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Convener, Local Government, Housing and
Planning Committee
The Scottish Parliament

12 January 2024

Dear Convener,

VISITOR LEVY (SCOTLAND) BILL: STAGE ONE REPORT

Thank you for your committee's detailed consideration of the Visitor Levy (Scotland) Bill, and for your Stage 1 Report.

I attach the Scottish Government's response to the points and recommendations made in the Report. We welcome the conclusion that the Committee agrees to the general principles of the Visitor Levy (Scotland) Bill at Stage 1.

As I said in my oral evidence before the Committee on 14 November 2023, the Bill will give local authorities a significant new fiscal power which they can use, at their discretion, to support and enhance their local visitor economy. The Scottish Government believes a visitor levy can be a force for good for Scotland's tourism, bringing benefits to visitors, residents and businesses.

I hope the Scottish Government's response, attached, addresses the points raised in the Committee's report and that Members are able to support the general principles of the Bill at the Stage 1 debate.

I look forward to exploring these points at the forthcoming debate, and to continuing to work with the Committee on the Bill at Stage 2, should Parliament endorse the general principles at Stage 1.

TOM ARTHUR MSP

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SCOTTISH GOVERNMENT RESPONSE TO STAGE 1 REPORT

This paper provides the Scottish Government's response to the points and recommendations made by the Local Government, Housing and Planning Committee in their Stage 1 Report, published on 21 December 2023.

For ease of reference, the Committee's points or recommendations are shown in bold and numbered in line with their report, and uses the headings from the Stage 1 report. The Scottish Government's response is given directly underneath each of the relevant paragraphs.

BACKGROUND AND SCOTTISH GOVERNMENT CONSULTATION

25. The Committee commends the Scottish Government and its partners for the effective consultation that took place before the Bill was introduced. However, the Committee is clear that such effective engagement must continue through the expert group and at a local level in areas considering introducing a levy scheme to help ensure that any future schemes work effectively and in the best interests of all relevant stakeholders.

We welcome the Committee's comments on the engagement undertaken prior to the Bill's introduction. We recognise the need for close and meaningful engagement with all relevant stakeholders to ensure that any visitor levy, introduced by a local authority, effectively delivers for the visitor economy. We also recognise the importance of good working relationships between local authorities and the industry in delivering this new power, supported by the work of the Expert Group.

POWER TO INTRODUCE A LEVY AND DETERRENT EFFECT

43. The Committee considers that, on balance, the introduction of a levy at a modest rate would be unlikely to have a significant deterrent effect on visitor numbers, given the unique nature of Scotland as a destination and the experiences of other jurisdictions where a levy has been introduced.

We welcome the Committee's view that a modest levy would be unlikely to have a significant deterrent effect on visitor numbers. Visitor levies and other types of occupancy taxes are common across Europe and in other parts of the world. In the past decade visitor levies have been introduced in Barcelona, Lisbon, Berlin, and Hamburg: all of which saw continued growth in visitor numbers following their introduction.

44. However, the Committee remains mindful of the current economic pressures under which the tourism industry is operating, especially in rural and island communities, and agrees that there would be the potential for a levy to impact on visitor numbers should it be set at an overly high rate.

We note the Committee's comment on the potential for a high-rate levy to impact visitor demand. The Scottish Government believes that having close and meaningful engagement between local authorities and the industry will be crucial in ensuring that any levy positively impacts the visitor economy. The Bill supports this by requiring local authorities to consult with businesses, communities and local tourism organisations prior to introducing a visitor levy scheme.

45. The Committee therefore considers it vital that robust monitoring of the Bill's impact is undertaken, in order to ensure that any levy introduced is not deterring visitors from coming to Scotland.

We note the Committee's view on the need for monitoring of the Bill's impacts. The Bill as currently drafted places requirements on local authorities to report annually on the performance of a visitor levy in relation to its objectives, to review a visitor levy scheme every three years, and to consult from time to time with relevant stakeholders on the use of funds raised. In keeping with our commitments within the Verity House Agreement, the Scottish Government believes it is appropriate that such monitoring is carried out at local level. However, we recognise the benefits that a co-ordinated monitoring approach may bring, and will discuss this with local government.

NATIONAL APPROACH VERSUS LOCAL FLEXIBILITY

60. The Committee appreciates that there are persuasive arguments in favour of a local approach as well as for national consistency and recognises the concerns of many in the tourism sector around the complexity that different local approaches could bring. However, on balance, the majority of members of the Committee are persuaded that local government should have the flexibility to design an approach best suited to local circumstances in keeping with the principles set out in the Verity House Agreement.

We welcome the view from the majority of members of the Committee that local authorities should have flexibility when designing a visitor levy scheme. The Bill's aim is to support the empowerment of local government through this discretionary new fiscal lever, in line with our commitments in the Verity House Agreement. We recognise the calls from industry stakeholders for a single nationally agreed approach. However, this approach would fail to empower local government and risks creating a system that is too rigid to reflect the diverse nature of Scotland's visitor offer. The Bill therefore puts in place national elements sparingly, and only where there is an identified need for consistency.

61. Again, the Committee considers it imperative that any negative impacts of such local flexibility for businesses and others are robustly monitored and measured so that any such impacts can be addressed should they become evident.

We note the Committee's view on the need for robust monitoring. As discussed above, the Bill as drafted puts in place requirements for local authorities to report and review any visitor levy scheme they establish. However we recognise the benefits that a co-ordinated monitoring approach may bring, and will discuss this with local government.

CHARGEABLE TRANSACTION

68. The majority of members of the Committee agree with the Bill's definition of the "chargeable transaction" which they consider brings clarity on exactly what the levy would apply to. Whilst the Committee recognises that there will be challenges for some businesses in separating out non-accommodation costs, the majority of members of the Committee consider that these would not be insurmountable given that similar approaches exist and have functioned effectively in other parts of Europe.

We welcome the view from the majority of members of the Committee on the definition of the chargeable transaction.

69. Whilst not insurmountable, any levy introduced under the Bill will present challenges to business and the Committee invites the Scottish Government to respond to the concerns set out above in respect of any potential "gaming" of the system, challenges in separating out the "chargeable transaction" from packages, the interaction with online booking platforms, and dynamic pricing.

The Scottish Government's approach is that the levy only applies to accommodation, and therefore does not apply to non-accommodation costs such as meals, drinks or parking, as provision of such services varies greatly between accommodation types and between individual accommodation providers. This approach is also in line with other visitor levies in other parts of the world. To avoid misuse of this provision, the Bill has been drafted to set out that costs that are "reasonably attributable" to non-accommodation elements are not

included in the calculation of the levy, along with a power to vary what facilities or services are to be included in the non-accommodation element. Part 5 of the Bill provides local authorities with suitable powers to assist with compliance and enforcement, if non-accommodation costs were to be unreasonable.

We recognise the concerns raised by some businesses that identifying the accommodation portion may require additional administration. Under the Bill a local authority will need to consider the impact of a visitor levy before they decide whether or not to introduce one. The Scottish Government will write to the Expert Group to ask them to consider what guidance might be necessary for local authorities on assessing these costs, and on what elements should be excluded from the calculation of the levy. The Scottish Government will continue to engage with booking platforms to ensure they understand the Bill's provisions and are prepared for applying a levy, if a local authority decides to introduce one.

In regards to dynamic pricing, the Bill as currently drafted requires the levy to be a percentage charge of the accommodation element as paid for the purchase of overnight accommodation. As such, the levy payable should reflect the cost of the purchase, at the time it was purchased.

DEFINITION OF OVERNIGHT ACCOMMODATION

76. The Committee supports the Bill's definition of "overnight accommodation" but invites the Scottish Government to respond to the queries from the Chartered Institute of Taxation and the BHHPA as set out above.

The Scottish Government notes the queries raised by the Chartered Institute of Taxation (CIOT) and the British Home and Holiday Parks Association (BHHPA).

In its written response to the Committee's call for views on the Bill, the CIOT suggested the drafting of the definition of overnight accommodation could allow some scenarios to escape the levy, for example where a person does not check in until after midnight and then leaves within the following six hours. The Scottish Government recognises that the definition of night does not include persons acquiring the right to take entry to overnight accommodation for less than six hours, and note CIOT's suggestion of reducing the continuous period from six to three hours. We will consider whether that period should be shortened.

In its written evidence, CIOT suggested the levy could become payable when a person acquires the right to enter the property, irrespective of whether they did so or not. However, this would mean that persons who book accommodation and then cancel would be required to pay a levy without visiting the area. This would be contradictory to the aims of the levy, which is to allow visitors to contribute to facilities and services used during their stay. Therefore, at section 3(1)(b) the Bill provides that the levy becomes payable when the person takes entry to the overnight accommodation with the right to reside in the accommodation for the defined overnight period (irrespective of how long they subsequently stay in the accommodation after taking entry).

We also note the comments from the BHHPA. The Bill as currently drafted sets out the types of accommodation that are eligible for a levy. This includes camping sites and caravan parks, as well as "any other place at which a room or area is offered by the occupier for residential purposes otherwise than as a visitor's only or usual place of residence." In relation to campsites the "accommodation" provided by the liable person is the pitch or area of the campsite allocated to the visitor for the purpose of the visitor's overnight stay in the campervan.

We recognise the importance of the Bill providing clarity on how eligible overnight accommodation is defined. The Scottish Government will therefore engage with the BHHPA and CIOT to consider if any refinement to the Bill is needed in relation to the points they raise.

TYPE OF ACCOMMODATION COVERED

85. The Committee agrees that boat moorings or berthings should not be captured by the Bill and invites the Scottish Government to bring forward amendments at stage 2 to remove them from its scope. The Committee also invites the Scottish Government to respond to concerns in respect of mountaineering huts, temporary campsites and hostels as set out above.

The Scottish Government notes the comments made by the Committee and by marine tourism stakeholders on the inclusion of moorings and berthings as an eligible type of accommodation. In line with the Committee's recommendation, the Scottish Government will bring forward amendments to the Bill at Stage 2 to remove moorings and berthings from its scope unless a vessel is permanently moored or berthed and providing accommodation.

We note the calls from some organisations to exempt other types of overnight accommodation, such as huts run by mountaineering clubs, temporary campsites, and hostels. These accommodation options are notable for being low-cost options, often being run by community groups or volunteers and as such there may be merit in considering a specific exemption from any levy implemented by a local authority. However, in line with the Bill's aim to empower local government, the Scottish Government is wary of limiting at a national level the flexibility of councils to design a scheme that best fits the needs of their local circumstances. The Bill as drafted allows for local authorities to designate exemptions to a levy, and this may include exemptions for certain types of accommodation. We believe it is appropriate for local authorities to decide whether to exempt such low-cost options from a visitor levy.

CAMPER VANS, MOTOR HOMES AND 'WILD CAMPING'

104. The Committee welcomes the ongoing work taking place, particularly around users of motor homes and awaits the conclusions of the working group with interest, including on Visit Scotland's suggestion that "there may be existing legislation and existing opportunities to address a large portion of the motorhome piece." However, the Committee acknowledges that it would be challenging for the "chargeable event" to cover such visitors and is clear that it does not wish to see the legislation delayed as a result.

We welcome the Committee's view on this issue.

105. The Committee also agrees with the STA that it would not be appropriate for a levy to be imposed at the point of hire in the scenario outlined above whereby the transaction takes place in a major city, but drivers then travel to rural parts of Scotland where local authorities would see no benefit from a levy being charged at the point of hire.

We note the Committee's view on this issue, and have no plans to use the Bill to introduce a levy to be charged at the point of hire.

106. The Committee would welcome the Scottish Government's views on suggestions for potential future technological solutions to this issue and an overview of any intended next steps.

The Scottish Government recognises that in recent years there has been an increased desire to visit certain 'hotspots' across the country. We are working with partner organisations including VisitScotland and NatureScot to deliver co-ordinated approaches to responsible tourism marketing, education and awareness activity.

A Visitor Management Group was established in 2020 to seek a cross Government approach to addressing issues caused at rural pinch points in scenic countryside areas. This includes addressing such issues as managing visitor dispersal, littering, environmental damage, public toileting and antisocial behaviour. One of the sub-groups created under this main group is specifically dedicated to motorhomes and caravans. The sub-group conducted research into caravan and motorhome users in Scotland in summer 2023, and the Scottish Government understands the sub-group is currently finalising a report and accompanying recommendations, for consideration by the Visitor Management Group.

The Scottish Government is aware that some local authorities have requested the power to apply a levy on motorhomes that enter their area. We are open to engagement and discussion with our local government partners on this issue, and will consider any developed proposals that will work to support and strengthen the visitor economy.

CRUISE SHIPS

115. The Committee welcomes the further consultation taking place to explore issues around whether cruise ship passengers could be covered by the Bill. However, the Committee acknowledges that it would be challenging for the "chargeable event" to cover such visitors and is clear that it does not wish to see this legislation delayed as a result.

We note the views of the Committee on this issue and agree with its conclusion. The Scottish Government does not wish to see legislation on the visitor levy delayed, nor do we wish to rush through policy development and consultation relating to a potential cruise ship levy. We will continue to work with our local government partners to consider a developed proposal for a cruise ship levy. Depending on the outcome and timing of this policy development and consultation, we remain open to putting forward amendments on this at Stage 2 of the Bill.

PERCENTAGE RATE

136. The Committee considers that this is perhaps the most difficult aspect of the Bill in terms of determining what the right approach should be. The Committee recognises that there are strong arguments both for and against either a percentage or flat rate (and indeed, for a tiered flat rate) and appreciates that either approach would inevitably bring its own benefits and challenges.

We note the views of the Committee in respect of the arguments for and against the percentage rate, versus a flat fee. A percentage rate of the accommodation has been chosen due to its progressive nature in reflecting a visitor's ability to pay, the fact that it will automatically reflect changes in accommodation price due to seasonality (a key ask of the industry), and that it will pick up changes in inflation without the need for regular reviews. A percentage rate also allows for one percentage rate to apply fairly across all accommodation

types, such as hostels, campsites and caravan parks, without unfairly penalising budget accommodation.

137. The Committee remains mindful that the majority of businesses would prefer a flat rate for ease of administration and notes that, according the ETOA, 16 of the 21 member states to introduce a levy do so on the basis of a flat rate.

Whilst the Bill as drafted has a percentage charge as the basis of a visitor levy we recognise there is an argument to be made for a single, flat-rate levy on the basis of simplicity. A flat rate levy would be more straightforward for some accommodation providers to calculate. In turn, councils would find it easier to forecast predicted revenues though a flat rate scheme, and returns would require less auditing. However, a flat rate is by nature a regressive charge and will not be linked to a visitor's ability to pay. A flat rate is also likely to disproportionately affect persons using budget accommodation, such as those on low incomes and young people. Conversely, those choosing to stay in high-end accommodation (and likely to have a higher ability to pay) will be least impacted by a flat rate. A flat rate is also difficult to justify across the wide variety of accommodation types available to visitors to Scotland – this is particularly acute in respect of hostels and campsites. The Scottish Government will continue to consider the various merits of the flat fee and percentage rate as the basis of the visitor levy charge, and will confirm its position before Stage 2 of the Bill.

138. The Committee understands the calls from some local authorities to be permitted the flexibility to introduce either option in a way best suited to local circumstances, in keeping with the principles of the Verity House Agreement, and notes examples in other parts of Europe where a combination of both models is used. The Committee therefore invites the Scottish Government to undertake further work with the tourism sector, local authorities and other key stakeholders before Stage 2 in order to reach an agreed solution.

We note the calls from some local authorities, and COSLA, in requesting that local government be given the freedom to choose between a percentage rate or a flat rate scheme. We are aware of one instance in Europe which uses both models. However, in this case – that of Amsterdam's city tax – we understand this will be changing to a percentage rate only, with a removal of the flat rate element in 2024 to simplify the tax. We are also mindful of strong opposition from the hospitality industry on this issue, and believe that any decision on the basis of the charge must be taken in line with our commitments in the New Deal for Business.

LACK OF AN UPPER CAP

147. In respect of a national cap on the maximum percentage rate that could apply, the majority of members of the Committee consider local government would be unlikely to introduce a prohibitive rate that could deter visitors and impact negatively on local economies.

We note the comments from the majority of members of the Committee on a national cap on the percentage rate.

148. Whilst the Committee acknowledges the strong views of some stakeholders that a national cap should apply, a majority of members of the Committee consider that in keeping with the principles of the Verity House Agreement, maximum rates should also be for local authorities to decide with any impacts being monitored through reporting.

We note the view from the majority of members of the Committee that a local authority should decide the maximum rate. We recognise the importance of ensuring councils have the flexibility to design and implement visitor levies that are appropriate for local circumstances. We are also aware of the calls from the majority of industry organisations, and some local authorities, for a national maximum limit to the percentage rate to be included in the Bill. We will carefully consider this request through engagement with our local government and industry partners.

149. However, the Committee acknowledges that, in the event that a local authority did choose to introduce a levy at an excessively high rate, there is the potential for it to deter some visitors. The Committee therefore reiterates the importance of full and effective consultation on rates before a levy is introduced and of robust monitoring arrangements to enable local authorities to react to any undesirable consequences of their chosen rate should they arise.

We note the concerns from the Committee on the potential for an excessively high rate levy to deter some visitors. This will be an important factor for local authorities to consider when deciding whether to introduce a levy in their area, and the rate at which it is set. We note the Committee's view on the importance of full and effective consultation on rates before a levy is introduced. The Bill places a requirement on local authorities to prepare and publicise an assessment of the impacts of the proposed levy, and to consult with businesses, communities and tourism organisations, prior to introducing a levy. The Scottish Government considers the assessment and consultation elements to be an important part of the guidance and best practice being developed by the Expert Group.

We also note Committee's view of the importance of robust monitoring arrangements. As set out above, the Bill places requirements on local authorities to report annually on the performance of a visitor levy in relation to its objectives, to review a visitor levy scheme every three years, and to consult from time to time with relevant stakeholders on the use of funds raised. In keeping with our commitments within the Verity House Agreement, the Scottish Government believes it is appropriate that such monitoring is carried out at local level. However, we recognise the benefits that a co-ordinated monitoring approach may bring, and will discuss this with local government.

CAP ON THE MAXIMUM NUMBER OF NIGHTS

152. The Committee supports the ability for councils to introduce a cap on the maximum number of consecutive nights in the same accommodation for which the levy would apply should they so choose, following consultation with local stakeholders.

We welcome the Committee's support for local authorities to have the ability to introduce a cap on the number of nights, as is the case under the Bill as currently drafted.

ABILITY TO VARY SCHEMES WITHIN A SINGLE LOCAL AUTHORITY AREA

159. The Committee agrees that there should be scope for local flexibility to design one or more schemes in keeping with local priorities and circumstances but is mindful of the need to avoid unnecessary complexity for businesses. The Committee therefore reiterates the importance of robust monitoring arrangements to enable local authorities to react to any undesirable unforeseen consequences that arise from variation in approaches within a single local authority area.

We welcome the Committee's view that there should be scope for local flexibilities in keeping with local priorities and circumstances. We also note the Committee's view of the need to avoid unnecessary complexity for businesses. The Scottish Government wants to ensure that any levy introduced by a local authority places minimal compliance burdens on businesses who will collect and remit the levy. For this reason, the provisions in the Bill strike a balance between local discretion and standardisation. In terms of rate-setting, a local authority will be able to set different rates for different areas, as this provides flexibility in recognition of the unique visitor areas in Scotland's largest councils. However, a local authority will not be able to set different rates for different types of overnight accommodation, in order to ensure a level of standardisation for hospitality businesses.

As noted above, the Scottish Government believes it is appropriate that monitoring is carried out at local level. However, we recognise the benefits that a co-ordinated monitoring approach may bring, and will discuss this with local government.

THE LIABLE PERSON

168. The Committee agrees that it would not be feasible for councils to pursue overseas visitors for relatively small sums and as such, a majority of members of the Committee support the Bill's definition of the "liable person". However, the Committee also agrees that the administrative burden for providers should be kept to a minimum and looks forward to the reflections of the expert group on how this could best be achieved before stage 2.

We note the Committee's comments and agree with the view that the administrative burden on accommodation providers should be kept to a minimum. The Scottish Government will write to the Expert Group asking them to consider how the administrative burden can be minimised, as they develop the National Guidance.

RECOUPING OF ADMINISTRATION COSTS

175. Whilst recognising the strong concerns of many in the sector around the potential for increased administration costs, the majority of members of the Committee are not persuaded that businesses should be able to recoup administration costs from levy proceeds given parallels with other taxes levied at the point of sale where they are unable to do so including VAT. Moreover, the Committee notes the Minister's comments that he was unaware of any tax in the UK where compliance costs could be reclaimed.

We note the views of majority of the Committee.

176. However, the Committee agrees that local authorities should have the ability to compensate smaller accommodation providers for any one-off implementation costs they might face, should they choose to do so following consultation. The Committee would therefore welcome the Scottish Government's views on whether the Bill's consultation requirements should oblige relevant local authorities to assess costs to businesses in their areas in addition to costs to councils themselves.

We note the views of the Committee. The Bill as drafted requires a local authority to prepare and publicise an assessment of the impacts of the proposed levy. The Scottish Government

will write to the Expert Group to ask them to consider what guidance might be necessary for local authorities on assessing the administrative costs on business in their area.

177. Again, the Committee highlights the importance of robust monitoring and measuring of impact to ensure that administrative costs for businesses are not prohibitive and so any issues can be addressed should they arise.

We note the Committee's views on monitoring and measuring impacts, which we have addressed above in our response to paragraph 45 of the Committee's report.

EXEMPTIONS AND REBATES

195. The majority of the Committee recognises that exemptions can be expected to vary across different parts of the country depending on local circumstances and therefore supports a degree of local flexibility following consultation with relevant stakeholders. However, the Committee believes that it would not be appropriate for accommodation providers to "police" exemptions and would welcome the reflections of the expert group on how best to address this issue in advance of Stage 2.

We note the majority of the Committee's views on this point.

196. The Committee invites the Scottish Government and the expert group to provide clear guidance around how an exemptions scheme would operate for key groups such as school groups, and to consider whether national exemptions should be provided for babies, children and young people.

We note the Committee's request for considering national exemptions for babies, children and young people. A national exemption for children and young people was considered as part of the Scottish Government's equality impact and child rights and wellbeing impact assessments. Through these processes, it was decided that this power should be given to local authorities, who would be best placed to tailor any such exemption should they wish to. For example, a local authority could choose to specifically exempt those children staying in overnight accommodation as part of a school trip, as is the case with Berlin's City Tax. Taking into account our commitments in the Verity House Agreement and the New Deal for Business, the Scottish Government will engage with local government and businesses to consider the potential for national exemptions for children and young people.

The Expert Group is already considering the issue of how exemptions will best operate, and we will continue to engage with the Expert Group as that work moves forward.

JOINT SCHEMES AND NATIONAL PARKS

205. The Committee welcomes the fact that local authorities would be able to introduce joint schemes under the Bill. However, the Committee questions how this might work in practical terms in a scenario where a local authority wishes to introduce a levy as quickly as possible and is open to the idea of collaboration with its neighbours, but its neighbours are less advanced in their preparations.

We note the comments from the Committee on joint schemes. We will write to the Expert Group to ask them to consider covering this aspect in the national guidance they are developing for local authorities that wish to use the powers contained in the Bill.

206. In respect of national parks, the Committee agrees that they should benefit from schemes covering all or parts of their areas. However, the Committee notes the practical challenges that could arise where several local authorities are working at differing paces and with different priorities and would welcome the Scottish Government's reflections, before Stage 2, on how such challenges could be mitigated.

We note the Committee's view that national parks should benefit from the schemes covering their area. We would highlight to the Committee that under the current devolution settlement the Scottish Parliament can only legislate for local taxes which fund local authority expenditure. While mindful of this requirement, the Scottish Government will consider how national parks should best be engaged when a local authority is considering introducing a visitor levy scheme in its area. This is also an area that the Expert Group is exploring, and that we anticipate will be addressed in the national guidance.

CONSULTATION REQUIREMENTS AND 18-MONTH LEAD-IN TIME

220. The Committee emphasises the importance of robust consultation with all relevant stakeholders and agrees that scheme objectives should correspond with the local, regional and national tourism strategies as appropriate.

We agree with the Committee's view on the importance of robust consultation with all relevant stakeholders, and believe the Bill puts in place suitable arrangements.

221. The Committee also agrees with the STA's recommendation that "any decision to introduce a visitor levy scheme must take place only after the legislation has passed" as it would be inappropriate for any body to consult on a scheme based on legislation which has not passed, and therefore has the potential to change significantly during its passage.

We agree with the Committee's view that it would be inappropriate for a local authority to consult based on legislation which has not yet passed through Parliament.

222. However, a majority of members of the Committee consider that an 18-month lead-in time could be considered excessive when compared to international comparators and invites the Scottish Government to respond to calls from Edinburgh and Highland Councils that it should be reduced to 12 months or determined at a local level.

We note the Committee's view and the request from City of Edinburgh and Highland councils for the 18-month implementation period to be reduced to 12 months, or determined at a local level. The Scottish Government believes there is a strong case for the 18-month implementation period. 18 months provides adequate time for both local authorities and businesses to put in place systems and train staff to effectively collect and administer a levy. In our 2019 public consultation on the levy 82% of respondents supported a timeframe of at least one financial year following conclusion of consultation and engagement activities. This was also supported by 16 of the 18 local authorities that responded to the question. A period of 18 months is also the recommended time as suggested by the European Tourism Association.

In their joint letter to the Committee, City of Edinburgh and Highland councils note that 18 months is a longer lead-in time than other tourist taxes that have been introduced, and provide a list of these. However we would highlight that the taxes listed were all introduced pre-pandemic. Under the current timetable, the earliest a visitor levy could be introduced is

Spring 2026 – this has been welcomed by the accommodation sector and we would note that the Committee has welcomed the 2026 date as providing sufficient time for outstanding issues to be resolved through engagement and consultation. There is also strong support from industry for the 18-month implementation period, and any reduction in this period must be considered in line with the recommendations in the New Deal for Business.

Reflecting all of these factors we therefore consider the 18-months implementation period in the Bill to be appropriate.

HOW REVENUES SHOULD BE SPENT

246. The Committee agrees that any funds raised through a levy should be kept in separate accounts and should be considered as being additional to existing funding streams. The Committee also supports decisions on spend being taken at a local level and agrees that the definition is broad enough to allow real flexibility in spending priorities following consultation with local stakeholders, whilst ensuring that investment also corresponds to the priorities of local tourism and accommodation businesses and DMOs where applicable. The Committee further agrees that there are many examples where spend could benefit visitors and locals alike and welcomes this approach.

We welcome the Committee's views on this.

247. As noted above, the Committee emphasises the importance of robust consultation and transparency in reaching agreement with relevant stakeholders on spending priorities and agrees that scheme objectives should correspond with the local, regional and national tourism strategies as appropriate.

We agree with the Committee on the importance of consultation with relevant stakeholders on spending priorities.

WHERE FUNDS SHOULD BE INVESTED

255. The Committee understands the views of some stakeholders that funds should be invested in the specific geographical area in which they were generated but considers that this would fail to provide for ambitious, strategic, long-term investment for the reasons set out by witnesses including the STA and Visit Scotland. The Committee therefore supports the level of flexibility around specific geographical areas in which levy funds should be invested as set out in the Bill.

We welcome the Committee's views on this.

BUSINESS VISITORS

259. The Committee agrees that business visitors should also benefit from funds raised by a levy given that they would also have to contribute to it, although it recognises that there will be many occasions where both business and leisure visitors (and indeed, local residents) use the same services, facilities and infrastructure. The Committee therefore invites the Scottish Government to respond to calls for the Bill to be amended so funds can be invested in services or facilities used by visitors travelling for business purposes as well as by those doing so for leisure.

We note the Committee's comments on business visitors, and from both industry and local government stakeholders during the evidence sessions undertaken by the Committee. Reflecting on these views, the Scottish Government will consider how the provisions in the Bill on the use of funds can be best refined at Stage 2 to include services or facilities used by those visiting the area for businesses purposes.

REPORTING

266. The Committee agrees that it is fundamentally important that local authorities report regularly on the operation of a scheme in the interests of accountability and transparency. It therefore supports suggestions that reports should contain an analysis of any negative or positive impacts on visitor numbers and spend in addition to costs for councils, revenues generated, how they were invested, and what the benefits were for the tourism sector, businesses and communities.

We note the Committee's views, and will ask the Expert Group to consider this aspects highlighted here by the Committee as they develop the national guidance.

267. The Committee also agrees with the Bill's provisions in respect of annual reports and three-yearly reviews which, it considers, strike the right balance in terms of ensuring transparency and accountability whilst not being overly onerous for local authorities.

We welcome the Committee's view on the provisions in respect of annual reports and three-yearly reviews.

RETURNS AND PAYMENT

276. The Committee agrees that the administrative burden for accommodation providers should be kept to a minimum, but the majority of the Committee agrees that it is appropriate for local authorities to decide on the frequency of returns best suited to local circumstances following consultation with relevant stakeholders.

We note the views of the majority of the Committee on the flexibility for local authorities to decide on the frequency of returns. The Scottish Government is mindful of the request from industry bodies to extend the default period for returns to bi-annually, and will consider this further.

ENFORCEMENT AND PENALTIES, REVIEWS AND APPEALS

286. A majority of members of the Committee were persuaded that penalties are an important part of the Bill that should not be left to local discretion and therefore supports a nationally consistent approach as currently provided for by the Bill.

We note the comments of the majority of the Committee.

287. A minority of members of the Committee, whilst supporting a national approach to penalties, questioned why this national approach was not applied more broadly to the rest of the Bill's provisions.

We note the views of the minority of Committee members. Similar to other existing local taxes such as Council Tax, the mechanisms for compliance and enforcement in the Bill are

provided as tools for local authorities to choose to use if they wish to. There is no obligation for a local authority to use them.

288. The Committee acknowledges that some smaller accommodation providers in particular could be alarmed by some of the penalties and invites the Scottish Government to respond to suggestions that there should be an initial “grace period” to allow businesses to adjust to the levy in areas where it is introduced.

We recognise the concerns of businesses regarding the enforcement powers set out in the Bill. While we consider enforcement to be a method of last resort, it is important that local authorities have the appropriate tools in place for those who are deliberately non-compliant. The enforcement powers in the Bill are in-line with those used in existing local taxes, such as Council Tax and Non-Domestic Rates.

We also recognise that there may be instances where the application of penalties would be disproportionate. Sections 47, 49, 51 and 54 therefore take account of situations where a liable person has a ‘reasonable excuse’ for a failure to comply with a duty. The Bill’s Explanatory Notes provides some examples of what may qualify as a reasonable excuse. The Scottish Government is not attracted to creating an initial ‘grace period’ in legislation, but will ask the Expert Group to consider the need for the national guidance to reflect these concerns.

REGISTERS OF LIABLE PERSONS AND INFORMATION SHARING, AND FINAL PROVISIONS

290. The Committee is content with Parts 6 and 7 given that no significant issues arose in evidence in relation to them.

We note the Committee’s views.

DELEGATED POWERS PROVISIONS

298. The Committee supports the Delegated Powers and Law Reform Committee’s recommendations and welcomes the Scottish Government’s commitment to amending the provisions set out above.

We note the Committee’s views. As indicated in the Minister for Community Wealth and Public Finance’s reply to the Delegated Powers and Law Reform Committee (DPLRC) on 29 September, the Scottish Government will seek to amend the Bill at Stage 2 to respond to the points made by the DPLRC.

299. The Committee notes suggestions to include a power in the Bill to extend its application to cover other types of accommodation, such as cruise ships and motor homes. The Committee would welcome an indication from the Scottish Government as to whether it would intend to amend the Bill to include such a power. This would be a very significant power for Parliament to give to Ministers and one which the Committee would wish to give very careful consideration to before agreeing to such a delegation.

The Scottish Government has no intention of using the delegated powers currently in the Bill to extend the application of the visitor levy to non-fixed accommodation such as cruise ships and motor homes. As covered above, both of these elements require further policy development, and in the case of a cruise ship levy a public consultation. We note the

Committee's view that if were to seek to amend the Bill to include such a power this would be something the Parliament would wish to consider very carefully.

FINANCIAL MEMORANDUM AND BRIA

316. The Committee considers it helpful that the FM provides estimated costs for local authorities and businesses but recognises that some of the content of the FM and BRIA was collated several years ago and has therefore not accounted for increased prices as a result of various factors including inflation and the impact of Covid-19. The Committee also notes the STA's point that only 20 accommodation providers took part in the Scottish Government's original engagement exercise and that certain parts of the sector felt "overlooked."

We note the Committee's views on the estimates provided in the Financial Memorandum and the BRIA. The financial estimates provided have been informed by engagement with accommodation providers from late 2018 to late 2022.

The first phase was a National Discussion with stakeholders within the tourism industry such as accommodation providers or their representatives and local authorities from November 2018 to January 2019 which covered a range of objectives around the impact of a visitor levy.

Following this exercise, a two-part targeted piece of engagement was undertaken for the purposes of informing this BRIA with 20 accommodation providers focusing on specific research questions as listed below. The engagement consisted of semi-structured interviews which took place between July and September 2019 and a follow-up survey which ran between November and December 2022.

Following the Bill's introduction in May 2023, the Scottish Government has engaged closely with businesses and industry bodies to ensure the voice of business is heard. We will continue to engage with business as the Bill progress through Parliament.

317. The Committee therefore reiterates the importance of detailed monitoring and annual reporting to enable analysis of the cost estimates to take place along with an assessment of any unanticipated costs should they arise.

We note the Committee's views and reiterate the points made above in respect of the monitoring and evaluation process.

VALUE ADDED TAX (VAT) IMPLICATIONS

328. The Committee regrets that a levy included in the total price would be liable for VAT and that this could have significant implications for businesses operating just beneath the £85,000 threshold.

We note the Committee's views and recognise that policy around VAT is a matter for the UK Government.

329. The Committee notes the Minister's comments that it would be for local authorities to consider how flexibilities can be applied in respect of the VAT threshold and would welcome further information from the Scottish Government on the sorts of flexibilities he has in mind.

The Bill as drafted provides a number of flexibilities for local authorities to tailor their visitor levy schemes to suit local needs and circumstances. In particular, the Bill will allow a local authority to set out the cases or circumstances in which a levy is not payable or may be reimbursed. If a local authority chooses to do so, they could potentially exempt any accommodation business operating close to the VAT threshold (currently set at £85,000) from the levy, thereby negating any impact a levy may have on their turnover.

ALTERNATIVE APPROACHES

337. A majority of members of the Committee believe that the BID model provides an interesting comparison but is clear that such an approach would not meet the Bill's policy objectives, particularly in terms of fostering a long-term, sustainable solution whilst fiscally empowering local government. A minority of members of the Committee believe that there would have been merit in further exploring alternative schemes and approaches.

We note the views from the Committee's members on the BID model. Section 4.6 of the Business and Regulatory Impact Assessment, accompanying the Bill, provides an overview of BIDs as a potential model for delivering the policy objective, including an assessment of the Manchester Accommodation Business Improvement District. Our assessment concluded that, although there are some benefits to the BID model, it would not support the Scottish Government's ambition to empower local government through a new discretionary tax-raising power. The BID model also has a particular disadvantage from the point of view of a local authority in that it requires to be renewed through a vote of participating members every five years. BIDs therefore have the potential to be discontinued and therefore could not be considered a secure source of revenue for the visitor economy.

FUTURE POST-LEGISLATIVE SCRUTINY

345. The Committee emphasises the importance of the publication of adequate data to support future post-legislative scrutiny and welcomes the Bill's provisions in respect of reporting, monitoring and evaluation which, it considers, should be extremely useful for future committees undertaking such an exercise.

We note the Committee's views.

346. However, the Committee notes that some of the examples provided of ways in which to measure longer-term benefits for visitors and communities were perhaps less tangible and would welcome the views of the Scottish Government on how best to assess the Bill's longer-term outcomes in this respect.

We note the Committee's comments on measuring the success of a visitor levy scheme. As noted above, we are conscious that the Bill provides a discretionary power for local authorities, with the aim of empowering local government. The Bill contains provisions requiring individual councils to report and monitor the progress of their levy schemes – in respect of the policy aim of the Bill, we consider this local accountability to be appropriate. However we will discuss with local government what potential national-level evaluation might be appropriate. Any such evaluation would need to take place once any visitor levy schemes have been established, and have operated for a suitable length of time to enable a longer term assessment to be made of their impacts.

CONCLUSION

347. The majority of members of the Committee consider that, on balance, the introduction of a levy at a modest rate in certain local authority areas, would be unlikely to have a significant deterrent effect on visitor numbers and therefore on the visitor economy in Scotland.

We note the comments and welcome the position of the majority of the Committee on the levy.

348. The majority of members of the Committee agree with the comments from several stakeholders that the introduction of a levy has the potential to bring significant benefits to visitors, the tourism sector and local residents alike whilst recognising that not all of Scotland's local authorities can be expected to benefit from the Bill.

We note the view of the majority of the Committee.

349. In keeping with the principles set out in the Verity House Agreement, the majority of members of the Committee welcome the degree of flexibility the Bill grants to local authorities to choose whether to introduce a levy and if so, to design and implement it in a way that suits local circumstances.

We welcome the view of the majority of the Committee.

350. The Committee recognises concerns around the timing of the legislation in light of significant recent challenges arising from Covid-19 and the increased costs of doing business, along with concerns around the implementation of short-term lets licensing. However, the Committee notes that the soonest a levy could come into force would be 2026 and the majority of members of the Committee consider that this provides sufficient time for outstanding issues to be resolved through engagement and consultation.

We note the Committee's comments and recognise the concerns from industry on the challenges facing businesses in the current economic climate. We would note the importance of the 18-month implementation period in meaning that no visitor levy would be in place until 2026 at the earliest.

351. However, the Committee remains mindful of the concerns of accommodation providers that the introduction of a levy could result in an additional administrative burden for them and therefore welcomes the Bill's requirements in respect of monitoring and reporting, including of any unforeseen consequences.

We note the Committee's comments on the potential administrative burden for accommodation providers. We have been transparent in our working, set out in the Business and Regulatory Impact Assessment, of the types of costs to business arising from the introduction of a visitor levy. The Scottish Government believes it is important that local authorities, when considering using this new discretionary power, take any impacts on businesses into account.

352. The Committee therefore reiterates the importance of meaningful consultation with the tourism and accommodation sector to create a genuine sense of partnership working, for example through the expert group. The Committee considers that this should help alleviate the concerns of many in the sector and demonstrate that a levy should bring long-term benefits by improving the experience of visitors to areas

where a levy applies. The Committee awaits the outputs of the working group with interest.

We note the Committee's comments and agree with the importance of meaningful consultation with the tourism and accommodation sector. We will continue engage with our industry partners throughout the passage of the Bill to ensure that any visitor levy, implemented by a local authority, can be a force for good for the visitor economy.

353. The Committee supports the general principles of the Bill.

We welcome the Committee's support for the general principles of the Bill.