but if costs were at the top end of estimates a number would no longer be viable.
- The costs for small business owners are measured in the additional time that the proposals will take away from the commitment to providing a first-class visitor experience for guests.
- The actual financial burden is usually far greater than estimated, as the administrative burden for third-party agents and booking co-ordinators will be passed on through higher commissions and fees.
- No mention has been made of additional Online Travel Agent (OTA) commission payable. And no mention has been made of increased Merchant Account Fees from card service providers due to increased total payment amounts (once the Visitor Levy is included).
- No Scottish marina was invited to participate in the engagement exercises that informed the estimated costs set out in the Financial Memorandum

One small business owner describes the possible implications for her:

"I'm a small operator, with a gross income of £20,000 or so a year. A 1% levy would yield £200 and 2% would yield £400. For each booking, I'd have to calculate the levy. And as I understand the proposal, send the details and the amount due to the local council several times a year - even in the off season when the return would be null. That's an enormous administrative hassle for very small sums.

So overall, I regard this as, for small operators under the VAT threshold as a disproportionate admin effort to raise quite small sums, and for larger operators over the VAT threshold, an added imposition.”

Another short-term let owner provides this estimate of costs:

“I'd estimate it would require an additional 1-2 hours of time per booking, based on calculating the rate, communicating it to the holiday tenant, chasing for the funds ahead of their arrival (if the holiday tenant books through the agency, they do not pay us anything; we receive funds from the agency every month), doing the required financial recording, and then passing the VL back over to LAs on a 'regular' basis. This works out at £50-£100/booking, with an average of 25 bookings per year, could cost as much as £2500. That would equate to a large or whole of our profit in a year.”

**This summary was prepared by Greig Liddell, Senior Researcher, Scottish Parliament Information Centre (SPICe) in October 2023.**