Visitor Levy (Scotland) Bill Stage 1 Debate (16 January 2024)
Summary

Motion vote to agree the general principles of the Visitor Levy (Scotland) Bill at Stage 1
Yes: 86; No: 30; Abstentions: 0

Tom Arthur, Minister for Public Finance, Planning and Community Wealth, opening comments:

- Set out again Scottish Government response to the Local Government, Housing and Planning Committee's Stage 1 report.
- This included: an amendment would be introduced at Stage 2 to remove boat moorings and berthings from the scope of the Bill; will continue to engage with local government and industry partners on the charging model; to consider national exemptions for children and young people; considers the 18-month implementation lead-in period to be an appropriate length of time and rejected the recommendation of the committee to reduce this; will consider how the provisions on use of funds can refined at Stage 2 to include services or facilities that are used by people who visit an area for business; and a national cap on the levy rate will be considered at Stage 2.

Tom Arthur, Minister for Public Finance, Planning and Community Wealth, closing comments:

- VL power is "to generate revenue that can be invested to sustain and to grow our tourism and visitor economy sector. This levy is a tool for economic development. Scotland already provides a world-class tourism offering ,and the purpose of this discretionary power is to allow local authorities, at their discretion, to introduce measures that will allow them to expand and enhance that offering."
- Levy must "maximise the application of local knowledge to secure the biggest return on investment while avoiding any unnecessary variation."
- Concerning the charging model, important to "avoid unnecessary complexity and to minimise administrative burden. We need to try to strike a balance—as, I think, the STA has done through its proposed banding system—between simplicity and ensuring an element of proportionality, which is recognised to be one of the principal attributes of the percentage rate."
- Must have "a framework that can command the confidence not only of the local authorities that choose to implement the levy but of business. Commanding the confidence of business is absolutely key. To use the words of the STA, we want the levy to be 'a force for good' and something that can grow our tourist and visitor economy".

- Agreed that money raised should be additive and not be to backfill. To increase investment into our visitor economy – strategic long-term investment is needed in our visitor economy.
- Recognises role of local exemptions, but recognises multiple exemption schemes would add complexity for businesses operating over multiple local authorities. In addition to children and young people, recognises there may be particular exemptions that it would be easier in the Bill.
- Cruise ships are still being reviewed, but stressed that it was distinct from a visitor levy and the chargeable event. Committed to reviewing if it can be included at Stage 2, but doesn't want it to delay the Bill.
- Expert Group guidance is one vehicle to explore how to ensure consistency where beneficial and to avoid unnecessary variation.

Ivan McKee (SNP):

- Businesses are clear that this is a real test if the New Deal for Business has actually got traction. Cited concerns of the STA and FSB about administrative burden, and complexity, VAT threshold, etc. Asked about steps to include local businesses in committees to work with local authorities to make sure proceeds of the VL are spent locally on supporting the tourist economy.
- Tom Arthur responded that he recognises the calls of the STA and others to maximise the input of business in determining the allocation of funds to support the visitor economy.

Fergus Ewing (SNP):

- Raised the Horizon post office computer system and if the VL is to be dependent on one or up to 32 computer systems, and how that will that be organised and paid for. Commented on how much will that cost and what little sum will be left for anything else.
- Tom Arthur insisted that the Business and Regulatory Impact Assessment and the Financial Memorandum to the Bill take into account what the broad cost of the legislation. Decision of individual local authorities if they proceed with VL. Expert Group guidance on best practice and implementation will assist local authorities to have the most effective implementation of a VL scheme. Open to conversations on further harmonisation of the administrative process.

Arianne Burgess, Committee Convenor of Local Government, Housing and Planning Committee (Scottish Greens):

- Three key themes from the evidence given: local autonomy; percentage or flat-rate model; and use of revenues raised to best invest in visitors and communities alike.
- Mindful of the stakeholder concerns and highlighted the importance of robust monitoring to ensure that negative impacts for businesses and others can be addressed, should the need arise.

- Noted STA comments that percentage model was overcomplex and overly burdensome for accommodation providers and visitors, but said the European Tourism Association evidence was that a fixed fee is hard to justify to someone staying in budget accommodation paying the same amount as someone who is staying in high-end accommodation.
- For local authorities in consultation with local stakeholders to decide how revenues from a levy is spent. Stated that the tourism sector broadly welcomed the use of net proceeds definition, with STA saying it was only fair that the money raised is reinvested in tourism. Also cited importance of ensuring the definition includes business tourism, with the Edinburgh Hotels Association telling the Committee business events alone are worth £2 billion to the Scottish economy.
- Welcomed boat moorings and moorings will be removed from the Bill.

Miles Briggs (Scottish Conservatives):

- Visitor offer that tourism businesses across Scotland provide is world-class, and the importance to the local and national economy is significant and "must not be underestimated or undervalued."
- Many tourism businesses in rural Scotland have still not fully recovered from the impact of the pandemic have faced a period of significant additional costs on their businesses.
- Small businesses are "set to become tax collectors" and liable for the policy, as well as pushed over the VAT threshold unless the VL is classified as non-taxable business income.
- Expressed concerns of self-catering providers that the VL will be a repeat of STLs with 32 different versions of rules and pricing and interpretations of the law – "this is not a tourist tax but another accommodation tax."
- Industry must be at heart of decision on the charging model and hopes that the proposals that the STA has put forward will be considered by ministers.
- Important that a national set of exemptions are introduced so certain groups are not forced to pay additional charges – "current voucher proposal in the Bill is simply not fit for purpose, and the Bill as it stands is weak and does not present a clear framework for how exemptions will operate."
- If national exemptions are right, then local exemptions will not be needed. Unfair to include most vulnerable in the Bill.
- Said the ASSC was right that the VL Expert Group needs to provide detailed answers and mechanisms for the Bill to operate effectively in a uniform way.
- Must see details developed to provide clarity and help the tourism sector to limit the costs and negative impacts that the Bill will have on its businesses. Backed urgent calls from the STA for absolute clarity to be provided in the bill.
- "The Parliament is developing a bad reputation for passing poorly drafted legislation. We cannot allow that to be the case for the Visitor Levy (Scotland) Bill and the measures that will be brought forward and administered, especially for small

businesses such as bed-and-breakfast accommodation and guest houses, many of which do not currently operate an information technology system but will be forced to do so by the Bill."

- Scottish Conservatives will continue to oppose the Bill but will work to try to limit the damage it causes tourism businesses and to improve the Bill by making it fairer and limiting its impact on those who might be captured by it.

Mark Griffin (Scottish Labour):

- Levy power "long overdue".
- Acknowledged the concept is simple, but the detail quickly becomes complex – "The complexity of the debate has underlined how key tourism is to Scotland's economy. It is right that we all understand that the Bill must achieve a balance between supporting sustainable tourism, promoting economic growth and funding investment in local services."
- Whether a tourist tax is a useful tool for all councils will be for them to determine – cited own area of Lanarkshire where there are just nine hotels for every 100,000 people.
- Labour members support the sentiment that the revenues cannot be used to undermine or further cut budgets. Campaigns for a levy have long identified culture and leisure budgets that need to be propped up, but the Scottish Government must not legislate to force councils to plug gaps by spending funds from the levy.
- The committee's view was that funds should be kept in separate accounts and should be considered additional to existing funding streams.
- "Levy cannot be a substitute for a reduction in the general revenue grant to local authorities and it cannot be about plugging a gap. Any revenue that is raised must be used to improve the tourism offer and the services that tourists appreciate and visit Scotland for. It cannot be used for back-filling existing funding gaps, and the Scottish Government should commit to reversing those before we even look at the levy. Without that, we will lose the sector's confidence in the levy."

Beatrice Wishart (LD):

- Made case that levy must apply to cruise ship passengers – addressing this loophole key to gaining LD support for Bill.
- Scottish Liberal Democrats agree with the principle of allowing councils in areas with "high tourism demand" the option to introduce a levy to invest in local infrastructure and services – "Local authorities have their backs against the wall and will need options to protect budgets for key local services."
- Backed Scottish Land & Estates briefing message that "tourism remains a key part of our economy and cultural offering and that the policy's intention is not to reduce the number of tourists who visit all parts of Scotland", along with ensuring burden on small business is not too great and returns to local authorities should take place only twice annually.

Pam Gosal (Scottish Conservatives):

- VL Bill "a consolation prize for local authorities" after years of underfunding from the Scottish Government.
- Has spoken directly with representatives of around 24 local authorities, with the majority seeing no benefit in imposing a visitor levy and would gain very little revenue by doing so – "The Bill will ease pressures on some councils, but it instead dumps pressure on to accommodation providers."
- Agreed with ASSC that the VL is "the last thing" that the small accommodation and self-catering sector needs, also highlighting cost pressures of collecting a levy cited by the Scottish B&B Association and that FSB have said some will have to absorb the costs.
- Will be lodging amendments at Stage 2 that reflect the concerns of businesses (e.g. on the charging model and a national scheme with a set cap). Cannot have a situation "where a business having to state one percentage rate for one local authority area and another flat rate for another local authority area."
- Merit in exploring models such as the Manchester Accommodation Business Improvement District in more detail.
- "On top of an already crowded regulatory environment, it would effectively shrink the sector and then tax it on top. All of that is despite how much our tourism industry contributes to the economy. Councils need extra ways of generating income, but the Bill is not the right way to achieve that. We cannot allow Scottish businesses to become unpaid tax collectors for local authorities."

Sarah Boyack (Scottish Labour):

- Concerned about the wording of the Bill in Section 17 on restriction of the use of net proceeds and the words "leisure purposes" – "because we do not want unintended consequences for local authorities."
- Need to address tensions between residents and visitors in Edinburgh, especially concerning bus services, parks, open spaces and street cleansing – "Important to ensure that those services are fit for purpose, although one would not necessarily call them leisure pursuits."
- Important not to miss out that significant proportion of visitor economy are business tourists.
- Severe cuts to local authorities in the past decade, so shouldn't underestimate the importance of even a modest visitor levy in enabling local authorities to improve the services that relate to visitors, and to strengthen the tourism economy – "As long as it is not overly prescriptive, effective guidance from the Government and the advisory group could help local authorities, which must be able to use the new powers effectively to address their local circumstances."
- Noted the committee's comment that the 18-month lead-in time is excessive – "My plea is that we get on with this, because the Bill could make a real difference. For the

local authorities that want to use the power, the Bill is a real opportunity to support both our visitor economy and our residents."

Ross Greer (Scottish Greens):

- Councils should have the range of financial powers that they need to raise the vast majority of their own revenues – said VL will be joined by a wider package of empowerment that inclues a cruise ship levy, carbon emissions land tax, infrastructure levy, reform of the council tax, council powers on empty homes and second homes, and workplace parking levy.
- Mentioned negative impact high tourist numbers on communities like Luss. Only fair national parks also benefit from a VL "given that many of the services that they provide, such as public toilets, would be provided by local councils in any other setting."
- Responding to Ivan McKee's question about the role of local businesses in working with local authorities to make decisions on the best way to deploy the funds raised by a VL, he said it was essential the whole community, including local businesses and business owners, are engaged by local councils in how they deploy to maximum benefit the funds that are raised.
- "Tourism brings money into local economies, but councils themselves rarely see a direct benefit from that." Reasonable that local authorities that provide public toilets, bin collections, leisure facilities and all sorts of other services that tourists use can recoup those costs.
- "Tax is one of the most critical ways in which we all contribute to building a better society and meeting the needs of everyone in our communities.
- Dismissed 18-month lead-in time, arguing there's an "urgent need to inject more funding into the services that tourists benefit."
- Strong case that councils can use VL revenues to address local housing needs to help resolve local labour shortages in the hospitality sector.

Stuart McMillan (SNP):

- Stressed VL Bill is just one means of supporting Scotland's tourism industry. As it is up to each local authority whether the levy is introduced, the benefits may not be felt equally across the country – "Engagement with the sector must continue, so that we can ensure that the tourism offering across Scotland is able to thrive."
- Stated strong support for boat moorings and berthings to be removed from the scope of the Bill.Asked Minister to not rule out including cruise ships in the Bill or to consider additional legislation.

Craig Hoy (Scottish Conservatives):

- "Yet again, the Government is passing bad laws with what will be damaging consequences. It is doing so for one reason: to enable councils to make up for the SNP Government's own financial mismanagement."

- For many businesses, not just hotels and bed and breakfasts, it will undermine their opportunity to bounce back after the pandemic, citing his role on the Beer and Pub Cross-Party Group and the impact there will be on the overall spend.
- Argued councils will be forced to introduce a VL "as a result of the SNP's austerity agenda —because the Scottish Government is failing to fund our public services and our councils properly. The Government should be working in lockstep with the tourism industry to reduce the regulatory burden, but instead, by having bed and breakfasts, hotels and other operators collect the tax, the Government is, in effect, increasing the regulatory burden on them."
- Cited the STA view that the VL will discourage tourists and displace spending away from restaurants, bars and shops, and will be overly complex and excessively burdensome for certain types of accommodation providers and visitors.
- Legislation creating "uneven playing field" by not including campervans.
- VL comes on the back of the deposit return scheme and the regulation of short-term lets and could push many businesses over the £85,000 VAT registration threshold. Ministers must address those concerns.

Paul Sweeney (Scottish Labour):

- Highlighted Glasgow City Council has seen the largest reduction in real-terms revenue funding from the Scottish Government of any local authority over the past decade – has had to make an estimated £327 million in service cuts over the past decade.
- "VL would not come close to plugging the estimated £1.5 billion black hole that has been created in council budgets across Scotland by the Scottish Government", although it can raise funds to keep museums and visitor attractions open to keep tourists visiting.
- Added that: "We do not want a situation of the tragedy of the commons, in which we have five-star hotels in the midst of public squalor, but, increasingly, that is the environment in the city of Glasgow, as cleansing department budgets are constrained and the capacity for the city to maintain its public spaces is reduced."
- Argued VL revenue raised "must go back into the city specifically to improve key services for people who live there", citing the People's Palace needing restored and renovated.
- Said that £10 per room per night tourist tax would have raised around £1.6 million from Glasgow's 11,000 hotel rooms over the 14 days of COP26, with the city's 2,500 registered Airbnb residences raising another £350,000.
- Gave example of Cologne charging a tax for the promotion and advancement of culture in the city.
- Closing comments: "Ultimately, tourism is a valuable sector in Scotland's economy. It introduces huge wealth to our cities, but we need to capture more of that wealth for the public good, because an increasing share of overall wealth of this country is being thrown into private interests at the expense of the public realm."

Ben McPherson (SNP):

- Section 17 is helpful in purpose, but there needs to be greater flexibility. Cited examples of Leith Theatre infrastructure and how Edinburgh's famous Victoria Street desperately needs cobbling investment – "as well as investment in theatres and other more obvious examples of cultural spending, we need to think about in respect of what tourism spend means. I am glad that the Government is going to look at section 17 and ensure that councils have a breadth of choice when it comes to spending."
- Added it is right that Edinburgh Council is arguing that there should be consideration over whether the fee can be spent on waste services that come under significant pressure during the festival period.
- Permanently berthed boats advertised as hotels like the Fingal and the Ocean Mist might be an anomaly that needs to be thought about at Stage 2.

Daniel Johnson (Scottish Labour):

- Agreed that many people pay tourism levies on holiday abroad, but in many of these VAT is not applied or is applied at a different rate – "It is important that we are clear about that point of comparison so that we are comparing apples with apples".
- "No doubt about the importance of the tourism industry to Scotland" as a generator of revenue and "calling card for a huge range of different activities." Raised that the issue is creating a scheme "that is additive to that, enhances it, and enables investment in those things, because tourism is important."
- If done right a VL scheme can create an opportunity for an alignment of interests – "If we can create the virtuous link between the activity and a council's ability to see the upside and invest, we will have a good policy."
- Backed Conservative MSP Miles Briggs that "the devil is undoubtedly in the detail", with a levy needed that is straightforward to implement and provides clarity for visitors and for operators. It must also be deliverable for local authorities. "It would be easy to create a cumbersome and complicated scheme that got in the way of doing the very thing that we seek to promote."
- Funds must be additive and not backfill lost resource from other areas. Getting the mechanism right to ensure that the funds are additive and that industry and local communities direct spending to enhance the visitor offer is highly important. Reporting and consultation requirements must create the "virtuous cycle".
- Highlighted impact on small businesses and challenged assumption that the VL will be easy for businesses to implement and that they can put a button on their tills. Mentioned experience as a retailer of the carrier bag charge and how it came into force at the worst possible trading time. Many businesses will not have the IT systems in place to start accepting a levy, with some businesses using just a notebook and a petty cash tin.
- Stated VL exemptions for small businesses that do not charge VAT should be considered – "it may not be worth their while to continue in business if they have to

deal with this additional burden. Introducing the levy will not be like simply having an extra rate of VAT for them."

- Suggested a percentage levy in effect involves charging an additional rate of VAT and raised whether 18 months is sufficient time to create a system and a resource to levy, collect and verify an additional rate of VAT.
- Backed sector's call for a simplified framework to provide consistency for implementation – "That would also allow visitors who are looking at touring Scotland to understand the prices that they will face, instead of potentially dealing with 32 approaches to their accommodation prices."
- Closing remarks: "We must look at the detail and get it right so that we strengthen the tourist industry, not undermine it."

Murdo Fraser (Scottish Conservatives):

- Described not including campervans and wild camping in the Bill meant that the VL was a "tax on bricks and mortar."
- Referred to briefing papers from business organisations, including STA, with arguments against the VL in principle. Raised issue is how expensive the country is as a tourist destination due to VAT level.
- Tourism sector is still suffering and is just recovering from the impacts of Covid. Referred to Scottish Land & Estates point that the VL risks sending a message to operators of tourism and hospitality businesses that they are a problem that needs to be fixed, while FSB survey shows 51% of its members are opposed in principle to a VL.
- Practical issues still needing resolved includes campervans and displacing and incentivising this activity, capturing day trips, exemptions and the proposed voucher scheme.
- Also, continued debate needed about the charging model, with him describing the STA banding proposal a "sensible compromise." Cannot have potentially 32 different systems like STLs.
- Cited major concern of Conservatives was how the VL funds are spent and that there should be a role for the business community in how to allocate this – asked whether tourist-related spending meant providing public toilets, filling potholes in the roads, emptying bins and keeping open swimming pools that councils should be doing already.
- "There is a real danger that councils will end up trying to backfill their budgets by raising the levy on visitors. It is all very well to say that it is great to be empowering councils by giving them additional powers to raise tax, but, if the Government is doing that at the same time as it is cutting their core funding, it leaves them with little alternative."

The full Official Report on the VL debate can be accessed here.