



**SCOTTISH TOURISM
ALLIANCE**

**LOCAL VISITOR
LEVY MANIFESTO WITH
RECOMMENDATIONS**

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INTRODUCTION

The Scottish Tourism Alliance (STA) Local Visitor Levy Manifesto has been developed to help inform national and local government about the **key considerations Scotland's tourism industry believes must be taken into account** should the Scottish Government decide to proceed with local visitor levy legislation and local authorities then elect to implement a levy at a later date.

The industry, represented by the STA, firmly believes that should this legislation be progressed, it must be centred on ensuring Scotland remains as competitive a visitor destination as it can be. Most importantly, the STA is conscious of how this policy is **deployed at a local level to deliver the best possible outcome for tourism, with no unintended consequences for the sector**. The STA's recommendations set out in the manifesto seek to ensure that.

WHO IS THE SCOTTISH TOURISM ALLIANCE (STA)?

The 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.

The STA membership is spread across all regions and destinations in Scotland. The organisation is governed by a Board with representation from across Scotland's tourism industry and supply sectors, who together with STA's member Council and Destination Forum shape the organisation's policy agenda for government(s) and other key stakeholders.

The STA led and co-ordinated the development and launch of Scotland's tourism strategy, Scotland Outlook 2030, in collaboration with the Scottish Government and its agencies. The STA remains driven by this strategy, growing the value and positively enhancing the benefits of tourism across Scotland by delivering the very best for visitors, businesses, people, communities and environment.

The STA's Chief Executive, Marc Crothall MBE, co-chairs the Tourism and Hospitality Industry Leadership Group, alongside Ivan McKee, the Minister for Business, Trade, Tourism and Enterprise. The group will help drive recovery and sustainable growth across both tourism and hospitality in the long term. It builds on the partnership approach of the Scottish Tourism Emergency Response Group (STERG), which led the industry's response to the COVID-19 pandemic.



SUMMARY

Before the Visitor Levy Bill was announced by the Scottish Government, the Scottish Tourism Alliance (STA) consistently voiced its opposition to plans for the introduction of a levy or tax on visitors to the country, as we are committed to ensuring that Scotland remains as appealing as possible when competing with other visitor destinations.

There are STA members and parts of the business community that remain strongly opposed to a visitor levy, while others in the industry see the potential benefits of generating new funding for tourism – as long as the net revenue raised is ringfenced for improving Scotland's tourism offer and assets. It must be additional to all current local authority, public agency and Scottish Government spend on tourism.

Following the Scottish Government's announcement that it will be pressing ahead with legislation giving local authorities the power to introduce a visitor levy if they wish to do so, we are committed to working closely with the Scottish Government to ensure that the tourism industry has a key role in shaping the development of a levy model and collection system that forms part of the final legislation document.

We want to make sure that any legislation works effectively for tourism, local authorities and, most importantly, continues to be in the best interests of visitors and local communities.

We are proposing that a working group be established, with representation from the tourism industry and COSLA, to develop a national levy model, consistent fee structure, and an agreed framework on how the levy revenue raised will benefit tourism. This includes ensuring a level playing field between traditional and newer models of visitor accommodation in how the levy is applied, and an agreed set of exemptions.

We believe that the creation of a clear framework – shaped around the priorities and strategic aims for national tourism, and the United Nations' definition of 'sustainable tourism' – is essential in ensuring that any levy revenue raised is treated as supplementary funding for enhancing the local tourism offer and that visitors feel that their contribution is a 'force for good'.

To decide on how revenue raised is spent and to ensure it delivers on the proposed framework, we suggest the creation of local groups with cross-sector representation, including destination management organisations and the contribution of local communities. This would include an annual audit of how the monies raised were spent on local tourism.

We are also seeking to guarantee that there will be a minimal impact on tourism and hospitality businesses where a levy is introduced in their local authority area, particularly concerning its implementation and the ongoing financial and time burden to businesses, and any unintended consequences concerning VAT thresholds, online pricing and commercial business rate evaluations are resolved at the earliest opportunity.

We welcome the opportunity to work with the Scottish Government to ensure that, if a visitor levy is to be implemented, it is only done so in such a way that fully benefits the tourism sector and it is not used for other purposes.

Any legislative timetabling should take into consideration new engagement with the sector, through STA as the leadership and representative body for Scotland's tourism industry, as well as allowing time to fully review the recommendations in this manifesto paper before the introduction of any proposed legislation.

SCOTTISH TOURISM INDUSTRY RECOMMENDATIONS

1. Careful consideration is needed in deciding an appropriate title for the visitor charge. The title chosen, and the accompanying language used to raise awareness of a levy, must reflect the positive contribution being made by visitors by paying the charge.
2. If local authorities elect to introduce a visitor levy, then this must align with a national model and process for collection to avoid confusion and misinterpretation. A clear, consistent approach is needed, with universal sign-up from the industry.
3. If visitor levy rates are to be set by local authorities, then a maximum cap must be in place nationally.
4. The Bill should ensure a level playing field between traditional and newer models of visitor accommodation in how the levy is applied. There must be a clear set of agreed levy exemptions in the legislation, including the option to apply the levy seasonably to avoid having a detrimental impact in rural and island areas during off-season.
5. A clear legislative framework must be established on how the visitor levy is reinvested to benefit local tourism and work towards achieving the agreed vision of Scotland becoming the world leader in 21st century tourism. The framework should be set around the principles and strategic priorities of the national tourism agenda and the United Nations' sustainable tourism definition, as well as being flexible to local needs.



6. Any net revenue raised by the visitor levy must be used as a force for good and evidence an environmental, social, heritage and/or economic impact, which contributes to Scotland's national tourism strategy and agenda, and other national strategies and priorities. The Bill introduced must explicitly state that the revenue raised through the levy will be reinvested in tourism priorities.
7. Any local authorities who proceed with charging a levy must establish a dedicated committee to decide how revenue raised is fairly distributed across localities and best spent to support tourism. This should consist of cross-sector representatives from local authorities and the tourism industry, including destination management organisations, and represent the views of the local community. There must be an annual audit on how revenue raised was spent on local tourism.
8. A working group should be established as a priority, which includes representation from across the tourism sector and COSLA, to inform a national levy model, create a consistent fees structure and develop a framework for how monies collected are used to benefit tourism. It should lead on a three-year review of tourist levy rates.
9. The Scottish Government must urgently review the measures needed to ensure that visitor levy does not have an unintended impact on the VAT thresholds or business rate valuations of the businesses who are required to collect it, along with any other inadvertent additional costs to businesses. Clarification must be sought from the UK Government as a matter of urgency as part of the Business and Regulatory Impact Assessment.
10. The levy must fully reimburse businesses in the early years of its rollout with its implementation and promotion, so it is cost neutral to businesses, and minimise the impact of ongoing costs to businesses. The Business and Regulatory Impact Assessment must consider the considerable regulatory burden already being placed on tourism and hospitality businesses, alongside the current unprecedented economic conditions and recovery post-COVID-19.



RECOMMENDATIONS IN DETAIL

BACKGROUND

In the latest Programme for Government, the Scottish Government announced that it will be bringing forward legislation to give local authorities the power to introduce a tourist levy/tax. The Local Visitor Levy Bill is expected to come before the Scottish Parliament in spring 2023 and will start to be charged from as early as 2026.

The Scottish Tourism Alliance (STA) has been vocal over the years about its opposition to plans for a tax on tourists, as **we want Scotland to be as attractive as possible in competing with other visitor destinations**. There remains differing opinion among the sector on the introduction of a visitor levy.

If the Scottish Government remains committed to introducing a tourism visitor levy, it is **imperative that the tourism industry is at the heart of deciding how to develop and deliver a levy, and how to best deploy the revenue raised**.

Although several countries already have in place a tourist levy, in comparison Scotland and the UK are already less competitive in terms of other fiscal measures. When tourists visit these other destinations, they can spend more and stay longer because they are ultimately taxed less.

In Scotland, we welcome visitors with one of the highest rates of VAT in the world and wave them goodbye with the highest level of Air Passenger Duty in Europe. Our domestic and international visitors are taxed at every point in their journey and experiences during their stay in Scotland.

UKinbound has previously reported that the UK's 20% rate of VAT is one of the highest in the world, and that it is among only 3 out of 28 EU destinations that do not have in place a reduced rate of VAT for tourism businesses.¹

According to the World Economic Forum Travel & Tourism Competitiveness Index, the UK was ranked 140th out of 140 countries for tourism price competitiveness in 2019.²

¹ <https://www.ukinbound.org/advocacy/taxation/vat/>

² The Travel & Tourism Competitiveness Report 2019
https://www3.weforum.org/docs/WEF_TTCR_2019.pdf



In the European Commission's 2017 report on tourism taxes, 'The Impact of Taxes on the Competitiveness of European Tourism', it concludes that "a 'tourism friendly' tax regime could include reduced VAT rates for accommodation and transport of passengers and no occupancy taxes or departure taxes." It cites the examples of countries including Finland, Ireland, Sweden and Cyprus. The UK, on the other hand, is mentioned among the countries on the other end of the spectrum in terms of competitiveness.³

The introduction of a tourist tax risks putting Scotland right down the list of destinations in terms of price competitiveness and global appeal.

Around 70% of tourism in Scotland comes from domestic visitors and the cost-of-living crisis is already having an acute impact on tourism and hospitality. Bookings are markedly down and visitor spending declining, while the forecast for next year is of huge concern for the tourism and hospitality sectors.

As Scotland's tourism industry looks towards recovery post-COVID and faces unprecedented economic pressures of record inflation, rising energy prices, household budgets being squeezed and a recession, a tourism tax adds an additional financial burden for households and businesses in the coming years.

It will take time for tourism and hospitality businesses to recover and be profitable again, with some having experienced the burden of debt from the Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLs) during the COVID-19 pandemic, and others subsequently taking on new debt during the recession.

The Office for Budget Responsibility (OBR) has recently forecast that it is unlikely the UK economy will start to grow again until 2024.⁴ We would ask that the Scottish Government **consider carefully how the implementation of a tourist levy avoids placing additional financial and time pressures on the tourism industry** after an unprecedented set of challenges over this decade. As a priority, clarity is needed on whether there will be unintended consequences concerning VAT and commercial business rates for businesses collecting a levy.

³ <https://ec.europa.eu/docsroom/documents/26445/attachments/1/translations/en/renditions/native>

⁴ <https://obr.uk/efo/economic-and-fiscal-outlook-november-2022/>



To remain a competitive visitor destination, it is **essential that the levy rate is set at a realistic level, with a clear framework in place** to support local authorities and the Scottish Government to demonstrate clearly to visitors that the charge they pay will be used as a force for good to directly boost Scottish tourism assets and Scotland's global proposition.

If the Local Visitor Levy Bill is passed into law, the STA is committed to working with the Scottish Government and local authorities to ensure that the tourism industry has an instrumental role in shaping the type of levy to be applied and strongly influencing the ringfencing of funds for direct investment in tourism infrastructure and projects.

TOURISM LEVY SURVEY

A new survey among Scotland's population clearly demonstrates that there is **divided opinion about the value of introducing the visitor levy**.

The STA recently partnered with research consultancy 56 Degree Insight to gauge opinion among a nationally representative sample of 1,000 members of the Scottish population on the introduction of a visitor levy or tax, as part of the Scottish Tourism Index 2022.⁵

The interviews, conducted in October of this year, revealed that 48% of people oppose the introduction of a tourist levy or tax, compared to 44% who support it. Support was found to be highest among Edinburgh residents (57%), which is the most advanced in its plans for introduction of such a tax.

Those opposed did not want an additional cost added to their holidays. There was also little appetite to pay much more than £1 per night on average, which is lower than current levels being considered as part of visitor levy proposals. A total of 29% didn't want to pay anything, while 22% would be willing to pay up to £1 per night and 24% between £1 and £2 per night.

Concerningly, **46% of people interviewed said they would be more likely to consider staying in other parts of the UK if a tourism tax was in place across Scotland**.

⁵ Scotland's Viewpoint is a quarterly survey of over 1,000+ people based in Scotland – statistically representative of the Scottish population and undertaken by 56 Degree Insight. It is conducted online over a two-day period each quarter. The results are taken from the 4th wave of the survey, which ran over the 26th-27th October. A total of 1,000 people were interviewed.

In 2017, the majority of overnight visits to Scotland were visitors from within Great Britain, with around 5.4 million visits (36%) made by people from Scotland, so there could be a significant impact on domestic visitor numbers if a levy is in place.⁶

One option could be to exempt at least residents from being charged the levy within their own local authority, since they already pay a council tax contribution, as is the case in many Italian towns that charge a levy.

Continuing to encourage staycations not only benefits the Scottish economy, but also has a crucial role to play in reducing carbon footprint.

Among the people who supported the introduction of the tourist levy, they believed it would help generate additional revenue to reinvest in the local area. One person interviewed said: "It's a very good idea, as long as the tax is not too high, and it is explained where the money is going and what benefits the extra revenue will provide the local area."

The survey findings strongly indicate the **need for clear messaging to be in place about how any income generated by the levy will be reinvested in the local tourism economy and in enhancing the country's overall tourism offer**, or risk visitors choosing an alternative holiday destination outside of Scotland.

LEVY MODEL AND REALISTIC LEVY RATE

To ensure Scotland remains a competitive visitor destination, **we urge the Scottish Government to work in close consultation with the tourism industry to develop the right visitor levy model and create a clear framework for how a visitor levy would be used.**

Consideration is needed about whether the visitor tax would only apply during peak visitor periods, as there is a risk that the introduction of a visitor levy in rural and island visitor areas could have a disproportionate impact due to the seasonal fragility of these destinations. Areas like the Highlands and Islands are already much quieter during the winter season and a tourist levy could be a further disincentive for visitors to travel there.

For example, in terms of economic impact, in Inverness, Loch Ness and Nairn there was a 73% decrease when you compare the quietest and busiest points of the 2019 season, with January seeing an economic impact of £13.36m compared to £49.39m in August.⁷

⁶ ONS (2018) International Passenger Survey 2015-17, VisitEngland, VisitScotland and Visit Wales (2018) Great Britain Tourism Survey 2015-17

⁷ STEAM Final Trend Report for 2018-2019 (Global Tourism Solutions UK Ltd, commissioned by Highland Council)

In addition, visitor figures to the area were 84% lower in January 2019 compared to August of the same year, further highlighting the extreme seasonality of tourism in areas of rural Scotland.

There is a risk that absorbing the additional cost of the levy could cause some businesses to make the decision to close entirely during the low season, impacting on workforce retention and seasonal visitor offer.

Unsurprisingly, the recent 56 Degree Insight research found that support for a visitor levy was less in rural areas – with 41% strongly opposed to a levy in remote rural and island areas, compared to just 12% in the City of Edinburgh.

As has been the case in Croatia, there is the potential to tactically not charge the levy during off-peak periods to make visiting cheaper at these times and potentially extend the visitor season.

To ensure **a level playing field between traditional and newer models of visitor accommodation**, and to close a potential loophole of people offering unlevied ‘beds on wheels’, the rented provision of motor caravan accommodation⁸ (i.e. motorhomes, campervans) should be included in the Local Visitor Levy Bill and be deemed a premises in terms of the provision of overnight accommodation on a commercial basis. Personally owned motor caravans would be exempt.

As well as unfairly disadvantaging commercial campsites and traditional accommodation providers, failing to address this anomaly risks exacerbating the issues already facing rural and island communities from rising motor caravan use as people seek to avoid being charged.

We would welcome further discussion with the Scottish Government on different measures or infrastructure to implement this consistent charging, which could include charging at ferry departure points when travelling to islands or charging at the point of hire.

If cruise ships are included under the visitor levy, this must be carefully considered given the decision made by some cruise companies to remove Amsterdam from their itineraries when the city began charging a €8 per head tax on cruise tourists in 2019.

⁸ <https://www.gov.uk/government/publications/converting-a-vehicle-into-a-motor-caravan/converting-a-vehicle-into-a-motor-caravan#:~:text=Motor%20caravan%20means%20a%20special,cooking%20facilities>

It is important that there is a clear, defined list of any levy exemptions, including an efficient process in place for those who are exempt (e.g., visitors staying overnight for medical procedures, homeless people, domestic abuse victims). Furthermore, we need clarification about whether businesses would face a fine for not collecting the levy, including if someone does not turn up for their booking.

The tourism industry urges the Scottish Government to ensure that lessons have been learnt from the current confusion and postcode lottery in fees charged surrounding Short-Term Lets Licensing, and that mistakes are not repeated. If the Visitor Levy Bill is passed, lessons must be learnt, and a single model of application should be introduced rather than leaving the decision to individual local authorities. **A consistent, fixed approach to a fee structure for a visitor levy is crucial.**

If the legislation results in the visitor levy being set at a local level, there needs to be a nationally agreed maximum cap on what visitors can be charged and a guarantee that it can be raised by no more than a certain agreed percentage at time of review. This would be similar to how council tax increases were previously capped at 3% to help to protect household incomes, while ensuring local authorities were properly funded.

As our recent survey with 56 Degree Insight demonstrates, there is little appetite among overnight visitors to pay much more than the equivalent of £1 per person per night. Based on a percentage model, this could be even greater for some overnight visitors, potentially impacting on bookings and causing confusion among tourists, particularly those staying across multiple accommodation during their visit.

Hostels, for example, often operate sites across multiple local authority areas, with domestic and international visitors staying in several hostels while visiting Scotland. Charging different rates across different operators and local authority areas risks creating confusion among visitors and accommodation providers.

This also applies to the way the levy is collected, as the use of licensing teams in the case of short-term lets has led to inconsistencies due to the differences in the way they are set up. Local authority department team structures are different across Scottish local authorities, and this should be considered in implementing a **standardised collection process**.

Ensuring that clear and concise wording is used from the outset in the Bill introduced before the Scottish Parliament is an opportunity to avoid variations across local authority areas in its implementation, and to provide clarity to businesses and visitors by having a uniform approach.

Careful consideration and input from the tourism sector is needed about what levy model is adopted, such as adopting the progressive tax model used in Paris and Rome, the flat or fixed rate model applied in Lisbon and Prague, or the tax liability model used in Brussels.⁹

We must also look at best practice in other countries when deciding an appropriate title for the charge to ensure that it is viewed as a positive contribution being made by visitors, for example the fee charged in New Zealand is called the International Visitor Conservation and Tourism Levy.

The accompanying language used to raise awareness of the introduction of a levy must also clearly demonstrate the value of the contribution that visitors are making by paying the fee. In Cologne, Germany, its occupation tax is promoted as a 'cultural tax' where the revenue raised is used for the promotion and advancement of culture, contributing to its reputation as a city of culture.

The 'Sayonara' tax in Japan, which charges international visitors during air or ship departure, promotes itself as "a small tax that will make a significant difference." When the charge was introduced in 2019, it was promoted to overseas visitors as helping to make a valuable contribution to enhancing Japanese tourism infrastructure in preparation for the Tokyo Olympics in 2021.

In Iceland, the revenue raised from its accommodation charge goes towards a Tourist Site Protection Fund, which is governed by a board of representatives appointed by the Minister of Industry, local industry, and municipality associations. The funds are used to ensure tourist safety, protect Icelandic nature, and is intended to diversify sites visited by tourists to reduce pressure on the most frequently visited destinations.

We welcome the commitment made by the Deputy First Minister, John Swinney, at Scotland's Tourism Industry Conference in November 2022, jointly hosted by the STA, the Association of Scottish Visitor Attractions (ASVA) and HIT Scotland (Hospitality Industry Trust), that: "A tourist tax has to be set out at a realistic level and obviously we want to discuss that with industry."

We also look forward to working with the Scottish Government to deliver on Mr Swinney's comment that "people want to see that money being invested in tourism."

⁹ What is a Tourist Tax, and why is everyone talking about it? (SPICe Spotlight, Oct 2018) <https://spice-spotlight.scot/2018/10/15/what-is-a-tourist-tax-and-why-is-everyone-talking-about-it/>



A CLEAR FRAMEWORK

To ensure a consistent approach to how a visitor levy would be implemented across Scotland, and used to enhance and protect Scotland's tourism assets, a clear framework needs to be shaped so that the **levy is treated as a supplementary revenue scheme, rather than an opportunity to fund existing council services**, such as current waste, cleaning, or road maintenance provision.

There must be unequivocal wording in the Bill that funds raised through the visitor levy must be put back into tourism priorities.

We all saw the photos across the media of overflowing bins during the Edinburgh Festival and the impact on the city's reputation but would stress that the funds from a tourism tax and levy would not have been a potential solution. Any framework needs to be flexible to local needs, but not used as a quick solution to existing council service issues.

The revenue raised from the visitor levy **must be treated as a ringfenced, supplementary budget** to be used for tourism, with local authority core budgets kept intact for waste management, road maintenance, etc. It must also be the case that the money generated is **not used to downscale national tourism budgets or local authority settlements**.

Alongside investment in strategic tourism and visitor infrastructure projects to benefit visitors and local communities, potential examples of how the supplementary revenue raised could be appropriately used includes:

- Supporting the drive for net zero carbon emissions from tourism and events businesses;
- Investment in marketing and promotion of the destination;
- Supporting cities and regions to collaborate on tourism and the visitor economy;
- Creating a better, seamless visitor experience, such as supporting businesses to increase their digital presence and improve online booking;
- Investing in local tourism and hospitality skills, recruitment and retention initiatives;
- Funding of strategic destination management organisations;
- Investing in cultural or event capacity, such as local museums and galleries;
- Improving visitor attractions and landmarks;
- Improving safety and security of tourists, such as late-night transport provision for visitors and hospitality staff;
- Supporting collection of visitor data; and



- Encouraging visitor activity outside of city centres to benefit surrounding suburbs and rural communities, including better walking and cycling routes.

There is also the potential to use the visitor levy to offer additional benefits to visitors that they wouldn't have had otherwise. For example, in some German resort towns, visitors paying the local occupancy tax have access to facilities that would be shut off to the public, such as spa facilities, some public transport and entry to local visitor attractions.¹⁰

Consideration is needed about how infrastructure projects funded by the levy sit alongside Strategic Tourism Infrastructure Development Plans, funded by VisitScotland.

We propose that the legislation states that any revenue raised by a visitor levy or tax must be used to achieve the ambitions of the national tourism agenda. Endorsed by the Scottish Government, the four key priorities set out in the current national tourism strategy, Scotland Outlook 2030, to achieve our agreed vision of becoming the world leader in 21st century tourism, are:

1. Our passionate people – to attract, develop and retain a skilled, committed, diverse and valued workforce.
2. Our thriving places – to create and develop a sustainable destination together, including caring for our natural assets.
3. Our diverse businesses – to build business resilience, sustainability and profitability, including supporting entrepreneurship and improving the environmental, social and economic impact of tourism businesses.
4. Our memorable experiences – to provide the very best, authentic and memorable experiences.

At the same time, the legislation and the proposed framework should incorporate the United Nations World Tourism Organisation definition of 'sustainable tourism', which is: "Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities."¹¹

¹⁰ Tourism-related taxes across the EU (European Commission) https://single-market-economy.ec.europa.eu/sectors/tourism/business-portal/financing-your-business/tourism-related-taxes-across-eu_en#:~:text=Tourist%20taxes%20to%20improve%20the%20sector&text=measures%20and%20plans%20to%20improve%20infrastructure%20and%20tourism%20services

¹¹ <https://www.unwto.org/EU-guidebook-on-sustainable-tourism-for-development>

Any revenue raised must be able to demonstrate that it is being used as **a force for good** and therefore local authorities should be able to evidence an environmental, social, heritage and/or economic benefit for visitors and local residents, which overall contributes to Scotland's national tourism priorities and strategic aims.

The newly created Tourism and Hospitality Industry Leadership Group, co-chaired by the Minister for Business, Trade, Tourism and Enterprise, Ivan McKee, and the Chief Executive of the Scottish Tourism Alliance, Marc Crothall MBE, has been tasked with delivering Scotland Outlook 2030 and its four key priorities, alongside ensuring that tourism and hospitality contributes to the Scottish Government's National Strategy for Economic Transformation (NSET).

As well as delivering on the national tourism strategy and NSET priorities, there is also the opportunity to use the revenue raised to contribute to the Scottish Government's net zero commitment. For example, in Bali, Indonesia, the tourist tax has been introduced to raise revenue that goes towards programmes that help to preserve the environment and Balinese culture which includes a focus on tackling plastics pollution and beach waste.¹²

Therefore, ensuring the revenue raised is reinvested in local tourism, increased visitor spend, and destination growth will help to deliver on Scotland's national priorities. The revenue generated should also be available to secure match funding to be used for further tourism investment opportunities.

It is also **important that any revenue raised in some specific local areas (e.g., island communities) is reinvested in those locations, rather than becoming part of a central pot.** This must be carefully balanced with supporting cities to use revenue raised to support local neighbourhoods and attract visitors outside city centres.

Ensuring that National Parks also receive a fair share of investment from the revenue raised from the visitor levy is crucial, given the valuable role that they play in attracting visitors. Consideration is needed how this would be done, given that many National Parks are neighboured by several local authority areas.

We support that the revenue raised by a levy should be used to assist and support the visitor economy in local areas and that final decisions about spending are made at a local level. Each local authority area will have its own different tourism priorities and needs.

¹² <https://www.theguardian.com/travel/2019/jan/25/bali-plans-tourist-tax-to-tackle-plastic-pollution>

However, we strongly believe the levy model identified, its implementation, collection of revenue and the overall framework underpinning how the revenue is reinvested in tourism, should be agreed at a national level to avoid an unfair postcode lottery for businesses and visitors.

Dedicated committees should be formed in local authority areas to decide how funding is best used across their localities to support tourism, based on the criteria established under the main framework being proposed. These umbrella groups should include public and private representation from local authorities, the tourism industry and destination management organisations to determine dispersal of levy revenue.

As part of these local groups, it is essential that the voices of the community are captured and that they feel invested in the decisions being made about how the revenue raised is spent on local tourism priorities.

All local authorities that introduce the visitor levy charge should undergo an **annual audit of how the levy has been used**, evidencing its alignment with Scotland's national tourism strategy and agenda.

WORKING GROUP

To ensure an agreed fee structure and framework for how revenue raised is used to benefit tourism, **a working group should be established, which includes representation from across the tourism industry and COSLA, to deliver a consistent approach in implementing a tourist levy.**

Any proposed changes over time would need approval from this group, including plans to increase the levy charge beyond the introductory rate, as travel trade lead-in times for bringing group tour products to market are on average 18 months.

The group would lead on reviewing visitor levy rates, which we suggest would be based on a three-year cycle that aligns with the business rates review.

Having these factors in place will help bring certainty and clarity for local authorities and the tourism industry and, most importantly, help us to develop a **clear message for visitors about how their financial contribution is helping to make a positive difference.**



COST TO BUSINESS

As a matter of urgency, the Scottish Government must prioritise how a visitor levy would be administered and implemented. **If the visitor levy charge is incorporated into the taxable income for businesses, then this will result in them potentially being financially penalised for collecting the levy.**

The addition of a visitor levy risks taking some businesses over the VAT threshold of £85,000¹³, or potentially lifts them out of the Flat Rate Scheme¹⁴. Urgent clarity is needed from the Scottish Government about how businesses will be protected from additional costs, such as agreement from the UK Treasury that the visitor levy is VAT exempt, or the tax threshold is raised.

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. As previously highlighted, there is a risk some businesses might choose to close during the off-peak season to keep their thresholds intact.

There is an **urgent need for the Scottish Government to seek advice from HM Revenue and Customs about the application of VAT to a visitor levy in Scotland.**

The Scottish Government must also urgently review whether accommodation prices on websites can be displayed excluding the proposed visitor levy.

Under the Price Marking Order 2004, hotel prices must be inclusive of all tax and mandatory charges, which would include any local visitor levy.

Any commissions claimed by Booking.com, Expedia, travel agents, etc is applied to the published cost, so if accommodation providers must include the levy charge, then they will pay commission on that charge too. This presents another unintended additional cost to businesses.

There is also a potential impact on commercial rates for licensed hospitality that provide visitor accommodation. It is unclear how assessors would consider a visitor levy as part of the next revaluation in 2026, e.g., online travel agency (OTA) payments are currently disregarded from turnover figures adopted for business rate valuations. Clarity is needed on this from the Scottish Government well ahead of visitor levy legislation being introduced.

¹³ Note: Businesses must register for VAT if their VAT taxable turnover is more than £85,000

¹⁴ Note: The threshold to leave the Flat Rate Scheme is more than £230,000



Clarity on VAT, website pricing, commercial business rates and the potential cost burden on business must be sought to give businesses and local authorities the full financial picture of the potential implications of introducing a visitor levy, along with properly informing MSPs scrutinising the Bill. **Any Business and Regulatory Impact Assessment needs to consider the potential VAT impact upfront.**

As it is proposed that the levy be applied to commercial accommodation providers of all shapes and sizes, potentially across all localities including rural and island areas, there is a risk that businesses will face an additional time and financial burden that they cannot afford. The cost implications for local authorities to administer the levy must also be assessed, including their capacity to deliver on this.

There will be an additional cost to businesses of setting up the collection of the visitor levy and we continue to seek assurances from the Scottish Government that the levy reimburses businesses in the early years of its rollout, so it is cost neutral to businesses.

This is particularly the case for small businesses, who do not have the necessary infrastructure in place and collecting a levy would place a further burden on them. At the same time, businesses with an existing property management system may need to upgrade their systems to comply with levy collection, while there will be ongoing costs associated to collect the levy, such as credit card processing fees and commission rates charged by OTAs.

Alongside the Scottish Government promoting awareness of the introduction of a levy, tourism and hospitality businesses must be supported and receive any necessary financial reimbursement to develop customer communication plans to inform their overnight visitors up to a year in advance that they will face an additional charge on their bills.

This must all be considered as part of the Scottish Government's Business and Regulatory Impact Assessment to ensure that the potential upfront costs facing businesses and local authorities to manage the introduction, collection and promotion of a visitor levy are transparent.

The financial implications should also be considered alongside the current cost pressures facing businesses, including how the levy sits with other costs facing businesses such as the Short-Term Lets Licensing Scheme, Deposit Return Scheme, and other planned regulatory measures.

Scottish accommodation providers are also already facing higher property business rates, in comparison to England, with the estimated number of properties subject to the higher property rate in 2022-23 including 570 hotels and 520 leisure, entertainment, and caravan properties.¹⁵

We welcome the creation of the Scottish Government's Regulatory Joint Taskforce, which will consider the concerns from sectors around regulations which have significant cost or operational impacts.

It is integral that the **proposed visitor levy legislation and our recommendations are properly reviewed as part of the Regulatory Joint Taskforce** to guarantee a robust approach is taken concerning the impact on businesses and how to minimise that impact before potential legislation is presented before Parliament.

It is of the utmost importance that we learn from and avoid the mistakes made concerning the Short-Term Lets Licensing Scheme and Deposit Return Scheme to make sure that the proposed levy enhances Scottish tourism and protects its valuable reputation.

Ministers must respond in detail about how they plan to mitigate costs to businesses and ensure that a consistent approach is taken to avoid a postcode lottery in how it is implemented to ensure it benefits visitors, businesses, communities and local authorities.

As things currently stand, the potential loss of bookings resulting from the introduction of a visitor levy and the associated costs of implementing it means there may be no net benefit for tourism and hospitality businesses.

Although there was previous consultation on a levy, the situation has since substantially changed for the sector given the damaging impact of COVID-19 and the current financial crisis. New engagement with the sector must be carefully factored into any timescales before introducing a Bill to the Scottish Parliament, including resolving the critical issue we have raised about VAT.

In conclusion, **it is imperative that all of the recommendations set out in this manifesto paper are fully considered and that time is taken to properly engage and collaborate with the STA's Executive Board, Council and Destination Forum members** – who lead and represent the sub-sectors and destinations that form Scotland's valuable tourism and hospitality industry. **If this can't be achieved in the current timetable, then the STA would call for a delay in its introduction.**

¹⁵ Scottish Assessors' Valuation Roll as of 1 October 2021. Figures may not sum due to rounding. The number of properties is rounded to the nearest 10.



**SCOTTISH
TOURISM
ALLIANCE**

Your voice in tourism matters

THE LOCAL VISITOR LEVY MANIFESTO WITH RECOMMENDATIONS HAS BEEN DEVELOPED BY THE SCOTTISH TOURISM ALLIANCE (STA) BOARD AND THE STA COUNCIL IN CONSULTATION WITH THE STA DESTINATION FORUM GROUP.

COUNCIL

1. Association of Leading Visitor Attractions
2. Association of Scottish Self-Caterers
3. Association of Scottish Visitor Attractions
4. British Amusement Catering Trade Association
5. British Holiday & Home Parks Association
6. Camping & Caravanning Club
7. Caravan and Motorhome Club
8. Confederation for Passenger Transport
9. Federation of Small Businesses
10. Green Tourism
11. Hostelling Scotland
12. National Outdoor Events Association
13. Sail Scotland
14. Scottish Agritourism
15. Scottish B&B Association
16. Scottish Beer & Pub Association
17. Scottish Country Sports Tourism Group
18. Scottish Destination Management Association
19. Scottish Golf Tourism Development Group
20. Scottish Incoming Golf Tour Operators Association
21. Scottish Independent Tour Operators Association
22. Scottish Licensed Trade Association
23. Scottish Tourist Guides Association
24. Scottish Wedding Industry Alliance
25. UK Hospitality (Scotland)
26. UKInbound
27. Wild Scotland

DESTINATION FORUM GROUP

1. Angus Tourism Cooperative
2. Argyll & Isles Tourism
3. Ayrshire & Arran Destination Alliance
4. Ayrshire Councils
5. Cairngorms Business Partnership
6. Cairngorms National Park Authority
7. Destination Orkney
8. Dundee Leadership Group / Dundee City Council
9. East Lothian Council
10. Edinburgh Tourism Action Group
11. Falkirk Council
12. Fife Tourism Partnership
13. Glasgow Life (Glasgow Convention Bureau)
14. Inverclyde Council
15. Lochaber Chamber of Commerce
16. Loch Lomond & The Trossachs National Park
17. Midlothian Tourism Forum
18. Outer Hebrides Tourism
19. Renfrewshire Council
20. Shetland Tourism Association
21. SkyeConnect
22. South of Scotland Destination Alliance
23. The Black Isle Tourism Team
24. Venture North
25. Visit Aberdeenshire
26. Visit Moray & Speyside Limited
27. Visit West Lothian
28. VisitArran
29. Visit Inverness Loch Ness