SCOTTISH TOURISM ALLIANCE
Your voice in tourism matters

Local Government, Housing and Planning Committee – Call for Views on Visitor Levy (Scotland) Bill

The Scottish Tourism Alliance Detailed Response

About 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. Its 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 Richard Lochhead, the Minister for Small Business, Innovation, Tourism and Trade. The group is helping drive recovery and sustainable growth across both tourism and hospitality in the long-term, building on the partnership approach of the Scottish Tourism Emergency Response Group (STERG), which led the industry's response to the COVID-19 pandemic.

In January 2023, the STA published the Local Visitor Levy Manifesto with Recommendations, which was developed with industry to help inform national and local government about the key considerations needing taken into account should the Scottish Government introduce visitor levy legislation and local authorities then elect to implement a scheme. A number of the sector's recommendations were adopted in the Bill.

The STA has since been invited by the Minister for Community Wealth and Public Finance, Tom Arthur, to sit alongside other industry organisations and COSLA representatives on an Visitor Levy Expert Group, chaired by VisitScotland, to form guidance and best practice for local authorities that decide to introduce a visitor levy.

8. What are your views on whether local authorities should have a power to place a levy (a type of additional charge or fee) on top of the price charged for overnight accommodation in their area?

The Scottish Tourism Alliance (STA) welcomes that the Scottish Government has set out a clear commitment that a visitor levy must be used as a force for good to support and grow the country's valuable tourism asset.

We are committed to working closely with the Scottish Government and local authorities to ensure that industry has a key role in shaping the development of the visitor levy, guaranteeing the right collection model is in place, the burden of collecting the levy is kept to a minimum for businesses, and that the money raised is effectively deployed to invest in tourism priorities that will benefit both the sector and local communities.

Following the publication of STA's Local Visitor Levy Manifesto at the start of 2023, we are pleased that a number of the recommendations put forward by the tourism and hospitality sector have been adopted in the Visitor Levy (Scotland) Bill.

This includes that the net revenue raised from the levy is to be reinvested in tourism, consultation must be undertaken with the sector on the creation of a visitor levy scheme, annual reporting on how the levy is spent, the option of seasonal application of a levy, and the formation of a Visitor Levy Expert Group to form guidance and best practice for any local authorities that decide to introduce a visitor levy.

However, the introduction of a visitor levy remains contentious for the tourism and hospitality sector, with a significant proportion of the business community still strongly opposed to its introduction. The STA will also set out in this submission the remaining recommendations from our manifesto that we believe need to be implemented to ensure the visitor levy works in the best interests of the sector and the country more widely.

Just like our manifesto, this submission has been jointly developed in collaboration with STA's member Council, which represents the views, concerns, and priorities of the tourism and hospitality industry.

Presented as a new tax power for Scottish local authorities to raise revenue, there are serious concerns among accommodation providers that collecting the levy will place an additional burden on them and potentially result in unintended consequences for their businesses, such as impacting on VAT thresholds.

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

We also think that a simpler charging model with a maximum cap should be introduced, as the current percentage model proposed in the Bill makes it harder for smaller businesses to calculate and communicate costs to visitors, and it is more difficult for local authorities to estimate how much money they will collect from the levy.

At the same time, there are other parts of our industry that see the potential value of the net revenue raised from a visitor levy being used as a force for good and to grow Scotland's valuable tourism sector.

As is already the case in other countries, there is the opportunity to use the net revenue raised to improve the attractiveness and visitor offer across Scotland, helping to support the vision set out in the national tourism strategy, Scotland Outlook 2030, for the country to be "the world leader in 21st century tourism".

The STA welcomes that the Bill states that the money raised must be used to develop, support, or sustain services and facilities that are substantially for and used by people who visit the area for leisure. For the visitor levy to deliver benefits for the businesses that are having to collect it on behalf of local authorities then it is essential that this level of commitment to funding tourism remains unchanged in the legislation, at the very minimum.

Before the COVID-19 pandemic, the tourism sector contributed £4.5 billion in gross value added to Scotland's economy, employing 229,000 people, accounting for around 9% of employment in Scotland or the equivalent of one in every 11 jobs.

As set out in Scotland Outlook 2030, there is a real opportunity to direct the money raised to grow the value and positively enhance the benefits of tourism in Scotland by delivering the very best outcomes for visitors, businesses, people, communities, and the environment.

Yet, we are hearing concerns among those who support the levy that the money raised could disappear within local authority budgets and displace funding for existing council services, which we will go into more detail later in our submission.

We further strongly support that the principles of cross-sector partnership working, transparency, stakeholder engagement and accountability are all incorporated in the Bill, as these are integral to ensuring the successful deployment of a visitor levy scheme.

There is an opportunity to strengthen these principles even further to ensure a successful visitor levy scheme that best delivers for industry and local authorities.

STA's submission will set out how there needs to be more detail on the face of the Bill to ensure that the implementation of a visitor levy scheme works as smoothly as possible, rather than deferring critical decisions to non-statutory guidance.

As has been the case with recent legislation, including Short-Term Lets, there is a risk there could be the creation of 32 different levy schemes – creating an uneven and unstable environment for tourism in Scotland.

The outcome of the New Deal for Business, the journey of the Bill through Parliament, and the Visitor Levy Expert Group's work on accompanying guidance are an opportunity to get this right first time for visitors, businesses, communities, and local authorities, while protecting Scotland's global image as a must-visit destination.

As set out in Scotland Outlook 2030 and will continue to be the case for future tourism strategies, having the right policy and regulatory landscape in place is one of the keys conditions of success in achieving our shared vision for 21st century tourism.

In giving more fiscal powers to local authorities through the New Deal for Local Government, it is of the upmost importance that this is balanced and aligned with the New Deal for Business that is happening in tandem. Not all local authorities will adopt a visitor levy scheme and we continue to urge local authorities to be cautious in using this revenue raising power, if the Bill passes.

The visitor levy presents a watershed moment in how the Scottish Government works with business going forward.

9. **Given that the Bill is likely to result in different councils introducing a visitor levy in different ways or not doing so at all, what impact do you think the Bill will have in your area and across different parts of Scotland? For example, this could include any impact (positive or negative) on local authority finances, local accountability and flexibility, businesses, or on numbers of overnight visitors.**

The STA would urge local authorities in Scotland to carefully consider whether introducing a visitor levy scheme is right for their area, and whether there is a risk it could discourage visitors staying overnight in their destination (i.e. If Dundee charged a visitor levy, then someone may choose to stay overnight in neighbouring Angus or Fife where a levy isn't charged). What works for one part of Scotland may not work for another.

There is also a potential risk that introducing a visitor levy will displace visitor activity, with more day visitors than overnight visitors in some areas, resulting in no levy revenue being raised to address the environmental impact of more day trippers (e.g. litter, road damage from touring coaches, etc). Under Venice plans, it will be people visiting the city for the day that will need to pay a charge rather than overnight visitors to address the problem of overtourism.

We are aware that Edinburgh, Argyll & Bute, the Highlands, and Dundee are all actively considering introducing a visitor levy, and it is expected other local authorities will explore this as an option given current constraints on public funding.

Any net revenue raised from a visitor levy scheme must be treated as supplementary to all current local authority, public agency and Scottish Government spend on tourism. It is vital that it does not lead to cuts to existing funding local authorities receive, particularly disadvantaging local authorities that choose not to use this power. It must also not impact on the support VisitScotland receives, such a funding for marketing activities and management of the Rural Tourism Infrastructure Fund.

The Financial Memorandum clearly sets out that introducing a scheme will be costly for both local authorities and accommodation providers, which risks little net revenue being left to reinvest in tourism. The STA continues to be concerned that the introduction of a visitor levy risks pushing Scotland right down the list of popular destinations in terms of price competitiveness and global appeal.

Although several countries already have in place a version of the visitor 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.

The impact of the introduction of a visitor levy scheme goes much wider than the accommodation sector, as Scotland's tour operators will need to be upfront and transparent about a levy charge, which will make their packages more expensive compared to the rest of the tour operator landscape and risks affecting growth in lucrative visitor markets, including America and Australia. It is also likely to impact on visitor spend as people must manage their costs.

As well as potentially impacting on international visitors, there is a real possibility that domestic visitors will choose to holiday across the border in the nearby Lake District and Northumberland than pay more to stay in Scotland if a visitor levy needs to be paid on top of their holiday budget. It is the important domestic market that will more likely choose destinations outside Scotland without a levy charge.

As part of the latest Scottish Tourism Index (August 2023) conducted by 56 Degree Insight, the representative survey of over 1,000 living in Scotland found that If visitor levy schemes were in place throughout Scotland, worryingly 42% of respondents said they would be more likely to consider staying in other parts of the UK that do not have a charge.

There is a risk that accommodation providers will have fewer visitors at a time they have been required to pay set-up costs to collect and remit a levy, as well as having a knock-on impact on other businesses reliant on visitor spend.

The STA welcomes that the Bill gives the power to flexibly apply the visitor levy at different times of the year and that it does not need to apply to all parts of a local authority area.

This was a key ask in STA's Local Visitor Levy Manifesto that the levy could be applied seasonably to avoid having a detrimental impact on rural and island areas during the off-season, and to allow the visitor levy to be applied tactically. In Croatia, for example, their version of the levy is not charged during off-peak periods to make visiting cheaper at these times and potentially extend the visitor season.

By strategically choosing not to charge the levy in some parts of the local authority, this can encourage more visitors to choose to stay overnight in less visited locations. When a levy is not charged in those areas, it is important that net revenue continues to benefit them too (e.g. using money raised in cities to support tourism development in local neighbourhoods and attract visitors outside city centres).

This needs to be carefully balanced with ensuring there is adequate reinvestment in the area where the levy was originally collected. We believe allocation of funding should be decided by a dedicated committee with cross-sector representation (please see our answer to Q16 for more details).

As the levy is not being applied across the whole of Scotland, it is imperative that local authorities, Scottish Government and VisitScotland clearly communicate to visitors when, where and how much they will be charged if a visitor levy scheme is introduced.

It is our strong preference that a national approach be taken on awareness raising activities around visitor levy schemes and charges in different parts of Scotland. Failing to do so will create confusion among visitors, as consistency in messaging will be key to avoiding the introduction of a visitor levy deterring visitors. For example, many accommodation providers such as caravan parks are reliant on walk-ins and there is a risk that they will lose business if the visitor levy charge is not publicised properly at a national level.

There is a 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 visitor offer, or there is a risk people will choose an alternative holiday destination outside of Scotland. Accountability, regular reporting and promotion will be key in being able to communicate the benefits that paying the visitor levy will bring.

10. Do you agree with the Bill's definitions of a "chargeable transaction" and of "overnight accommodation"? If not, what definitions do you think would be better?

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

Our STA Council has raised strong concerns that failure to address this anomaly, in the Bill under Part 2, Section 4 (2) or through further regulation, risks exacerbating the problems caused by irresponsible wild camping, motorhomes and campervans already facing many rural and island communities.

It is particularly unfair given that the revenue raised from a visitor levy is often cited as being needed to fix the problems being caused by wild camping which is undertaken in an environmentally irresponsible way, and motor accommodation (e.g. improving of roads, litter and human waste management), particularly in rural and island communities like Skye and the Western Isles.

Along with creating a level playing field among accommodation providers, there is a potential environmental impact to be considered if these other forms of overnight accommodation grow in popularity to avoid paying a levy charge.

To ensure a fair balance between accommodation providers, the STA believes an immediate solution is that the Bill be amended to include the rented provision of campervans and motorhomes under the definition of "overnight accommodation", charged at the point of hire and that the visitor levy contribution goes to the local authority area where the rental is made.

We seek a commitment from the Scottish Government that further action will be taken through this Bill or forthcoming regulations to capture all types of commercial non-static accommodation under the visitor levy scheme to ensure a level playing field and reduce their environmental impact.

There is currently a risk of worsening the situation, where more people choose to wild camp or travel by campervan to avoid paying a levy charge. For example, STA Council members have shared with us that people wild camping or travelling by campervans are already regularly using holiday park facilities without paying to stay at these sites.

In addition, the STA requests a further amendment be made to the Bill under Part 2, Section 4 (2) (h) to remove “boat moorings or berthings” from the list of defined “overnight accommodation”. We fully support the arguments that have been set out in British Marine Scotland’s submission to the Call for Views for their removal.

The chargeable transaction between a leisure marina or other provider of boat moorings/berthings and the boater does not include “the purchase for the value of the right to reside in or at overnight accommodation”, and instead boaters are charged for a safe haven for boats and marine services fees such as utilities, lifting out, maintenance and repair services, and on-site boat storage. Many of these boats do not even have onboard accommodation.

The Scottish Government has said the inclusion of cruise ships in the Visitor Levy (Scotland) Bill would have delayed the legislation considerably. It is the STA’s understanding that as part of the New Deal for Local Government a cruise ship disembarkment charge for passengers is being considered as part of a new fiscal framework being developed.

We remain concerned about introducing a charge on cruise ship passengers, who make a valuable contribution to Scottish tourism and the wider economy, attracting cruise ships and passengers from around the world to our ports. When Amsterdam began charging a €8 per head tax on cruise tourists in 2019, some cruise companies chose to remove Amsterdam from their itineraries.

However, this must be balanced with concerns among some local communities about the risk of tourism overcrowding and the resulting pressure on resources and infrastructure, potentially offsetting the economic benefits brought by cruises stopping there. For example, Orkney is proposing limiting the size of cruise ships that can anchor there.

It is estimated that cruise tourism in Scotland accounted for 4.3% of overnight tourist visits and £40.6 million spent directly onshore by cruise passengers and crew in 2019 (ekosgen independent report Cruise Tourism in Scotland: Review & Sustainable Development Opportunities for VisitScotland, Scottish Enterprise, Highlands and Islands Enterprise and Scottish Government, Oct 2020).

This is again another example of when the New Deal for Local Government and the New Deal for Business are potentially at odds with each other and needs to be joined up.

11. What are your views on the Bill's proposal to allow councils to set the levy as a percentage of the chargeable transaction? Are there any other arrangements that you think might be better? If so, please give examples and a short description of the reasons why.

STA's membership has raised concerns that plans to use a percentage charging model for the visitor levy is overly complex and will be excessively burdensome for certain types of accommodation providers and visitors.

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

As a result, all accommodation bills will now need to be separated, with a breakdown of accommodation costs and non-accommodation costs to be submitted to local authorities for monitoring and auditing purposes, as well as additional data on costs when there are exemptions recorded. This is a significant undertaking for businesses when there are much simpler levy options that can be introduced.

This would place a particular burden on microbusinesses that do not use the services of a bookkeeper or accountant, and do not have the necessary IT systems in place, which increases the likelihood of inaccuracies and heightens the risk of enforcement action and penalty fees being issued.

The majority of Scotland's tourism sector are microbusinesses and small businesses, with 96% of tourism enterprises registered as small businesses (0-49 employees) in 2017 (source: Tourism in Scotland: the economic contribution of the sector, Scottish Government, April 2018).

The percentage model also makes it harder to communicate to visitors the costs they will face upfront before booking a trip rather than charging a fixed fee. This is especially the case for visitors staying in multiple local authority areas, such as hostel accommodation on a walking or cycling trip who are already trying to keep the costs of travel low.

Using a percentage model will also make it more difficult for local authorities to estimate how much money the visitor levy will generate, including the net revenue that will be left over to invest in tourism.

As is the case in European cities like Bruges and Porto, it is the STA's preference that the visitor levy should be a fixed flat-rate charge per night to avoid confusion among visitors and accommodation, with powers in place that local authorities must seek advance agreement from either the majority of elected councillors or a dedicated cross-sector committee to charge a higher or lower fee during set periods (e.g. increased for major events, reduced for off-peak visitor periods).

In STA's Local Visitor Levy Manifesto, we recommended a national levy charging model with a consistent fee structure to avoid confusion and misinterpretation, particularly for hotel and hostel groups that operate across multiple local authority areas. For example, Hostelling Scotland has one booking and accounting system across all local authorities, which will make it problematic applying different visitor levy rates when people choose to book hostel accommodation in multiple council areas.

Another option is a tiered system where there's a different fixed fee based on the cost per night with a maximum cap in place (i.e. £1 charge for a £100 room; £2 for a £200 room; £3 for a £300 room, etc.)

The latest Scottish Tourism Index (August 2023), conducted by 56 Degree Insights, found there remained little appetite among people to pay much more than the equivalent of £1 per person per night, which is much lower than the potential charges from the percentage model presented in the Bill.

An agreed, fixed, flat fee per night would be less burdensome on business and would be less likely to lead to mistakes being made and the risk of enforcement and penalty fees being issued, as well as being easier for visitors booking overnight stays to understand.

At the same time, the STA recognises that there are some advantages to using a percentage levy model, as it means visitors will pay lower corresponding charges during quieter periods when accommodation costs are lower. It would also mean that, for example, someone staying at a campsite would not be charged the same amount as a person booked into a five-star hotel.

However, given the predicted impact on the availability of B&Bs, self-catering and Airbnbs in areas such as Edinburgh due to the Short Term Lets Licensing Scheme, there are concerns that visitors will be forced into staying overnight in higher priced accommodation.

Lack of available accommodation will also allow others to drive up their prices in the face of demand, which will mean visitors have to pay a greater percentage of the visitor levy fee.

Whatever mechanism is used for the visitor levy, we firmly ask that a nationally agreed maximum cap charge per stay should be inserted in the Bill, which we will go into more detail about in Q12.

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

The STA strongly believes that there needs to be a nationally agreed upper limit to the percentage rate that can be charged by local authorities and that visitors should not be charged the levy beyond five nights staying in same accommodation, inserted under Part 2, Section 6 (6) of the Bill.

There is the possibility some local authority areas will charge a much larger levy fee, potentially negatively impacting on accommodation bookings and putting off tourists from staying in Scotland. Edinburgh City Council has suggested that it is currently considering a percentage rate of up to 4%, which means visitors could potentially pay more than the previous £2 per head per night it was considering, and it has even looked at financial projections for how much revenue would be raised from a 7% charge.

The maximum cap level set must take into consideration competitiveness and diluting of secondary spent in the sector, alongside how much net revenue will be raised.

Under the same Section, the Bill also needs to state that the visitor levy percentage cannot be raised by more than a certain agreed percentage at the time of review.

It is essential that the visitor levy rate is set at a realistic level to ensure that Scotland remains a competitive visitor destination, particularly given that people are already facing serious cost pressures that will reduce their ability to afford to go on holiday. The Bill should further state that, when setting the percentage rate, local authorities must avoid causing an adverse impact on the local visitor economy.

As previously mentioned, the STA welcomes that the Bill has adopted our recommendation that there is flexibility to apply the visitor levy differently in respect of seasonality, meaning it could just be applied at peak visitor periods or tactically to attract visitors during off-peak periods. For rural and island areas, it is important that the levy can be applied differently, during the quietest and busiest visitor periods.

There is the potential to charge a higher levy rate during key event periods (e.g. the Edinburgh festivals, UCI Cycling World Championships) when visitor accommodation is guaranteed to be at full capacity. This should be agreed well in advance and clearly communicated to potential visitors ahead of their visit and accommodation providers.

The STA further supports that the visitor levy rate charged does not vary between different types of visitor accommodation, as this would place some at an unfair disadvantage. A mixture of different types of visitor accommodation is essential for Scotland's tourism ecosystem.

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

The Bill explicitly mentions the “issuing of exemption vouchers” but fails to go into any detail about what this would entail and how it would work in practice. A unique online exemption code to enter at time of booking is one option to process exemptions.

There remain questions needing addressed in the legislation about whether there is an expectation that visitors must issue proof of exemption to accommodation providers, what counts as proof, whether certain organisations and bodies will be able to issue exemption vouchers/online codes to be used (e.g. hospitals, hospices, carer charities), and is there an expectation that local exemptions are agreed at the start of a visitor levy scheme or can be introduced at any time (e.g. local authorities issuing exemptions strategically during key events).

Absolute clarity is needed about who will be responsible for administering an exemption scheme, including responsibility for issuing exemption vouchers, issuing of rebates, and the ability to challenge, as there is a risk of fraudulent behaviour from visitors. The responsibility for enforcement should not sit with accommodation providers.

As the Bill currently stands, the exemption scheme and how it would be administered is worryingly vague. Although some of this will be covered in later guidance, a national and consistent approach to applying exemptions and rebates must be set out in the Bill in order for the process to be clear to local authorities, accommodation providers, those who can issue exemption vouchers, and most importantly overnight visitors.

The STA believes that given the sensitivities and complexities surrounding exemptions and rebates, including data protection considerations, that it should be local authorities that operate this. It is not appropriate for visitors to present often sensitive and confidential information to accommodation providers as proof of an exemption.

We also support the creation of a nationally agreed set of exemptions from paying the levy, offering much-needed clarity for everyone. We believe that this should include people staying in overnight accommodation in their own local authority area, who already pay a council tax fee and should not face an additional fiscal burden, as is the case in many Italian towns that charge a tourism levy. Another potential national exemption is residential school trips.

Upfront agreement in the Bill should include those staying overnight for hospital treatment and visits, those taking respite breaks, and people who receive certain benefits, in keeping with the Scottish Government’s commitment to a fairer society. We understand that there may will still need to be local exemptions identified (e.g. island visitors impacted by weather delays), but believe that the Visitor Levy Expert Group can be used to immediate effect to identify a national set of exemptions upfront.

The introduction of a visitor levy has a particular impact on those who live in rural, remote and island areas, where they must regularly stay overnight on the mainland or in cities for health, business, financial and legal matters.

It is welcome that the Policy Memorandum already sets out that if accommodation is used for residential purposes then people such as refugees, domestic abuse victims and homeless people will automatically not need to seek exemption from a visitor levy charge, as is also the case for the gypsy/travelling community.

The exemption and rebate process must be as simple as possible for visitors and accommodation providers to avoid an unnecessary administrative burden on both in requesting an exemption or rebate from paying a visitor levy charge.

A careful balance is also needed between identifying exemptions and avoiding adding to the administrative burden on accommodation providers processing them.

14. Do you agree with the Bill's requirements around the introduction and administration of a visitor levy scheme, including those relating to consultation, content, and publicity (Sections 11 to 15)? Are there any other requirements you think should be met before any introduction of the levy in a given area?

Given the significance and potential negative implications of introducing a visitor levy scheme, we recommend that the Bill under Part 3, Section 11 include the provision that the majority of elected councillors in a local authority need to be in attendance for a vote on a scheme and have voted in favour for it to go ahead.

The STA strongly welcomes that the legislation places a clear commitment on local authorities to consult with communities, tourism businesses and tourist organisations before introducing a visitor levy scheme, which was one of our key asks in our Local Visitor Levy Manifesto.

We would strongly request that the requirements around the introduction and administration of a visitor levy scheme remain in the Bill, as these are necessary for a scheme to effectively work in the best interests of all parties involved.

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

In addition, we believe the Bill should require that local authorities carry out and present a robust cost-benefits assessment as part of its decision-making on whether to introduce a scheme.

The STA further supports that the legislation ensures that the date a visitor levy scheme comes into force must be at least 18 months after the date of the local authority's decision to introduce the scheme, and that it must publicise the decision and when it will come into force. Businesses need time to be engaged with, supported, and to prepare for implementing a levy, and visitors must be informed at pre-booking.

We would recommend that the Bill makes clear that the decision to introduce a visitor level scheme must be dated after the legislation is passed. It would be STA's preference that publicising of the scheme be set at a national level in the face of the Bill, although we welcome that there are provisions in the Delegated Powers Memorandum for Scottish Ministers to make further provision about the manner that local authorities publicise a scheme.

Further provisions are needed in the Bill that set out that there must continue to be ongoing communication and promotion of any changes to a visitor levy scheme, at a local and national level, to ensure that both the tourism and hospitality industry and visitors are aware well in advance (e.g. changes in charges or levy exemptions during major event periods).

We understand that current constraints on public funding mean that some local authorities are keen to introduce a visitor levy as soon as possible, but accommodation providers and the inbound travel industry must be given adequate time to properly prepare, and there needs to be proper awareness-raising activities significantly in advance of a scheme coming into place so visitors are well informed. The inbound travel and conference industry promote prices and take bookings up to two years in advance.

Some local authorities will argue that they have already undertaken significant consultation activity. However, some of this was prior to the COVID-19 pandemic and the financial crisis we have since faced. Both tourism businesses and households are in a very different position to 2019, so new consultation is essential before any decision to implement a levy is made. It is also important that either the Bill or follow-on guidance clearly sets out what is meaningful and comprehensive consultation.

It is also vital that the Visitor Levy Expert Group that has been established to develop guidance on the visitor levy is given enough time to develop the best possible guidance for local authorities to avoid inconsistency and any unintended consequences for the tourism and hospitality sector. We welcome that the proposed work timetable for the group currently supports this to take place.

Given that the Bill is still passing through Parliament and that the Visitor Levy Expert Group is still developing guidance, we would strongly suggest that the Bill sets out under Part 3, Section 12 that any consultation about introducing a scheme must not take place until after the Bill is passed and the full and final legislative information is available to everyone to inform this crucial decision.

15. What are your views on the Bill's requirements for local authorities in respect of records keeping, reporting, and reviewing? (Sections 16, 18 and 19)

The STA believes the Bill's requirements for local authorities to keep a separate account of the visitor levy scheme and annually report on money collected and how net proceeds of the scheme have been used are integral to the success of the scheme and the delivery of its objectives.

Accountability and transparency are key to ensuring that the net proceeds are being used by local authorities to develop, support and sustain facilities and services that are substantially for, or used by, visitors. It is also of great importance that visitors can see how their levy contribution is benefiting tourism, and to help communities to recognise the contribution that visitors are making to their local area. For example, in Tuscany part of its marketing includes signage communicating to visitors and locals how the charge has been spent on improving local services and facilities.

The visitor levy must be treated as a supplementary revenue stream, rather than an opportunity to fund existing council services and facilities (e.g. council funding already in place for public toilets, road maintenance, waste etc) and reporting on how the money raised by the levy will be key in ensuring it is spent as intended in the legislation and by the Scottish Government.

This reporting and transparency are of further importance, as our Council members have raised concerns around how much of the money collected from the levy may be held in reserve by local authorities.

The STA welcomes the three-year review period and reporting set out in the Bill for the visitor levy scheme, as this is an important opportunity to review how the scheme is working and whether it is having a detrimental or beneficial impact on tourism and hospitality businesses.

To ensure consistency across local authorities that introduce a visitor levy scheme, it would be our preference that a national approach be included in the Bill on monitoring and publicly reporting on revenues raised from the levy and its impact on areas, although we once again welcome that these potential powers are included in the Delegated Power Memorandum.

16. The Bill requires that net proceeds of the scheme should only be used to “achieve the scheme’s objectives” and for “developing, supporting, and sustaining facilities and services which are substantially for or used by persons visiting the area of the local authority for leisure purposes.” Do you agree with how the Bill proposes net proceeds should be used and if not, how do you think net proceeds should be used?

The STA strongly welcomes that there is an explicit commitment in the Bill that the net revenue raised from a visitor levy scheme is used to develop, support, or sustain services and facilities that are substantially for and used by people who visit the area for leisure.

We welcome that the Minister for Community Wealth and Public Finance, Tom Arthur, has publicly said: “The prize is a discretionary power that will strengthen local democracy and enable councils to deliver real benefits to their tourist economy and build on Scotland’s reputation as a world-class tourist destination. This is about putting in place measures now that can deliver sustained investment in tourism in the future.”

As set out in our Local Visitor Levy Manifesto, 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’.

We are aware that some local authorities may call for the scope of the use of proceeds of the visitor levy to be wider than tourism. As it is tourism and hospitality businesses that will be expected to collect the visitor levy on behalf of local authorities, it is only fair that the money raised is reinvested in tourism.

If the use of revenue raised goes beyond investing in tourism, then effectively it becomes a tax on tourism and opens a gateway for more taxes on business.

We believe that the wording of the Bill could be developed further to make it clear that the net revenue can also be invested in other tourism priorities, such as investment in visitor attractions and heritage sites, cultural programmes, and the promotion and management of destinations. There is also the potential to use it to invest in growing business tourism, such as attracting large-scale conventions and conferences.

Some of the uses of the net revenue raised we identified in our manifesto can be found in the BRIA for further reference. The net revenue generated should also be available to secure match funding to be used for further tourism investment opportunities.

There is also the potential to use the visitor levy to offer additional benefits to visitors that they would not have had otherwise. For example, in some German resort towns, visitors paying the local occupancy tax get free or pay discounted prices for facilities such as spas, public transport and entry to local visitor attractions.

As well as delivering on the national tourism strategy and National Strategy for Economic Transformation 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, a tourist tax has been introduced to raise revenue that goes towards programmes that help to preserve the environment and Balinese culture, including a focus on tackling plastics pollution and beach waste.

Any revenue raised must be demonstrably used as a force for good and therefore we believe there should be a requirement of local authorities that they are 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.

As the legislation currently stands, there is no reference to the national tourism strategy in place at that time and we strongly request this be added to Part 3, Section 17(2) on the use of the net proceeds of the scheme.

The STA supports that the decision on how the net proceeds are used to assist and support the visitor economy are made at a local level. Each local authority area will have its own different tourism priorities and needs.

As previously stated, it is also important that any net revenue raised is fairly and appropriately distributed within local authority areas (e.g. ensuring investment in tourism services and facilities to support rural and island communities, and using money raised in cities to support local neighbourhoods and attract visitors outside already popular city centres).

This includes ensuring that National Parks also receive a fair share of investment from the revenue raised from the visitor levy, 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 welcome that National Parks has been identified as a key stream under the Visitor Levy Expert Group's workplan, as this remains an important anomaly needing addressed.

We restate our manifesto recommendation that dedicated committees should be formed in local authority areas and communities to decide how funding is best used across their localities to support tourism and communities, which includes the tourism industry, destination management organisations (DMOs), and local community representatives. The STA calls for this to be inserted into the Bill under Part 3, Section 17 (2).

Through STA's Destination Forum, DMOs have made a valuable contribution to the creation of our manifesto and in helping inform our thinking on the visitor levy. We would recommend inviting a selection of DMOs or that STA set up a one-off Destination Forum online meeting to give oral evidence to the Committee as part of its scrutiny of the Bill, as they provide a crucial insight in the needs and pressures on their individual visitor destinations and local communities.

It is not enough that the legislation states that local authorities must consult "from time to time" on the net proceeds of the visitor levy scheme with these representatives. This is vague and at risk of being tokenistic and easily ignored.

The STA believes the creation of these local committees will ensure that the visitor levy does not disappear within local authority budgets and displace funding for existing council services, which is a real concern for our sector.

It is also important that there is some form of recourse in place if local authorities use the net proceeds of the visitor levy for initiatives outwith the scheme's objectives and enforcement action can be taken where revenue is misused. There is the potential to give Scottish Ministers this power until the Delegated Powers if it proves to be an issue.

Each local authority will have its own individual priorities, but we do not want the visitor levy to become a 'toilet tax' or 'trash tax' to fix problems that should come from existing council budgets and pay deals, such as last year's bin strikes.

It is of the utmost importance that the messaging and communication around the visitor levy is positive and that visitors and businesses can witness a demonstrable difference from the contribution they have made by paying, collecting and remitting a visitor levy. It is also paramount that the language around the levy is positive and that any references to a 'tourism tax' or 'taxing tourists' stops.

The Scottish Tourism Index (August 2023) found that 48% of survey participants were opposed to the introduction of a visitor levy. However, if there was an assurance that the additional revenue raised from the levy would go towards supporting local tourism, over half of respondents said they would be broadly supportive (56%). It demonstrates the importance of using the net revenue raised to reinvest in tourism and the importance of positive messaging about this.

For example, 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 recent Tokyo Olympics.

The STA further welcomes that our recommendation for local authorities to annually report on how the net proceeds of the visitor levy scheme have been spent is in the Bill. However, we would add that the objectives of any scheme cited in the Bill should also report against how it is meeting the national tourism strategy in place at that time under Part 3, Section 18 (1), as well as their local tourism strategy.

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

The STA believes the percentage model set out In the Bill is particularly burdensome on micro and small accommodation providers and increases the risk of mistakes being made, enforcement action and penalties being issued (please see our answer to Q4 about what identifying the chargeable part of the overnight rate would involve for most accommodation providers).

It is the STA's preference that the visitor levy fee structure should be a fixed flat-rate charge to make the process simpler and less costly for accommodation providers, including businesses that operate multiple premises and often across different local authority areas.

An agreed, fixed fee per night or a fixed tier structure would also be less burdensome on business and would be less likely to lead to inaccuracies and the risk of penalty fees, make it easier to reimburse customers who need an exemption or rebate, and simpler to communicate to visitors.

The Bill's requirements for accommodation providers on record keeping and returns are also excessively time-consuming.

To reduce administrative burden, the STA believes that accommodation providers should pay the levy money collected and submit returns to local authorities just twice a year, rather than on a quarterly basis as suggested. Under Part 2, Section 23 (4) and Chapter 3, Section 26 (2), we propose this be by 31st October (end of main visitor season and particularly relevant if the levy is used seasonably) and by 31st March (end of the financial year). Submitting on a quarterly basis is too onerous and burdensome on businesses.

Rather than the five-year period set out in the Bill, under Part 2, Section 5 (3) (a), the STA believes businesses should only need to keep records for each three-year cycle of the scheme. Beyond statements of annual accounts, some businesses will not have the physical capacity to keep records for the longer period proposed in the Bill.

Further clarity is also needed in the legislation about what records accommodation providers will be required to keep regarding exemptions and rebates concerning the levy, as there are potential implications concerning data protection and whether this responsibility lies with accommodation providers or local authorities.

Given the asks being made of accommodation providers and costs set out in the Financial Memorandum, the STA believes these businesses should be supported to recover visitor levy scheme start-up costs, in the same way that local authorities will be using the levy money collected to cover their own costs. This could potentially involve accommodation providers not remitting the levy money raised until these initial costs are met – either based on the estimates in the Financial Memorandum or through proof of costs submitted to local authorities.

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

The STA believes that the enforcement and penalties set out in the Bill are draconian and are far too harsh on businesses. Given the complexity of the percentage model set out in the Bill, there is a risk that local authorities could be heavy-handed with businesses that initially fail to meet the requirements set as they adjust to implementing levy charges.

The Bill, as introduced, sets up a confrontational relationship between local authorities and accommodation providers, rather than working together to provide the best experience for visitors to their area.

The power to inspect business premises particularly seems like a step too far.

There is also a question about what capacity local authorities would have to enforce these penalties and undertake inspections.

To avoid the risk of facing enforcement action, the Bill should state that local authorities must properly support accommodation providers to correctly make returns and keep adequate records concerning a visitor levy scheme, rather than face the threat of enforcement action and penalties.

It must not be forgotten that it is tourism and hospitality businesses that will shoulder the financial and time burdens of collecting the levy on behalf of local authorities, and that they should not have to bear the brunt of implementing this policy and face penalties for making mistakes. The visitor levy must be to the benefit of these businesses, reinvesting in the tourism proposition in their area, rather than to their detriment.

Instead, the STA recommends that these powers are available as negative instruments to Scottish Ministers under Delegated Powers if it proves that they are needed once a visitor levy scheme is in place.

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

The Delegated Powers listed give flexibility and allow necessary changes to be made to a visitor levy scheme without the need for further primary legislation.

The STA welcomes that there is the power for Scottish Ministers to add, remove or amend types of accommodation liable for the levy without primary legislation under Section 4, as this will allow changes to be made based on future economic and behavioural changes to the accommodation sector.

We also welcome that there is the power to create a national level of exemptions concerning situations where it is not appropriate to pay a visitor levy under Section 10. We envision that this will be the case for some exemptions (e.g. overnight stays for hospital treatment or respite breaks) – see our answer to Q13 for more detail.

Concerning consistency between local authorities, it remains STA's preference that a national model approach be adopted in the Bill, but we welcome that under Section 14 Scottish Ministers would have the power to make further provision about the manner that local authorities publicise the introduction of a visitor levy scheme, under Section 19 concerning reporting standards, and under Section 20 the power to introduce national requirements on administration, reporting and reviewing of a visitor levy scheme.

In the absence of a national approach to a visitor levy, these are all vital safeguards that are needed to prevent a postcode lottery in how any visitor levy schemes are applied across multiple local authority areas.

Rather than being on the face of the Bill, the STA believes that Part 5 of the legislation on enforcement of the levy and penalties should be a discretionary power available to Scottish Minister if it proves that they are needed once a visitor levy scheme is in place.

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

As set out in our Local Visitor Levy Manifesto, as the visitor levy will be applied to 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 BRIA concedes that “there is potential that some smaller accommodation providers (particularly in the self-catering sector and providers offering accommodation through collaborative sharing platforms) could exit the sector if administration and compliance costs associated with the levy are perceived as significant.”

The Financial Memorandum clearly sets out that there will be a substantial financial burden placed on these businesses in paying for set-up costs and ongoing costs to collect and remit a visitor levy on behalf of local authorities.

The Financial Memorandum states that the direct financial implications for Scottish Government will be minimal, while local authorities will be able offset costs through future levy revenue collected. As previously mentioned, there are concerns among the sector on how much of the money collected from the levy may be held in reserve by local authorities. For example, Edinburgh City Council has reportedly held around £350,000 in reserve from Liquor Licensing Fees, despite the system being considered as cost neutral.

However, businesses will not be able to recover these costs and the Financial Memorandum cites the potential negative impact the levy will have on the competitiveness and profitability of accommodation providers.

This is particularly the case for microbusinesses and small businesses, who do not have the necessary infrastructure in place to collect a levy and do not currently remit other taxes such as VAT. The Financial Memorandum acknowledges that “the collection of new data and new record-keeping may be a more significant burden to smaller hotels, self-caterers or B&Bs.”

Given the breadth of Scotland’s accommodation sector, we remain concerned how comprehensive the level of engagement with businesses has been to inform the estimated costs provided. Only 20 accommodation providers took part in the exercise, with over half of them hotels (12). 5 self-catering businesses, 1 inn, 1 hostel and 1 campsite were also consulted.

Only two businesses indicated annual turnovers of less than £85,000 were consulted as part of the BRIA, which brings into question how accurate the cost estimates are for micro and small businesses, which will particularly be impacted by collecting a levy.

‘A Consultation on the Principles of a Local Discretionary Transient Visitor Levy’ published in September 2019 had just 49 responses from hotels and 67 responses from other accommodation providers (including B&Bs, guest houses, caravan parks and campsites), which represents a small proportion of the accommodation sector.

Given the COVID-19 pandemic, the impact of the Short-Term Lets Licensing Scheme, energy costs and the ongoing financial crisis that have happened since 2019, it is disappointing further consultation and in-person information sessions were not conducted to present a more current picture of the existing financial pressures facing business. This was a concern we raised with Scottish Government colleagues during our conversations with them.

Given the breadth of Scotland's accommodation sector, we remain concerned how comprehensive and up-to-date the level of engagement with businesses has been to inform the estimated costs provided.

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

In the early years of a visitor levy scheme, we believe every effort should be made to ensure it is as cost neutral for business as possible, particularly for micro and small businesses when cost pressures will be disproportionately felt. The Financial Memorandum highlights that accommodation providers may not be able to pass on costs to visitors and that visitor behaviour may be impacted by the levy, including displacement of visitor activity to other places that do not charge a visitor levy.

At the same time, it will take time for tourism and hospitality businesses to see any benefit from the levy's net proceeds being used to benefit the visitor economy and destination.

One option is that accommodation providers keep the levy collected up to the point of recouping their start-up costs, as estimated in the Financial Memorandum. This should include promoting awareness of the introduction of a levy and developing customer communication and marketing plans, which is currently not estimated in the Financial Memorandum.

Alongside the Scottish Government and local authorities promoting awareness of the introduction of a levy, accommodation providers must be supported and receive any necessary financial reimbursement to develop customer communication plans and marketing activity to inform their overnight visitors up to a year in advance of a levy scheme being introduced that they will face an additional charge on their bills.

There is also the cost of processing a levy charge, which will include credit card processing charges and commission rates charged by Online Travel Agents (OTAs).

For accommodation providers that have contracts with OTAs and third-party booking platforms, there is the added complexity that a percentage commission is charged on the sale of accommodation, usually based on the consumer price and inclusive of taxes like VAT. The Bill sets out that a visitor levy will need to be calculated after any commission payable to a booking service is deducted, which places another additional burden on businesses that will need to renegotiate or review these contracts.

In addition, we seek urgent clarity from the Scottish Government about 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.

The BRIA states that it is the intention that the advertised price of commercial accommodation in areas where a visitor levy is applied will clearly show any levy charge, while the Policy Memorandum includes giving Scottish Ministers the power to require other elements of a transaction to be broken down in billing information.

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.

The Financial Memorandum acknowledges that a visitor levy could be considered liable for VAT, with implications for accommodation providers that operate just below VAT thresholds or potentially lifts others out of the Flat Rate Scheme.

However, in recent correspondence from the Minister for Community Wealth and Public Finance to the Local Government, Housing and Planning Committee, it was reported that the UK Government's Financial Secretary to the Treasury, Victoria Atkins MP, had confirmed that "if an accommodation provider includes an amount equivalent to a visitor levy in the charge for the overnight accommodation, then this will form part of what is paid under a contract for the supply of accommodation" (source: SPICe Briefing on Visitor Levy (Scotland) Bill, Sept 2023).

As a matter of urgency, the STA urges the Scottish Government to revisit its financial estimates for businesses, carrying out a thorough assessment of the actual financial impact of VAT being applied to a visitor levy.

A subsequent plan is needed from the Scottish Government to mitigate the consequences for businesses, whether it is agreement with the UK Government to raise tax thresholds or financial support. We would also strongly urge the Scottish Government to continue to press the UK Government on reversing this decision, especially given that Wales is also considering a similar visitor levy scheme.

At present, the Financial Memorandum worryingly fails to estimate the financial impact on businesses of VAT being applied to a visitor levy and, as a result, accommodation providers are at risk of being financially penalised for collecting the levy.

A significant number of accommodation providers are unregistered businesses and currently do not need to register for VAT or use PAYE, particularly in the short-term let accommodation sector. The BRIA estimates that there are potentially around 2,000-3,000 accommodation businesses unregistered for VAT currently across Scotland.

Many businesses already work hard to keep themselves below the VAT threshold, especially in rural and island areas where demand fluctuates during the winter period. There is a risk some businesses might choose to close during the off-peak season to keep their thresholds intact or reduce the number of nights they are available to visitors, reducing accommodation availability and choice for visitors coming to Scotland.

As a result, the positives around flexibility and seasonality concerning application of the levy could be undone if remote and rural businesses are forced to close over the winter period to avoid going over the VAT threshold.

It also fails to acknowledge that there is a potential impact on commercial rates for licensed hospitality that provide visitor accommodation. As a result, we recommend that the Scottish Government urgently seek Scottish Assessors' opinion on how the visitor levy will be viewed in respect of turnover for licensed hospitality businesses where 'turnover' is an element of rates assessment.

Scottish accommodation providers are 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 (source: Scottish Assessors' Valuation Roll as of 1 October 2021).

It also remains unclear how assessors would consider a visitor levy as part of the next revaluation in 2026, e.g. OTA payments are currently disregarded from turnover figures adopted for business rate valuations. Urgent decision making is needed on this from the Scottish Government before the Bill potentially passes.

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. Unfortunately, the Financial Memorandum fails to address these concerns.

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, and instead they will be left worse off.

In this scenario, the country may be left unable to meet the ambitions of the national tourism strategy, Scotland Outlook 2030, if there is a mass exodus of accommodation providers that leave the sector who cannot afford to collect and remit a visitor levy.

For accommodation providers who have in recent years been impacted by the COVID-19 pandemic, rising energy bills, the financial crisis and introduction of the Short-Term Lets Licensing Scheme, it could be the final straw.

A careful balance is needed in supporting businesses to collect a visitor levy and the benefits the net revenue brings for investment in improving Scotland's tourism offer and experience. As the Scottish Government is fully committed to its introduction, we must get this right first time to deliver the best possible version of a visitor levy scheme that works for everyone.