THE TIPPING POINT: DRIVING ECONOMIC GROWTH THROUGH COMPETITIVE TOURISM

SCOTTISH TOURISM ALLIANCE RECOMMENDATIONS FOR THE UK AUTUMN BUDGET 2024 AND NEXT SPENDING REVIEW






CONTENTS

ABOUT THE SCOTTISH TOURISM ALLIANCE

The Scottish Tourism Alliance (STA) is the largest and overarching trade body for the tourism and hospitality industry in Scotland. The organisation has the greatest number of tourism and hospitality members under its umbrella, more than any other national association or trade body in Scotland.

Its core membership comprises of over 250 trade associations, tourism and hospitality facing businesses, destination groups and other business organisations with an interest in tourism, including many from the critical supply chains that support the sector, food, drink, finance, transport, and training providers.

In total, an estimated 15,000+ businesses are connected to the STA from across all regions of Scotland.

The organisation is governed by a Board with wide-ranging representation from Scotland's tourism industry and supply sectors, who together with the STA's Council and Destination Forum shape the organisation's policy agenda for the Scottish Government, UK Government and other key stakeholders.

The STA led and co-ordinated the development and launch of Scotland's national tourism strategy, Scotland Outlook 2030, in collaboration with the Scottish Government and its agencies. The trade body remains driven by this strategy, growing the value and positively enhancing the benefits of tourism in 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 (THILG), alongside the Scottish Minister for Business, Richard Lochhead. The group's core purpose is to provide the recommended strategic direction that will help to drive recovery and sustainable growth across both tourism and hospitality in the long term.

The THILG builds on the partnership approach of the Scottish Tourism Emergency Response Group (STERG), which led the industry's response to the COVID-19 pandemic in partnership with the Scottish Government.

At the start of 2024, the STA published a new Policy Manifesto for 2024 – 2028 that sets out its key policy asks of both the UK and Scottish Governments to better support and grow the tourism and hospitality sector. More information about the STA and the sector can be found in its Westminster fact sheet.

LETTER FROM THE STA'S CEO MARC CROTHALL MBE

Dear Chancellor,

You have pre-warned that this will be a "painful" budget after inheriting a £22 billion "black hole" in public finances to fill. As a result, difficult decisions you will need to be made.

In Scotland this has already been felt acutely over recent years, often to the detriment of supporting and growing business. The Scottish Government has now failed twice to mirror the 75% business rates relief that retail, hospitality and leisure has benefitted from across the border through the Barnett Consequentials.

Your election manifesto committed that sustained economic growth was your "first mission", and we will be looking to the Autumn Budget with hope there's a focus on tackling the inflationary pressures that are crippling our tourism and hospitality businesses, along with its vital supply chain.

The impact of inflation is significantly raising business costs and discouraging domestic visitors from taking UK breaks, with those who do take holidays spending considerably less. Year-on-year tourism and hospitality businesses are experiencing a significant decline in the bottom line, impacting on their ability to invest in their people and product, and stay competitive.

<u>Price competitiveness and destination appeal</u>

I urge the Treasury to consider the following key points on how to grow Scotland and the UK as a major global visitor destination: 1) By reintroducing tax-free shopping, and 2.) Reducing VAT on sales relating to hospitality, accommodation, and attractions to ensure that we can better compete with other countries on price competitiveness.

At 20% VAT we are by far one of the most expensive visitor destinations in Europe.

The introduction of the power to introduce a visitor levy scheme in Scotland also presents a crucial price pressure point for the sector and we would welcome a follow-up conversation with you and the Scottish Government about the impact of the Internal Market Act on areas such as advertised consumer prices and inclusion of taxes like VAT.

We find ourselves at a tipping point when it comes to the cost of holidaying in Scotland. I urge you to ensure that economic growth is driven by ensuring the country can be as competitive as possible in attracting more international visitors to stay and spend here, helping to counter the current decline in domestic activity.

As you start to consider the next Spending Review, the sector will also be looking to see investment in tourism and hospitality as a key economic driver and export, particularly in developing its role as part of your party's 'Brand Scotland' drive. This includes targeted infrastructure, route development, investment in marketing Scotland and the wider UK, and continued support for regional economic development initiatives.

Workforce shortages

As part of your commitment to growing the economy, I urge you to take urgent action to prioritise reforming the immigration system, as we continue to address critical staff shortages in the tourism and hospitality sector due to population challenges.

The sector asks you reopen negotiations on a UK-EU Youth Mobility Scheme to ensure that young people can still move freely and play a valuable seasonable role as part of the sector's workforce.

One of The STA's priority asks is the introduction of a 'Scottish visa' that takes into consideration the country's unique population challenges, markedly in our rural and island communities where there are even greater challenges to attract and retain workers.

Reset in relations with the Scottish Government

I am heartened to see a thawing in relations between both the UK and Scottish Governments, as greater collaboration between you both will be key in delivering on legislation set out in the King's Speech.

Joint working between both governments will be crucial in reviewing the Apprenticeship Levy and how it can better support the needs of business under the Skills England Bill, while the introduction of the Sustainable Aviation Fuel Bill and the Passenger Railway Services Bill will benefit UK-wide transport connectivity.

At the same time, any Scotland-specific measures in the Planning and Infrastructure Bill will hopefully open the potential for more affordable housing and critical infrastructure, which are both urgently needed.

I have actively been involved in the Scotland's Fair Work Convention Inquiry into the Hospitality Industry and our national tourism strategy, Scotland Outlook 2030, sets out a clear commitment to ensuring tourism businesses are

Fair Work and responsible employers, creating quality jobs with the right pay and conditions.

However, I would encourage you to consult closely with businesses and their employees before introducing a complete ban on zero-hour contracts under the Employment Rights Bill to avoid unintended consequences for tourism and hospitality businesses and workers, such as flexibility needed during the low visitor season.

Echoing your words, the Scottish tourism and hospitality sector looks forward to working with you to ensure we are in a position where "in an uncertain world, Britain is a place to do business."

BUDGET SUMMARY

As the UK Government faces the dual challenge of addressing a major blackhole in public finances and simultaneously growing the economy, we urge it to support the tourism and hospitality sector to thrive at this crucial time by putting in place the right fiscal and regulatory environment.

The sector has a proven track record as a key economic powerhouse, but we are at risk of losing out to international destinations that have lower taxes and whose businesses have invested in their properties and visitor offer at a time when we have been crushed by lockdowns, recession, and rising inflation.

At the same time, our domestic visitor market is down, as people struggle to go on holiday due to ongoing cost-of-living challenges or seek cheaper breaks abroad.

The Scottish Tourism Alliance's pre-Budget submission sets out eight key policies that will support the sector to effectively challenge other visitor destinations on quality and price:

1. **Reduce tourism and hospitality VAT**
2. **Reintroduce tax-free shopping for all international visitors**
3. **Commit to a 'Scottish Visa' scheme**
4. **Extend business rates relief in 2025/26 for retail, hospitality and leisure**
5. **Invest in 'Brand Scotland'**
6. **Abandon plans to abolish the Furnished Holiday Lets regime**
7. **Reduce visitor levy VAT burden on business**
8. **Invest in greater direct flight route development into Scotland**

By adopting these policies, we will ensure that Scotland and the UK can better compete on price and global appeal, acting as a key economic driver and export industry that will grow our economy and support the future of our public services.

RECOMMENDATIONS IN DETAIL

1. **Reduce tourism and hospitality VAT –** to ensure that Scotland and the rest of the UK can compete on price with other visitor destinations across the world

As the summer season comes to a close, we have welcomed many international visitors to our coasts, cities, islands, and other beautiful parts of Scotland. However, we have been repeatedly hearing from businesses that these visitors expected more for their money given the high price paid.

At the same time, the latest 56 Degree Insight Scottish Tourism Index demonstrates that the domestic market is once again down on last year and expected to continue to drop, as fewer people plan holidays at home.[1]

Compared with the first seven months of last year, less people in Scotland took breaks at home, down 3% on the same period in 2023, while there was a 7% drop in people planning a break in Scotland later in the year.

The cost of holidays at home was attributed as one of the main barriers to booking breaks in Scotland, while 45% of survey respondents said they felt that holidays here now provide poorer value for their money than a decade ago.

The passing of the Visitor Levy (Scotland) Act, giving local authorities the power to introduce a visitor levy scheme and decide what rate they charge for overnight stays, is at risk of making the country an even more expensive destination. The sector is concerned there will be a price point that people will be unwilling to pay to holiday here.

Compared to 2022, both the latest Great Britain Day Visits Survey and The Great Britain Tourism Survey for 2023 reported there were fewer domestic trips, overnights stays, and lower value of visitor spend.[2]

The UK's VAT rate of 20% is one of the highest in the world and one of the few European destinations that do not apply a reduced VAT rate to tourism businesses.

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[1] Based on 1,003 interviews with Scots in early August 2024 for the Scottish Tourism Index 2024 (56 Degree Insight) https://static1.squarespace.com/static/5c90193534c4e2471aa9a6db/t/66c89b519146e14283b494c1/1724423016063/STI+-+August+2024.pdf

[2] The Great Britain Tourism Survey 2023 https://www.visitscotland.org/research-insights/about-our-visitors/uk/overnight-tourism-survey and The Great Britain Day Visits Survey 2023 https://www.visitscotland.org/research-insights/about-our-visitors/uk/day-visits-survey#:~:text=Great%20Britain%20residents%20took%20293.4,Scotland%20were%20tourism%20day%20visits

We believe that cutting VAT on supplies relating to hospitality, accommodation and admission to certain attractions is the most effective measure the UK Government can take to support the sector in driving demand from both domestic and international tourists, greater visitor spend, and generating vital revenue that our businesses need to grow and invest in the quality of their visitor offer.

This in turn will make Scotland and the UK a more attractive and competitive visitor destination, generating jobs and boosting economic growth. We have already witnessed the demonstrable impact of stimulating demand and generating revenue when a lower rate of VAT was introduced during the COVID-19 pandemic.

Our nearest competitor Ireland has the third highest level of VAT concerning tourism and hospitality goods and services, at a substantially lower rate of 13.5%.

Lowering VAT for the sector to 10% would at least bring us on par with other European destinations such as France, Spain, Italy, Austria, Finland, the Czech Republic and Slovakia. In Luxembourg, VAT is charged at just 3%.

The Campaign for Cutting Hospitality and Tourism VAT's economic modelling (based on the Treasury's own forecasting model, international comparators, and industry survey data) previously suggested that re-adopting the 12.5% VAT rate would impact positively on consumer spending and encourage business investment.

This would come at a minimal cost to the Treasury in the short-term before becoming revenue-generating and recouping a net loss of £194 million through other taxation due to improved business performance (e.g. corporation tax), increased employment, lower prices, greater consumer spending, and as a result increased income tax contributions.[3]

A joint study, previously published by UKHospitality, the Tourism Alliance in England, the British Beer & Pub Association, and the Association of Leading Visitor Attractions, reported that a permanent rate of at least 12.5% could create 286,850 jobs over 10 years, generating potentially £7.7 billion of additional turnover, and £4.6 billion in net present value of fiscal gains to HM Treasury over the same period.[4]

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[3] All Party Parliamentary Group for Hospitality and Tourism, Inquiry into the Retention of the 12.5% Rate of VAT, March 2022 https://cdn.ymaws.com/www.ukhospitality.org.uk/resource/resmgr/2022/documents/appg/reports/VAT_Inquiry_Report_v5.pdf

[4] https://www.thecaterer.com/news/vat-freeze-hospitality-tourism-jobs-level-up

2. Reintroduce tax-free shopping for all international visitors – to encourage more inbound travellers and generate greater visitor spending

As the UK Government looks to making economic growth its main priority, the growing international visitor market has the potential to deliver the valuable revenue it needs.

The STA continues to join with several other trade bodies across tourism, hospitality and retail in backing the calls of the Association of International Retail (AIR) and UKinbound to bring back tax-free shopping for overseas visitors to the UK, and urgently ask the Chancellor to review previous costing estimates, which were not certified by the Office of Budget Responsibility.

Acting as an effective tax incentive to encourage and increase retail purchases that would otherwise not have happened, the UK could become the only European country where EU residents can shop tax-free.

AIR estimates that bringing back the scheme would result in an additional £11.5 billion of foreign spending in the UK each year and generate over £4 billion in additional tax revenues, alongside generating over 200,000 new jobs.[5]

At a time when domestic spend is curtailed, this would give the UK a competitive edge in attracting more overseas visitors and the lucrative visitor spend they bring, which has a 'halo effect' that will further encourage visitor spending on luxury overnight stays, Michelin-starred dining experiences, and trips to high-end visitor attractions such as whisky distilleries.

The total spend per day of a high-end tourist is estimated to be eight times greater than an average tourist. This type of tourist is estimated to be worth up to £30 billion to the UK economy.[6]

With Edinburgh among the UK's top centres for international shopping, we recommend that a digital rather than paper-based scheme be introduced to ensure all parts of the UK benefit from its reintroduction.

Tax-free shopping also has a crucial role to play in encouraging more visitors from the United States, alongside attracting the lucrative high-spending from the China and India visitor market.

An analysis undertaken by The Financial Times this year showed that the UK is not seeing the same international spending boost that is being experienced

[5] https://www.internationalretail.co.uk/airs-briefing-on-tax-free-shopping-for-the-chancellor

[6] Bain & Co for the European Cultural & Creative Industries Alliance (ECCIA), High-End Tourism: A Driver For Europe, May 2022 https://www.comitecolbert.com/app/uploads/2022/05/eccia-high-end-tourism-a-strong-driver-for-europe-def.pdf

in other countries. Since the tax-free shopping scheme ended in 2021 after Brexit, spending by non-EU visitors in Britain has dropped by 17% from £1,612 per capita (on average) in 2021 to £1,346 in 2022, and the downward trend has continued in 2023.[7]

3. **Commit to a 'Scottish Visa' scheme –** to invest in addressing chronic staff shortages affecting the sector and negatively impacting on the economy

The tourism and hospitality sector has experienced a significant shortage in workforce labour since Brexit, while further staff have moved on from the sector during the COVID-19 pandemic.

As businesses continue to struggle with retaining and recruiting staff, the STA asks the new UK Government to review the immigration system to ensure it is fit-for-purpose for the needs of the sector and that it values the contribution that an international workforce brings to the industry, particularly in rural and island communities.

We urge the UK Government to act on the support already given by the Scottish Labour Deputy Leader, Jackie Baillie, for the creation of a Scottish-specific visa scheme that takes into consideration our unique population challenges[8] – with the population of Scotland projected to peak in 2028 at 5.48 million and then fall by 1.8% to 5.39 million by 2045.[9]

National Records of Scotland reports that population growth is no longer able to offset the growing gap between births and deaths. Scotland is the only UK country with a projected population fall by 2025, while over half of local authorities in Scotland are expected to experience a decline in their population over the next decade. More deprived areas and rural areas are most likely to experience this drop.

The STA further supports the need to reopen negotiations on a UK-EU Youth Mobility Scheme to ensure that young people can still freely move between the EU and the UK due to the valuable seasonable role they have as part of the tourism and hospitality workforce, particularly in supporting temporary and seasonable work needed during the high visitor season.

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[7] https://ft.pressreader.com/v99c/20240117/281535115844751

[8] https://www.heraldscotland.com/news/24419917.jackie-baillie-labour-open-talks-scottish-visa/#:~:text=A%20new%20Labour%20government%20would%20be%20open%20to%20talks%20with,Holyrood%2C%20according%20to%20Jackie%20Baillie

[9] National Records of Scotland https://www.nrscotland.gov.uk/files//statistics/rgar/2021/scotlands-population-2021.html#population

Introducing a Scottish specific visa scheme not only would match immigration to the demand for certain skills, but also encourage more people coming to live and work in Scotland, particularly in rural and island communities that are experiencing a drain in people of working age and families.

Alongside meeting unfilled vacancies and skills gaps in tourism and hospitality, it will address the concerningly high vacancy rate in roles looking after the most vulnerable people in hospitals and social care settings, while it will support trades and building industries to improve and build much needed affordable housing. Problems with supply chains continue to have a serious knock-on impact on tourism and hospitality businesses.

Failure to find a tailored solution risks having a further detrimental impact on the economy and opportunities for economic growth, while failure to do so will add to the rising costs associated with an ageing population, which is placing greater demand on an already stretched NHS and social care system.

The Scottish Government has previously pushed for a Scottish rural visa pilot, which would have exempt businesses and organisations in remote and rural Scottish communities from UK immigration rules over hiring EU and other foreign nationals.

We have also had positive feedback from the Migratory Advisory Committee (MAC) that during their review of the Shortage Occupation List that there was merit behind adopting a different migration system in Scotland due to its unique challenges.

The latest Sector Skills Assessment on Tourism from Skills Development Scotland (October 2023) reports that there are 175,900 people in the tourism workforce, a decline of 4% (7,300) over the decade. Forecasts for the long-term (2026-2033) estimate there could be demand for 82,000 people in the sector, in order to replace workers and due to opportunities created by expansion demand.[10]

We are continuing to hear from our members that businesses are struggling to recruit staff during their busiest trade periods, having previously recruited temporary migrant workers to meet high demand during the peak visitor season. This has resulted in several closing their doors over the winter season, reducing their opening hours, and closing kitchen services in hotels.

[10] SDS Sectoral Skills Assessment: Tourism (Oct 2023), Skills Development Scotland
https://www.skillsdevelopmentscotland.co.uk/media/l55d3jqy/sectoral-skills-assessment-tourism.pdf

The geographic make-up of Scotland further means that many of these tourism and hospitality businesses are in rural and island locations, which have always found it exceptionally difficult to attract workers due to their remoteness and lack of affordable housing.

In the last few years, the sector has also experienced a drain in skills at all levels, and it would be of great value if skilled migrants were once again part of the tourism workforce, offering important experience and skills, and helping to train and supervise workers. It is our sector's strength to sustain and grow the workforce, along with providing skills development.

Addressing the critical workforce shortages facing the sector, and the supply chains they use, is integral to removing barriers to future economic growth and to delivering the best possible visitor experience. We believe that to succeed on the international stage, tourism needs an international workforce to do this.

4. **Extend business rates relief in 2025/26 for retail, hospitality, and leisure –** to help the tourism and hospitality sector cope with rising cost pressures and invest in their businesses

We encourage the UK Government to again pass on business rates relief for retail, hospitality, and leisure as a key means of supporting economic growth and job creation.

This measure continues to be urgently needed as businesses continue to be detrimentally impacted by inflationary pressures, high energy bills, an ongoing drop in domestic spend, and lack the funds they need to invest and improve the quality of their offer to visitors.

The Scottish Government has now failed twice to pass on this much needed support to businesses across the border.

The 100% rates relief announced for hospitality businesses in island communities was welcome, especially considering the additional burden they have faced with the disruption and uncertainty of ferry services, but businesses in the sector across other parts of Scotland have felt abandoned and several have had to shut their doors or undertake cost-cutting, often leading to significant job losses.

We would also urge the UK Government to consider a VAT reduction on energy bills for our small and medium businesses, many of which are based in remote and rural areas, as many are set to face a significant rise in their bills this winter and the risk of their business being financially unsustainable.

If the UK Government decides to announce business rates relief once again, we would be looking for Treasury and the Scotland Office officials to encourage the Scottish Government to mirror this much-needed measure. Otherwise, the rates disparity will lead to a further competitive disadvantage for equivalent businesses in Scotland.

5. **Invest in 'Brand Scotland' –** to ensure VisitBritain funding supports tourism and hospitality across all parts of the UK

The STA asks that the UK Government ensures there is VisitBritain funding focused on the promotion of Scotland and the wider UK, ensuring the money allocated to them supplements and complements VisitScotland activities.

As destinations across the world compete to attract more visitors and greater visitor spend, it is integral that VisitBritain is adequately funded to act on this opportunity. Scotland is a key linchpin in attracting international visitors to Scotland, with many choosing to divide their time between London, Edinburgh, and the Scottish Highlands as part of their travel itinerary.

However, there is potential to promote untapped parts of Scotland that are often overlooked as holiday destinations.

At a time where Ireland has budgeted €70 million alone in tourism marketing activities, with additional funding of €10 million for overseas marketing of Ireland as a leading holiday destination[11], the Scottish Government has just announced that brand and marketing funding for VisitScotland will be cut by £0.8 million, which comes on top of a 67% cut in VisitScotland's capital funding and 4.5% reduction in its revenue funding announced at the last Scottish Budget in December 2023.

As set out in Labour's election manifesto to champion Scotland at home and abroad under "Brand Scotland", we urge the UK Government to ensure that VisitBritain funding acts to support this activity. It would be integral in growing the visitor economy and achieving the ambitions of our national tourism strategy, Scotland Outlook 2030.

In order to drive economic growth, we look to the UK Government to maximise marketing exposure through VisitBritain's regional programmes to drive much needed international visitor activity, helping to counter the shrinkage in domestic tourism across Scotland and the rest of the UK.

[11] https://www.tourismireland.com/news-and-press-releases/press-releases/article/tourism-ireland-launches-2024-marketing-plan#:~:text=Alice%20Mansergh%2C%20Chief%20Executive%20Designate,of%20Ireland%20around%20the%20world

6. **Abandon plans to abolish the Furnished Holidays Lets regime** – to safeguard the Scottish accommodation sector from a further financial hit that will lead to closures

For self-catering businesses in Scotland, the abolition of the Furnished Holiday Lets (FHL) regime presents another unwelcome financial challenge on a sub-sector already teetering on the edge.

It threatens the future viability of the self-catering industry, many of which are small and micro businesses.

The scheme was originally designed to provide a fair tax regime in recognition of the valuable contribution of the sector boosting encouraging investment and driving economic growth. To abolish this regime would create an anomaly in how self-catering is treated in comparison to other businesses.

As interest on FHL mortgages will no longer be deductible in calculating taxable profits for owners subject to income tax, this could result in them being pushed into higher rates of tax and result in unintended consequences, such as impacting on pension allowances or child benefit claims.

Under the proposals, FHL income will also no longer form part of a taxpayer's relevant UK earnings when calculating maximum pension relief, resulting in implications for reductions in tax relief applied to pension contributions for FHL owners.

Concerning capital allowances, these would no longer be available for expenditure incurred from 6 April 2025, with no entitlement to income tax relief on any initial outlay, while current proposals would result in access to Capital Gains Tax being withdrawn.

This includes access to business asset disposal relief (BADR), and gift holdover and rollover deferral reliefs. As a result, there will be an increase in Capital Gains Tax when selling or gifting these properties.

Going ahead with the plans will likely lead to business closures, resulting in even less availability of accommodation options for visitors to Scotland and the UK, especially in rural and island areas with fewer places for people to stay overnight.

7. **Reduce visitor levy VAT burden on business –** to avoid a situation where visitors and accommodation providers face VAT charges on a visitor levy

In Scotland, the accommodation sector is set to face the added burden of collecting a visitor levy on behalf of local authorities, while visitors to parts of Scotland with a visitor levy scheme will now be charged even more to stay overnight in the country.

We remain concerned that there is a price pressure point that visitors will be unwilling to book accommodation, with VAT charged on a visitor levy raising prices again.

The previous Financial Secretary to the Treasury, Victoria Atkins MP, replied to the Scottish Government 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."[12]

Not only will this make accommodation far more expensive for visitors and negatively impact on booking, but it will also have significant implications for the many small accommodation providers that operate just below VAT thresholds, alongside potentially lifting others out of the Flat Rate Scheme.

In the Scottish Government's Business Regulatory Impact Assessment (BRIA) for the Visitor Levy (Scotland) Bill, the potential for there to be an impact on VAT thresholds was acknowledged, although the financial implications of this for accommodation providers have still not been assessed.[13]

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

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[12] The Scottish Parliament Information Centre (SPICe), SPICe Briefing on Visitor Levy (Scotland) Bill, September 2023 https://digitalpublications.parliament.scot/ResearchBriefings/Report/2023/9/4/188fd140-9ade-4984-b2ef-812cb51bd118

[13] Visitor Levy Bill: business and regulatory impact assessment (25th May 2023), Scottish Government https://www.gov.scot/publications/visitor-levy-bill-business-regulatory-impact-assessment/

It will not be until Spring 2026 at the earliest that a visitor levy scheme will come into place in any local authority in Scotland and we urge the new UK Government to revisit the issue of VAT applying to the levy during this interim period.

We ask that the visitor levy element of the accommodation transaction be added to the existing list of goods and services exempt from VAT to avoid this unintended consequence, or consider raising thresholds for accommodation providers.

8. **Invest in greater direct flight route development into Scotland** – to support more inbound tourism, which is playing a key role in driving the visitor economy

In supporting more inbound tourism, the STA asks the UK Government to consider how it can better support the creation of more direct flight routes to and from Scottish airports, particularly in looking to better develop these options in the west of Scotland.

This includes a greater number of direct links to support our most lucrative visitor audience to travel to the country, including more direct flights from the United States, China, and India.

To support sustainable travel aviation options, we need greater support for accelerated research into sustainable fuels, decarbonisation and investment in airspace modernisation to reduce congestion and emissions, with more direct routings a key priority.

We ask that the UK Government works closely with the Scottish Government to develop these routes and pursue further work to reduce their environmental impact.

We welcome the introduction of the Sustainable Aviation Fuel Bill set out in the King's Speech and look to greater work between both governments to achieve the aims of the legislation, alongside joint working to improve travel infrastructure and overall visitor travel experience across our railways and roads, including smart ticketing and linked offers across the transport network to help visitors to seamlessly travel across the border.