



Scottish Government

Consultation response

**Principles of a Local
Discretionary Transient Visitor
Levy**

The Scottish Council for Development and Industry (SCDI) is Scotland's Economic and Social Forum. We are an independent and inclusive economic development network representing all sectors and all geographies of the Scottish economy. Our mission is to convene our members, partners and stakeholders across the private, public and third sectors to deliver inclusive and sustainable economic growth for Scotland.

For more information on this consultation response, or to engage on any other issue, please contact the SCDI Policy Team:

Matt Lancashire
Director of Policy and Public Affairs
matt.lancashire@scdi.org.uk

Gareth Williams
Head of Policy
gareth.williams@scdi.org.uk

David Kelly
Policy Manager
david.kelly@scdi.org.uk

Marc Strathie
Policy Analyst
marc.strathie@scdi.org.uk

Scottish Council for Development and Industry
1 Cadogan Square
Cadogan Street
Glasgow
G2 7HF

0141 243 2667

Summary

Our tourism industry is one of the great strengths of Scotland's economy. Its sustainable growth must continue to be supported by the Scottish Government, local authorities and others. We must remain an open, inclusive and globally connected economy and society that is internationally competitive as an attractive destination for visitors, students, artists, investors, businesses and conferences.

There has been a welcome increase in the number of visitors to Scotland in recent years, boosting local economies and supporting employment across the country. In particular, the rapid growth in the use of online accommodation platforms such as Airbnb has facilitated a marked increase in visitors to our busiest tourism communities.

Higher levels of tourism and an intensified visitor footprint have greatly increased pressures on the capacity and sustainability of local infrastructure and services in some parts of Scotland. SCDI recognises that this is challenging for local authorities as they look to manage their limited resources. But we also know that our hospitality sector is a large tax contributor, with some hotels dealing with large business rate rises as a result of their success.

We welcome the opportunity to respond to this consultation on the Principles of a Local Discretionary Transient Visitor Levy on behalf of our members, but remain concerned at the potential impact a Transient Visitor Levy could have on this key growth sector. Therefore, SCDI believes that there is a need to achieve a balance between national principles and policy priorities and local flexibility should any levy be introduced.

Our submission therefore makes the following key points:

- **A levy will not be appropriate or required in every local authority or in every place.** Local authority discretion informed by robust evidence and wide consultation is important;
- Legislation should set out **national principles and a national framework** within which local authorities are granted flexibility to design a levy system which reflects their **local socio-economic conditions and priorities**;
- It should be based on a **flat rate per room per night**;
- Local authorities should have the flexibility to set the rate in their area, but the **legislation should enshrine a national upper limit**;
- **SCDI agrees that there should be a number of national exemptions**, including for homeless people, asylum seekers/refugees, victims of domestic abuse in temporary accommodation, the disabled and children and young people. SCDI also proposes an exemption for long stay guests defined as those staying for more than 7 days;
- **Revenue should be collected from accommodation providers on a monthly basis**;
- If a local authority decides to progress with a levy in its area, SCDI proposes that it should be required to establish a **local Transient Visitor Levy Forum of key local stakeholders** to inform the local authority's design and

implementation of the new levy system and to discuss and inform how the revenues raised are spent; and,

- **Revenue should be ring-fenced for investment in local infrastructure and services capacity to support and manage sustainable tourism.**

Consultation Responses

1. Do you think that the design of a visitor levy should be set out:

- a) wholly in a national framework
- b) mostly at a national level with some local discretion
- c) mostly at local level with some overarching national principles**

A levy is not required and will not be appropriate in every local authority in Scotland or in every place within a particular local authority. It is important that overarching national principles are established which ensure that local authorities have sufficient flexibility to design levies which reflect local socio-economic conditions and priorities. Any decision to implement a levy should be based on clear, robust evidence and subject to wide consultation with citizens, businesses and stakeholders, particularly with the tourism industry and accommodation providers.

2. Is an overnight stay in commercially let accommodation an appropriate basis for applying a levy on visitors?

- Yes**
- No
- Don't know

SCDI agrees that an overnight stay in commercially let accommodation is an appropriate basis for application of a levy.

3. Which of the following activities do you think a visitor levy could be robustly applied to and enforced, and how?

- Day visitors not staying overnight
- Cruise ship passengers who disembark for a day before re-joining the vessel**
- Wild or rough camping, including in motorhomes and camper vans

SCDI does not believe that a visitor levy could be robustly applied and enforced in relation to day visitors and wild or rough camping. A visitor levy could be applied and enforced in relation to cruise ship passengers who disembark for a day – given the capacity issues which large numbers of passengers disembarking has caused in some places – by administration through the cruise ship provider. However, there are cross-border anomalies which would require remediation – e.g. cruise ships may dock in Greenock (Inverclyde Council), but all or most passengers may spend the day in Glasgow (Glasgow City Council). Some local authority areas may require an exemption, some may not. A degree of flexibility on this issue is likely to be required to reflect local circumstances.

4. The consultation paper sets out four options for the basis of the charge. Which would work best in Scotland?

Flat rate per person per night

Flat rate per room per night

A percentage of total accommodation charge

Flat rate per night dependent on the quality of accommodation

A charging mechanism for any new levy based on a flat rate per room per night would have the advantage of both affordability for consumers and simplicity for collectors. It is clear from the projections of the Scottish Government, the Scottish Tourism Alliance and others that any new levy calculated as a percentage of the total room bill would result in significantly higher, and potentially prohibitive, costs for consumers compared to a flat rate per room per night. Moreover, a charging mechanism based on the cost of accommodation would create additional systemic complexity. A charging mechanism based on the quality rating of the accommodation would be similarly problematic, because Visit Scotland's rating system is voluntary and therefore does not cover all accommodation providers in Scotland.

5. In addition, for each option in Q4 what are: the considerations for accommodation users, accommodation providers and local authorities.

Flat rate per person per night

Implications for accommodation users: Increased fiscal impact relative to a flat rate per room system with a higher risk of damage to Scotland's competitiveness and attractiveness as a tourism, business or investment destination. But reduced complexity relative to alternative options.

Implications for accommodation providers: Reduced administrative burden and reduced complexity relative to alternative options.

Implications for local authorities: Reduced administrative burden and complexity relative to alternative options.

Flat rate per room

Implications for accommodation users: Minimised fiscal impact and complexity for visitors to mitigate against risk of damage to Scotland's competitiveness and attractiveness as a tourism, business or investment destination.

Implications for accommodation providers: Reduced administrative burden and reduced complexity relative to alternative options.

Implications for local authorities: Reduced administrative burden and complexity relative to alternative options.

A percentage of total accommodation charge

Implications for accommodation users: Increased cost and complexity for many visitors, escalating risk of damage to Scotland's competitiveness and attractiveness as a tourism, business or investment destination.

Implications for accommodation providers: Significantly increased administrative burden, complexity and, in all likelihood, cost.

Implications for local authorities: Increased administrative burden and complexity, creating a more challenging monitoring and compliance environment.

Flat rate per night dependent on the quality of accommodation

Implications for accommodation users: Increased cost and complexity for many visitors, escalating risk of damage to Scotland's competitiveness and attractiveness as a tourism, business or investment destination.

Implications for accommodation providers: Significantly increased administrative burden, complexity and, in all likelihood, cost.

Implications for local authorities: Significantly increased administrative burden and complexity, which would also generate an additional, costly requirement for the creation of new standards and assessments of accommodation. Likely a highly challenging monitoring and compliance environment for local authorities to establish, manage and update.

6. Do you think that the basis of the charge should be set out in a national framework, or be for a local authority to decide?

Set out in a national framework

Decided by local authorities

Don't know

As noted in response to Question 1, a levy is not required and will not be appropriate in every local authority or in every place within a local authority. It should be up to local authorities to decide in partnership with local citizens, businesses and stakeholders after careful consideration of local socio-economic conditions and priorities. However, there should be national framework setting out overarching principles and parameters, including that the levy is a flat rate per room per night charge. The Scottish Government should also confirm whether the levy will be subject to VAT.

7. Do you think that the rate of the visitor levy should be set out in a national framework or should it be for the local authority to decide?

Set out at national level

Decided by local authorities

Don't know

As noted in response to Question 1, a levy is not required and will not be appropriate in every area of Scotland. It should be up to local authorities to decide in partnership with local citizens, businesses and stakeholders after careful consideration of local socio-economic conditions – including market demand and supply – and priorities. However, there should be national framework setting out overarching principles and parameters, including an upper limit.

8. What factors should be considered to ensure the rate of the visitor levy is appropriate?

The following factors should be considered to ensure the rate of any visitor levy is appropriate:

- The views of local citizens, businesses and stakeholders, particularly with the tourism industry and accommodation providers;
- Any evidence and data of long-term economic impact and potential unintended consequences;
- The need to ensure any levy is not set at a prohibitive level and maintains the competitiveness of Scotland as a destination for visitors, artists, investors, businesses and conferences; and,
- The need to support inclusive economic growth, with revenue ring-fenced for investment in managing the impact of high levels of tourism and supporting the tourism industry and its future growth.

9. If the rate of the visitor levy were to be set by individual local authorities, should an upper limit or cap be set at a national level?

Set out at a national level

Decided by local authorities

Don't know

SCDI believes that there is a need to achieve a balance between national principles and policy priorities and local flexibility.

The Scottish Government is of the opinion that there are some groups that it would be unacceptable to impose a visitor levy on under any circumstances. These include:

- **Homeless people**
- **Asylum seekers/refugees**
- **Travelling communities (such as Gypsy travellers and other traveller communities)**
- **Victims of domestic abuse placed temporarily in refuges or short-term accommodation because their normal home is unsafe for them to stay in; and,**
- **Those placed temporarily in refuges or short-term accommodation because their normal home is unsafe for them to stay in.**

Beyond these groups, other groups could be included for exemption either at the national or local level.

SCDI agrees that it would be unacceptable to impose a visitor levy on these groups under any circumstances.

10. Do you think that all exemptions should be the same across Scotland and therefore set out in the national legislation, or should local authorities have scope to select some exemptions?

Exemptions should primarily be set out in the national legislation. As noted in Question 3, however, local flexibility in approach may be required in relation to cruise ship passengers who disembark for a day.

11. Which additional exemptions from the list below do you think should be applied to a visitor levy?

- Disabled people and registered blind/deaf and their carers**
- Those travelling out with their local authority area for medical care, and their carers or next of kin**
- Children and young people under a certain age**
- Students
- Long stay guests (e.g. people staying for more than 14 days)**
- Business travellers
- Local resident (paying for overnight accommodation within the local authority in which they reside permanently)**

SCDI does not propose additional national exemptions for students or business travellers in order to minimise the complexity of the system and reduce compliance and enforcement issues for local authorities and accommodation providers. We support an exemption for long stay guests defined as people staying for more than 7 days.

12. Are there any other exemptions that you think should apply?

SCDI does not propose any further exemptions.

13. What is your view of the proposal that accommodation providers should be ultimately responsible for the collection and remittance to the appropriate local authority, even if the tax is collected by a third-party booking agent or platform?

- Agree**
- Disagree

SCDI agrees that accommodation providers should be responsible for the collection of the levy. As the service provider, the ultimate revenue recipient and the visitor's primary point of contact, this would be the most straightforward and clear solution. It should also assist local authorities with collection and compliance to interact with locally based accommodation providers, rather than a highly complex web of third-party booking agents or platforms in a variety of jurisdictions globally.

14. If accommodation providers were required to remit visitor levies after the overnight stays to which they relate (even if the payment was made well in advance) how frequently should the levies collected be required to be remitted to the levying local authority?

- Ongoing basis (e.g. each night)
- Monthly**
- Quarterly

Annually

SCDI proposes collection on a monthly basis in order to support a smooth and transparent process, which ensures up-to-date transparency but also minimizes the bureaucratic burden on accommodation providers.

15. What information should an accommodation provider be required to collect and retain to ensure compliance? Please list below and explain why you think that information is needed for the four different scenarios below:

If the basis of the charge is on a:

- a) **flat rate per person per night:** Length of stay, number of visitors.
- b) **flat rate per room per night:** Length of stay, number of rooms.
- c) **percentage of total accommodation charge:** Length of stay, total accommodation charge.
- d) **flat rate per night dependent on the quality of accommodation:** Length of stay, type/quality of accommodation provider, type/quality of accommodation room(s).

16. How can a local authority choosing to apply a visitor levy ensure it has a comprehensive list of all those providing overnight accommodation on a commercial basis in their local authority area?

All accommodation providers in a local authority area which had decided to implement a levy would be legally required to register with the local authority for the purposes of compliance. This would require a substantial awareness-raising campaign prior to implementation, utilising both online and offline channels and representative organisations such as SCDI. An accessible, intuitive digital system would also support compliance.

17. What enforcement powers should a local authority have to ensure compliance and prevent avoidance and evasion by accommodation providers?

Local authorities should have enforcement powers of civil penalty for non-compliance.

18. Should non-compliance by an accommodation provider be subject to a civil penalty (i.e a fine) and if so, what would be the appropriate level be?

Yes

No

Don't Know

Please state level of civil penalty (fine) (in £ pounds sterling) that you think is appropriate?

SCDI has not taken a position on the level of civil penalty which would be appropriate. However, it is clear that any civil penalty should be proportionate.

19. A list of requirements that local authorities could be expected to meet before being able to introduce a visitor levy is summarised below.		
Do you agree or disagree with these options? (please tick the appropriate box)		
If you have any other suggestion for requirements, then please add these in the box below together with your reasons.		
	Agree	Disagree
Produce an initial statement of intention to consider introducing a visitor levy	✓	
A timeframe for introduction of at least one financial year following conclusion of consultation and engagement activities	✓	
Have held a consultation in their local area to gather views from all those who will be affected by the visitor levy	✓	
Have conducted required impact assessments	✓	
Have assessed the administrative burden on businesses and taken steps to minimise this	✓	
If the legislation allows the rate to be set locally the local authority has demonstrated why the chosen rate of the visitor levy is optimal for that area	✓	
Have appropriate mechanisms in place to allow visitor levies collected to be remitted to the local authority	✓	
Have made information about the visitor levy and how to pay it available and in the public domain, for both business and visitors	✓	
The approach to collaborative decision making on revenue spending is set out in the public domain	✓	
Establish an approach to monitoring and publicly reporting revenues raised and their expenditure on an annual basis	✓	

The approach to monitoring and reporting on the impact of the visitor levy on an annual basis, is clearly set out in the public domain	✓	
Establish an approach to evaluating and publicly reporting, the impact of the visitor levy, within a reasonable period after introduction	✓	
Please add any other comments on the requirements listed above.		

20. Should the Scottish Government be able to prevent a local authority from applying a visitor levy?

- Yes
- No**
- Don't Know

21. What requirements might be placed on local authorities to engage with local stakeholders to determine how revenues are spent?

If a local authority decides to progress with a levy in its area, it should be required to establish a local Transient Visitor Levy Forum. The Forum should convene key local stakeholders to inform the local authority's design and implementation of the new levy system and to discuss and inform how the revenues raised are spent.

The local authority should also support transparency and accountability by providing annual fiscal and compliance updates in relation to the levy, including a breakdown of how the revenues are spent and distributed across the area. The Forum can provide oversight.

22. How might this engagement be best achieved?

A Transient Visitor Levy Forum should convene key local stakeholders and should include representation of the local authority; accommodation providers of all sizes and types; the tourism sector; and the local resident population.

As noted in answer to Question 21, the Forum could act as a steering group for the implementation of any new levies; inform the design of the new system of administration and collection of any new levies; inform and advise on the spending of the revenue raised; and review any new levies over the lifetime of the policy.

23. Should revenues from a visitor levy be allocated to priorities articulated through local tourism strategies, where they exist?

- Yes**
- No
- Don't Know

The revenue raised by any levy should be reinvested into managing, supporting and increasing sustainable tourism in the local authority area. Investment should be

targeted at infrastructure and public services improvements which businesses and stakeholders believe will improve the visitor experience of the local authority area, increase its attractiveness as a destination and address any negative externalities experienced by local residents. Decisions about how or where the revenue raised should be spent should be closely informed by input from the local Transient Visitor Levy Forum and from the views of local residents.

There is also an opportunity for the revenue raised by any levy to be deployed to support promotional tourism activity to market Scotland's local authorities to new markets. New markets could create investment in improved digital connectivity and public transport projects relied upon by tourists and tourism-related businesses; or to support improved public services in key tourist zones, such as refuse collection or public conveniences.

The case for a levy in any local authority area will depend on whether it can be leveraged to significantly enhance the capacity of the local authority to manage existing visitor numbers and to increase future visitor numbers to deliver increased growth, employment and prosperity. A levy should not be viewed as a means of plugging any funding gaps in other areas of the local authority's portfolio or as a means of raising further revenue for discretionary non-related spending. It is in this clear context and with this clear mandate that the Transient Visitor Levy Forum should operate.

24. What reporting arrangements might be required of local authorities to account for the expenditure of receipts from a visitor levy?

As noted in response to Question 20, SCDI believes that local authorities should be required to provide information on an annual basis on how much revenue has been raised and how it has been spent.

25. If a local authority was to impose a visitor levy on a specific area within the authority, should any revenue raised have to be spent only in that area?

Yes

No

Don't Know

Investment should be targeted at infrastructure and public services improvements within the local authority area to ensure that the revenue raised is being reinvested into the area it is collected within, especially to manage local negative externalities and capacity pressures precipitated by high levels of tourism.

26. Is the name 'visitor levy' appropriate for the new powers proposed in the consultation document?

Yes

No

Don't Know

SCDI does not object to the use of the term transient visitor levy.

27. What requirements should apply to ensure accommodation prices transparently display a visitor levy?

Accommodation providers should be required by the national framework to provide a clear and unambiguous breakdown of costs to customers at the point of sale and at the point of receipt which illustrates the cost of the levy.

28. What, if any, transition arrangements should apply when accommodation is reserved and paid for in advance of a local authority choosing to impose, or subsequently vary, a visitor levy for the period the accommodation is let?

Any visitor levy should not apply to any bookings made prior to the implementation of any visitor levy with respect for consumer decisions made in good faith.

29. Should these transition arrangements be set out in a national framework or be decided by local authorities?

Set out in a national framework

Decided by local authorities

Don't know

Setting out such transition arrangements in a national framework would ensure fair and consistent treatment of consumers by accommodation providers and local authorities across Scotland.

30. Our partial BRIA indicates that the main groups that will be affected by a visitor levy are:

- **Visitors (both domestic and international);**
- **Tourism accommodation providers and their employees;**
- **Other tourism businesses and wider economy;**
- **Local residents and general public; and,**
- **Local Authorities**

In addition to what is set out in our draft BRIA are you aware of any additional impacts the visitor levy will have for any of these groups?

SCDI does not have anything further to add.

31. Are there any other groups not listed here that should be given attention in the impact assessments?

Any levy should be based on clear evidence and data to enable an informed and transparent assessment of any anticipated long-term impacts and of potential unintended consequences. In this respect, it is particularly important that due attention is given to the impact on business and investor travel as a distinct and significant subset of the category of Visitors (both domestic and international). It is

vital that Scotland remains an open, inclusive and globally connected economy and that any visitor levy does not damage Scotland's international competitiveness and attractiveness to visitors, trade partners and inward investment.