Visitor Levy Consultation: A consultation on the design of a new Mayoral power to create visitor levies on overnight stays in England

Dear Exchequer Secretary to the Treasury and Minister for Local Government and Homelessness,

As the largest member organisation for tourism and hospitality businesses in Scotland and the overarching representative body for the sector, The Scottish Tourism Alliance (STA) membership includes several key UK-wide trade bodies impacted by proposals to create new Mayoral powers to introduce a visitor levy scheme in England.

STA Council members include UKinbound, The Bed & Breakfast Association (BBA), Holiday and Residential Parks Association (HARPA), The Association of Leading Visitor Attractions (ALVA), and Historic Houses.

UKinbound and The STA share the same Board Chair, Rebecca Brooks of leading destination management company Abbey UK, and also has a close working relationship with its English counterpart The Tourism Alliance.

As a result, The STA writes to you to endorse both the consultation submissions for UKinbound and The Tourism Alliance.

Visitor levy in Scotland

The STA knows firsthand the challenges of introducing a visitor levy scheme for the first time through the devolving powers to local authority areas, working closely alongside the Scottish Government to help inform the Visitor Levy (Scotland) Act 2024 during its legislative passage.

The introduction of a successful visitor levy scheme is about the right application, right place and right time, if it is to act as a force for good that enhances our visitor offer and appeal. However, the STA believes none of these conditions of success are currently in place across the UK. Instead, adopting this policy now will cause more harm than good.

Right application

The implementation of a percentage-based visitor levy charging model continues to be operationally challenging for accommodation businesses, online booking platforms, and local authorities in Scotland. Given the ongoing challenges faced in Scotland in introducing a percentage model, The STA was surprised that the UK Government had not learnt lessons from this and has proposed adopting a percentage-based approach.

From the very beginning, The STA has advocated for a simple and transparent fixed rate model, which provides a better safeguard our vital tourism and hospitality sector, while at the same time ensuring a sustainable revenue stream to strategically invest in enhancing visitor destinations.

The tourism and hospitality industry in Scotland has worked tirelessly to make the case for a more flexible and practical levy system through the introduction of a fixed charge option, which has subsequently led to the recent introduction of the Visitor Levy (Amendment) (Scotland) Bill in January 2026 to give local authorities the opportunity to adopt a fixed fee charging model.

If the UK Government decides to proceed with giving new Mayoral powers to introduce a visitor levy scheme, then a fixed amount model provides a simpler, more transparent, and fairer alternative to the percentage approach. It delivers:

- Fairer and more transparent pricing: ensures visitors understand the levy cost from the outset, increasing confidence and compliance, along with meeting UK price transparency legislation. Visitors planning to travel across different parts of the country will also have a clearer expectation around what they will pay in different areas with a visitor levy scheme.
- Simplified administration: reduces administrative burden on accommodation providers and local authorities by removing the need for percentage calculations, including the burden of separating the accommodation element from the final transaction (i.e. separate the bed from the breakfast cost for a B&B).
- Reduced incidence of errors and negligence: less room for error for businesses collecting the levy, as the need for the levy to be calculated will be removed. This in turn will reduce the need for enforcement action and managing appeals, cutting this cost burden on authorities.
- Predictable revenue: guarantees a stable, transparent revenue stream for regions, supporting infrastructure investment.
- Scalability and flexibility: allows seasonal adjustments, modifications for specific regions and the option to introduce a lower flat fee for ‘budget’ accommodation options for lower income households.
- Economic sustainability: ensures that funds raised locally can be reinvested directly in maintaining and improving visitor infrastructure.
- Competitive alignment: aligns with most major cities across the world like Paris and Barcelona, along with similar models approved in Wales and, if the legislation is passed, schemes in Scotland too.
- Operationally implementable for platforms: Online Travel Agents (OTAs), booking platforms, and Destination Management Companies (DMCs) can efficiently integrate this model into their pricing systems and addresses any commercial sensitivities. This ensures automated and accurate levy calculation, reducing compliance risks and administrative overhead for both platforms and accommodation provider.

Right Place

Unlike international cities looking to manage down visitor numbers by charging a levy, the UK actively wants to attract more visitors, across all parts of the UK and at different times of the year.

Given the financial pressures on local authorities in Scotland, The STA have found that most are considering a visitor levy scheme for their areas, even when it is not in the best interests of attracting visitors to their areas, along with encouraging longer stays and greater visitor spend.

Given the UK’s unique geography that makes it possible to stay across multiple locations during a visit – with tourists regularly travelling from London to Edinburgh to the Highlands during their stay – it is important to avoid disincentivising visitors from continuing to book these longer, country-wide breaks.

Introducing multiple visitor levy charges across the UK risks making these kinds of stays too expensive and confusing for visitors in the future.

If it chooses to go ahead, The STA encourages the UK Government to legislate that a detailed, independent economic impact and competitiveness assessment be required before deciding to introduce a local visitor levy scheme in any given area, with statutory guidance setting about detailed criteria for the impact assessment.

Right time

A visitor levy presents a new threat to the tourism and hospitality sector's price competitiveness and risks creating a tipping point that many visitors will be unwilling to pay, impacting further on the declining domestic market.

With one of the highest rates of VAT in Europe, the UK is already by far one of the most expensive destinations to visit. With VAT charged on the levy, this will effectively be a double tax and further drive-up costs for consumers.

Collection of a levy will add an even greater cost burden on accommodation businesses already stretched and at breaking point after several years of financial instability, with wider implications for the wider tourism and hospitality sector in local communities if a decline in visitors is experienced.

The UK already ranks 113 of 119 countries globally for its price competitiveness (Source: World Economic Forum, 2024, Travel & Tourism Development Index), with visitors to the UK paying one of the highest rates VAT on hospitality at 20%, facing rising visa, Electronic Travel Authorisation (ETA), and Air Passenger Duty (APD) charges.

A new visitor levy charge will make the UK an even more expensive destination to stay, encouraging tour operators, online travel agents, and travel agents to book stays for their customers in cheaper destinations abroad.

VAT

The STA urges HM Revenue and Customs to urgently revisit its position on treating visitor levy income as part of an accommodation businesses' turnover. For Scotland's many small businesses, several of which are based in rural and island communities, the application of VAT to the levy risks pushing them over the VAT threshold. The complexities of applying VAT to a visitor levy may also increase the risk of VAT errors.

Along with higher costs for businesses and consumers, this will encourage many businesses to close for longer periods during the low-season and in some cases decide to shut their doors permanently if operating costs become too high.

The STA supports a VAT exemption on all local taxes, as effectively charging VAT on the visitor levy is a tax on a tax and overall negatively impacts on economic growth and investment in product, place and offer.

Next steps

The STA would be happy to talk in more detail with UK Government civil servants about the complexities the sector has faced in implementing a visitor levy in Scotland, helping to learn lessons from this experience and working together going forward to ensure there a limited negative impact on the affordability and attractiveness of Scotland and the UK as a visitor destination.