Association of Scotland's Self-Caterers Briefing: Scottish Government Visitor Levy (Scotland) Bill –

Key Points for MSPs[1]

The visitor levy is the last thing the self-catering sector needs at this time. The industry has come through a pandemic, only to be squeezed by a cost-of-living crisis, and recovery remains precarious. Moreover, there are significant costs associated with short-term let licensing and planning – indeed, in Scotland, we appear to be shrinking a sector through short-term let regulations to then tax it on top.

This legislation cannot be STL licensing mark two and is a real test of whether the Scottish Government will put New Deal for Business principles into practice. During the regulatory debate on licensing, the concerns of business – particularly small and micro businesses – were dismissed. During challenging times, businesses cannot afford a repeat of the unintended consequences that are unfolding with the onerous licensing scheme.

A visitor levy will impact ordinary families in Scotland and the rest of the UK when holidaying here. While international tourist numbers to Scotland are up, this is not the case for the domestic market which makes up the majority of stays for self-catering. Price sensitive consumers may switch to holiday in York instead of Edinburgh, or the Lake District instead of the Highlands, hitting local economies in Scotland. A recent PwC report The Impact of Taxes on the Competitiveness of European Tourism, prepared for the European Commission, found tourist demand is highly sensitive to changes in prices.

While penalising Scottish families and holidaymakers, the visitor levy will increase the administrative burden for small and microbusinesses like self-catering in Scotland. It will add cost and complexity to a sector that runs on tight margins – and this burden was recognised in the Financial Memorandum and BRIA. Now is not the right time.

The proposed levy risks the competitiveness of the Scottish tourism industry and ignores that tourists already make a substantial contribution to our economy. It is true many European markets have levies in place but they do not have our levels of VAT. A new levy in Scotland would be in addition to VAT, whereas in 25 EU countries a discounted VAT is applied. The Bill's Financial Memorandum does not estimate the financial impact of businesses if VAT is applied to the levy and this needs to be urgently revisited.

All forms of tourist accommodation should be subject to the levy. Not applying it to campervans risks exacerbating problems associated with 'over-tourism' in the Highlands and Islands, and cruise ships should also be part of it to ensure a level playing field.

Tourism accommodation providers should not bear the responsibility for the set-up costs of collecting any levy on behalf of local authorities. Cash strapped councils may be tempted to use this as a revenue raiser for general spend – any monies raised must be for tourism related infrastructure only, showing the sector-specific nature of occupancy taxes. While we oppose the levy, our basic three points if taken forward are: (a) its design should be set out at national level with *some* local discretion to avoid 32 different levy schemes; (b) the charging model needs simplifying and include a national cap; and (c) to repeat, funds must be ringfenced for tourism purposes.

Finally, if the Scottish Government intend to do this, they must do it right by working in lockstep with industry to reduce the regulatory burden. The Visitor Levy Expert Group presents an opportunity to get things right in the first instance rather than addressing issues further down the line. Listening to business through consultations, Expert Groups and meetings are one thing, being actually heard is another.

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[1] The ASSC's response to the Scottish Parliament's Local Government, Housing and Planning Committee call for views on the Bill can be accessed here.