



The Scottish Parliament  
Pàrlamaid na h-Alba

**CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE**

**AGENDA**

**22nd Meeting, 2018 (Session 5)**

**Thursday 13 September 2018**

The Committee will meet at 10.00 am in the Sir Alexander Fleming Room (CR3).

1. **Declaration of interests:** Annabelle Ewing and Kenneth Gibson will be invited to declare any relevant interests.
2. **Transient Visitor Levy:** The Committee will take evidence from—
  - Councillor Gail Macgregor, Resources Spokesperson, COSLA;
  - Councillor Bill Lobban, Convener, Highland Council;
  - Councillor Adam McVey, Leader, City of Edinburgh Council;
  - Councillor Jenny Laing, Co-Leader, Aberdeen City Council.
3. **Transient Visitor Levy (in private):** The Committee will consider the evidence heard earlier in the meeting.

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The papers for this meeting are as follows—

**Agenda item 2**

Note by the Clerk

/S5/18/22/1

PRIVATE PAPER

/S5/18/22/2 (P)

**Culture, Tourism, Europe and External Affairs Committee**

**22nd meeting, 2018 (Session 5) Thursday 13 September 2018**

**Transient Visitor Levy**

**Purpose**

1. The Committee will consider proposals to introduce a transient visitor levy in Scotland and take evidence from a panel of local authority witnesses.

**Witnesses**

2. The Committee will hear from the following witnesses:
  - Councillor Gail Macgregor, Resources Spokesperson, COSLA
  - Councillor Bill Lobban, Convener, Highland Council
  - Councillor Adam McVey, Leader, City of Edinburgh Council
  - Councillor Jenny Laing, Co-Leader, Aberdeen City Council

**Written submissions**

3. The Committee has received written submissions from the following organisations that are providing evidence: COSLA, the City of Edinburgh Council and Aberdeen City Council.
4. The Committee has also received a written submission from Comhairle Nan Eilean Siar.
5. The written submissions received and are provided in Annexe A.

**Background information**

6. The Committee has been provided with a background briefing from the Scottish Parliament's Information Centre (SPICe), which is provided in Annexe B.

**ANNEXE A:  
WRITTEN SUBMISSIONS**

**Transient Visitor Levy**

**Written submission from COSLA**

**Key Points**

- COSLA's ask is that local authorities should have the discretion to introduce a Transient Visitor Tax if the circumstances were right for their local area.
- Sustaining tourism alongside the breadth of essential services provided by local authorities is at significant risk without new ways to invest. In the current financial context, we need to be innovative about funding for public services.
- Transient Visitor Tax is a tax on visitors and not on businesses.
- Locally, Transient Visitor Tax would be designed in a way which supports and enhances local strategies – Outcome Improvement Plans, Economic Strategies and Tourist Strategies.
- A core principle of design and implementation of Transient Visitor Tax is local consultation – with citizens and the local business and tourism sectors.
- This is not a replacement for existing funding but will provide important additionality over and above existing funding streams.

**Introduction**

1. COSLA welcomes the invitation to attend the Committee's evidence session on Transient Visitor Tax. In June of this year, COSLA launched a document (attached to this evidence) which set out our ask – that local authorities should be empowered with the discretion to introduce a Transient Visitor Tax if the local circumstances were right and in full consultation with stakeholders in their local area.
2. COSLA's ask is unanimously supported by COSLA Leaders. Transient Visitor Tax is about being responsive to local needs and conditions, empowering local government and giving us greater fiscal autonomy which allows us to help grow local inclusive economies and improve the visitor experience.

**Local Authority Taxes**

3. The existing vehicles of local taxation have not changed for decades. Council Tax and Non-Domestic Rates form a core component of local

government finance<sup>1</sup>, raising roughly 17% and 23% of local authority income respectively.

4. Council Tax rates are set and raised locally (although flexibility to raise Council Tax rates is capped at a maximum of 3% per year by the Scottish Government) with income retained by the Council. Unlike in other parts of the UK, our Non-Domestic Rates are not devolved to a local level. They are set nationally and the overall collected revenue forms part of the global funding for the local government settlement.
5. In the current financial context, local authorities recognise the need to be innovative about new levers for resourcing public services. Between 2013-14 and 2017-18 there was a 7.1% fall (-£744.7m) in the local government Revenue settlement in real terms<sup>2</sup>. Although the 2018-19 budget represented a flat cash settlement, this is in the context of increased expectations on what local authorities have to deliver and ring-fenced pots which have increased in number and value in recent years.
6. The reality of this is that 58% of councils' budgets cannot be touched<sup>3</sup>. Having so much of local government's budget protected through Scottish Government policy priorities prevents local government responding to local need. Local authorities want to deliver choice for their communities. But fundamental to this is the ability to pay for those choices in a situation of democratic accountability.
7. For COSLA, discretionary taxation represents a key step towards local financial empowerment through local devolution providing opportunities to raise money to be spent on local priorities. As well as being a vital source of income, the ability to set and collect local taxation will also enhance the principle of effective local democracy, as a central component of the accountability relationship between councils and the communities that they serve<sup>4</sup>.

### Transient Visitor Tax

8. COSLA's aspirations are for discretionary local taxation as a lever to allow Scotland's local authorities to innovate, starting with Transient Visitor Tax. Taxation of visitors is not a new concept. Over the last decade, the majority of European countries have taken steps to

<sup>1</sup> For a comprehensive overview of local government finance, see for example Audit Scotland, *Local government in Scotland Financial overview 2016/17* available at [http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr\\_171128\\_local\\_government\\_finance.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2017/nr_171128_local_government_finance.pdf)

<sup>2</sup> SPICe at <https://digitalpublications.parliament.scot/ResearchBriefings/Report/2018/5/21/Local-Government-Finance--facts-and-figures-2013-14-to-2018-19>

<sup>3</sup> <http://www.cosla.gov.uk/system/files/private/coslaspendingreviewbriefing.pdf>

<sup>4</sup> See COSLA's submission to the Commission on Local Tax Reform at [http://www.cosla.gov.uk/sites/default/files/images/cosla\\_response\\_to\\_commission\\_on\\_local\\_tax\\_reform\\_0.pdf](http://www.cosla.gov.uk/sites/default/files/images/cosla_response_to_commission_on_local_tax_reform_0.pdf)

empower their local areas to levy a tax to raise resource to alleviate the financial pressures which tourism brings.

9. Every year, Scotland attracts more and more visitors from across the globe. Scotland's offer to tourists is unique – our scenery, our history and our culture are key motivations for coming. However, the cost of maintaining the local environment and public services which draw tourists falls heavily on the public purse, for example:
  - the roads network that takes tourists to our scenery,
  - the public transport which takes tourists around our cities,
  - the extra refuse collections which are needed in cities and in scenic rural locations in peak seasons.
10. Sustaining tourism alongside the breadth of essential services provided by local authorities is at significant risk without new ways to invest.
11. COSLA's ask is that this legislative change would establish the possibility of implementing a tax which would be at the discretion of local authorities to design, with the aim of economic enhancement, and within the framework of local partnership. Flexibility is vital. The detail of Transient Visitor Tax would – rightly – vary across the country as no local area or local economy is the same. However, regardless of location any tax would support and enhance local strategies (e.g. Local Outcome Improvement Plans, Community Plans, economic strategies and tourist strategies) and would be developed in partnership with local citizens, local businesses and the local tourist sector.
12. No local authority wants to damage their local economy and some local authorities would choose not to levy such a tax. COSLA believes that Transient Visitor Tax – where appropriate – is an opportunity to enhance, not diminish.

### **Implementation**

13. Local authorities do not currently have the power to introduce anything like TVT. COSLA has undertaken extensive work to investigate options:
  - byelaws are about good rule and the prevention of nuisance and so are not an option
  - the 'power of wellbeing' has a specific provision which prohibits local authorities from raising money by taxation, charging, borrowing or otherwise in the name of well-being, so although TVT would contribute to local well-being, this existing power is not an option
  - licencing of any kind is not a viable option

14. For revenue to be fair and sustainable, it has to be easy to administer and difficult to avoid. This would not fit with any voluntary options which could produce inconsistent application and lead to unfairness.
15. We are clear that the introduction of discretionary tax powers is the only way to enable TVT and fiscal empowerment. This requires legislative change to establish the possibility of imposing a tax which would be at the discretion of local authorities to design with the aim of economic enhancement and within the framework of local partnership.

### **Engagement**

16. Since the launch of COSLA's document in June, Officers have undertaken a programme of engagement with key Stakeholders from the business and tourism sectors as well as Scottish Government. We recognise that there are concerns, and COSLA is committed to a process of open engagement to hear, understand and alleviate those concerns where we can. We have further engagement planned later in September where an invitation has been extended to all those we have engaged with to join a roundtable discussion.

### **Conclusion**

17. Discretionary local taxes are not a new ambition of local government. We strongly believe that the ability to set and collect local taxation is a key component of an effective local democracy.
18. COSLA will continue to engage with national stakeholders on our ask for the permissive environment, and will continue to support colleagues in local authorities in their development of detailed proposals. We are pleased to be joined at the session by local authority colleagues who will be able to demonstrate the need for Transient Visitor Tax to be locally driven.
19. We look forward to further engagement as Transient Visitor Tax progresses.

## **Transient Visitor Levy**

### **Written submission from City of Edinburgh Council**

#### **An Edinburgh Transient Visitor Levy (TVL)**

##### **Why we need a TVL in Edinburgh:**

1. Edinburgh is a thriving and successful city with a strong tourism industry. Tourism in Edinburgh is expected to continue to grow – in line with global trends. Indeed, the ongoing plans by the hotel industry to continue to invest in the city is an indication of the ongoing confidence in the future tourism market.
2. We welcome Scottish Government recognition that Tourism across the nation is strong. 2017 was a record-breaking year for the Scottish tourism industry, with 3.2 million people visiting Scotland from overseas. Our reputation as a country that warmly welcomes visitors to enjoy our landscape, culture and hospitality is world-renowned.
3. Tourism in Edinburgh is an important contributor to the city economy and the national economy, with more than four million visitors annually providing 35,000 jobs and generating £1.5bn. From 2012 to 2016, the number of visitor nights in Edinburgh rose by 18 per cent, while total expenditure from visitors rose by 22 per cent over the same period. The average occupancy rate in Edinburgh hotels was 83.7% in 2017, the highest in the UK. The Edinburgh Festival Fringe broke attendance records in 2017 with over 2,697,000 attendees recorded, 2018 attendance figures are estimated to be even higher.
4. Edinburgh City Council significantly invests in and supports tourism, culture and general services which provide the environment and context for this success. Indeed, CEC is contributing a total of £15m alongside Scottish and UK Government as part of the Regional City Deal to invest in culturally important venues and the tourism that this supports.
5. However, as many other European cities attest, managing the consequences of a thriving tourism economy creates challenges arising from increased demand on public services, city congestion, pressure on waste and cleansing services and a need to provide enhanced community safety measures.
6. We were also informed through our annual budget engagement process about resident knowledge of and support for a TVL in the city is growing. In the 2017 budget consultation, where the Council seeks feedback on its specific budget proposals, 42 per cent of all ideas submitted referred to some form of a tourist tax, more than any other suggestion received that year, or previously. This was despite it not being mentioned in any of the engagement material.



7. Bearing this in mind, City of Edinburgh Council is clear that the purpose of an Edinburgh TVL would be
- Ensure that Edinburgh's status as one of the world's great cities in terms of culture and heritage is sustainable;
  - Enable future investment in culture, heritage, arts and sport activities which benefit the city and enhance tourism.
  - Ensure sustainable investment in promotion of Edinburgh as one of the world's best cities to visit all year round.
  - Ensure that tourists and residents equitably invest in public services that ensure visiting this city is an enjoyable and safe experience and support the council to manage the impact of successful tourism industry

### **The necessity of a legislative power**

8. Through this process City of Edinburgh Council has looked at all local income-raising options including a Tourism Business Improvement District (a collection of businesses paying into a common pot to meet strategic aims), VAT retention, and a Cultural Heritage Fund.
9. However, a legislative power to raise local tax is the best option for an Edinburgh TVL for a number of reasons; it would provide secure income; income raised can be used flexibly and; income raised can be used across the city. Conversely a BID has the potential to be voted out at ballot and is not considered a secure source of income – which is important to preserve the potential for this income to be utilised to resource longer term investment commitments or capital projects, should these opportunities arise. Resources raised through a BID must also be used for a particular purpose and in a specific area. Additionally, it is only businesses who vote and pay within a BID and not the end user. The approach we have taken to the TVL seeks to be inclusive of industry, culture and tourism partners alongside our residents.
10. Importantly, alongside the security that the legislative framework would bring, the delegation of this power to local government would ultimately enable greater flexibility to address local circumstance and to be more responsive to changes in priority across the city and over time.
11. More generally and in this vein, local authorities should have the power and discretion to raise additional income by levying tax, in addition to Council Tax and Non-Domestic Rates, on either resident, property owners or visitors in the local authority or within a discrete area of the local authority.
12. This enhances local democracy through greater local accountability for the income raised and its use. It is important that local authorities are given the tools that can help manage the consequences of a growing population,

rapid housing development, increased transport needs, and the emergence of new markets from disruptive technologies

13. The creation of this more permissive environment would mean that Scottish Local Authorities can be more innovative and implement local approaches supported by local taxation.

### **Our approach to developing an Edinburgh Scheme for TVL**

14. The City of Edinburgh Council agreed, after local government elections in 2017, a Council Commitment to continue to make the case to the Scottish Government for the introduction of the Edinburgh transient visitor levy. To take this commitment forward we have started a range of activities to help scope and identify the key issues around TVL.

15. At a meeting on the 31 May 2018, the Council debated a research paper on the transient visitor levy was conducted in early 2018. City of Edinburgh Council have been informally engaging with key stakeholders, including 1:1 engagement with over 25 of our key partners and stakeholders, four roundtable and workshop events with more planned, and officers have presented to meeting at key organisations such as Local Government groups, Festival Edinburgh and the Edinburgh Tourism Action Group from August to September. Some reflections from this engagement are included in this submission.

16. The Council has also commissioned a specific piece of research into the views of residents and visitors on the TVL which will be done in partnership with Marketing Edinburgh. This will allow the wider debate to also be informed by the views of residents and visitors who should have at least the same opportunity to participate and be heard as businesses. The findings from this work is expected in September 2018.

17. The Council is due to consider a draft proposal for the Edinburgh Scheme on the 2nd of October at its Corporate Policy and Strategy Committee, after which point the council will conduct a public consultation.

### **Our Research Findings**

18. From our research we identified key issues that have helped informed our engagement stakeholders.

- The introduction of a levy could bring substantial revenue: Depending on the model, an Edinburgh transient visitor levy could raise between £5m and £29m a year.
- The UK is one of only nine countries from the EU-28 with no tourist tax as of 2018. These cities have supported and continued to grow their tourism alongside, and perhaps in some cases with support from the TVL income. There is no evidence that the TVL has been detrimental to accommodation demand across Europe.

- Price is not the only factor in determining demand. Tourist demand is also impacted by a destination's overall appeal, affordability, the overall quality of the tourist experience, events, cultural and other attractions alongside price. With its packed events and festivals calendar, historic city centre, free museums and art galleries and wealth of outdoor attractions, Edinburgh seems well placed in this regard. There is no conclusive evidence a TVL would adversely affect visitor demand in practice across Europe or specifically in Edinburgh.
- While the UK is one of the highest VAT taxed countries in Europe, when you combine VAT and TVL rates Edinburgh is competitive with for example, Budapest and Rome, who charge 4% visitor levy on a VAT of 18% and €12 per double room per night on VAT of 10% respectively. Looking more broadly at overall taxation is complex and would need to reflect the fact, for example that the UK has lower rates of corporate and personal income taxation compared to most of Europe.
- While the total tax income may appear higher in some locations than - others, many hospitality industries have thrived due to the public investment that tax income has contributed to. Therefore, the negative perceptions towards a tax among businesses can depend on how supported the industry feels by the public sector in sustaining the area's tourism product.

### **View from stakeholders on TVL options for Edinburgh so far**

19. As mentioned the City of Edinburgh Council have been informally engaging with key stakeholders, including 1:1 engagement with over 25 of our key industry partners and stakeholders, four roundtable and workshop events with partners from across industry, culture and tourism with more planned. Officers have also presented to meetings at key organisations such as Local Government groups, Festival Edinburgh and the Edinburgh Tourism Action Group. This engagement will continue, in particular, with a round table planned with industry partners on September 13th.
20. We heard through our engagement, that a set of key principles are important to securing collective support for an Edinburgh Scheme, its scope, detail, application and use. We specifically heard that an Edinburgh Scheme would need to be:

### **Fair to all – industry, residents and tourists**

21. Issues raised around fairness relate to many aspects of the scheme including who the scheme would apply to, how much would be charged, how it would be charged, over what period of the year and whether there would be any exemptions. The principle is important but must be understood to apply to all and not one sector or stakeholder in this debate.
22. To further draw out some key points, we heard from stakeholders that it was important to ensure that no part of the accommodation industry or

tourists choosing accommodation were disproportionately advantaged or disadvantaged by being exempted from a TVL. The focus of this principle is often around ensuring that the short term lets economy is fairly and equally contributing to the city in the same way as other types of tourists and indeed local taxpayers.

23. While this principle holds significant merit, depending upon whether or not the scheme applied a flat rate or a percentage to the room fee, a minimum threshold for paying may be necessary to protect vulnerable residential short-term accommodation users. This type of debate would be an important part of any public consultation and speaks to the balance needed to deliver a scheme that is 'fair to all.'
24. In terms of fairness, consideration also needs to be given to whether a local scheme should be sensitive to the size and or price ranges that exist across the accommodation sector. The premise being that a £ per night fee would disproportionately impact upon smaller providers or budget accommodation/tourists than other parts of the industry or our more luxury focused tourist. These issues all come into play when deciding whether, or not, a £ per room per night charge is fairer than a percentage charge – similar to the application of VAT.

#### **Simple to understand and run**

25. Ultimately, how 'fair to all' a local scheme is including whether and how many exemptions are made to it, impacts on how simple it is to understand and how easy and efficient it is to run. These are choices that need to be made in consultation with residents and other key partners. However, some common exemptions might be for a type of accommodation, a group of tourists e.g. families or local residents, period of stay, geography within the city and; period of application over the course of the year. The more of these nuances you accommodate within a scheme the more complex it is for tourists to understand and for businesses and the council to run.

#### **Administratively efficient and difficult to avoid**

26. As part of our informal consultation, stakeholders shared the sentiment that if the city were to go to the effort to implement this charge, then it must be 'worth it'. By this, partners meant both that the charge should be large enough to merit the administrative costs involved and large enough to raise enough money to make a meaningful investment in the city.
27. Clearly, it is in everyone's interest to ensure that the scheme costs as little as possible to run and that it is as light touch as possible while ensuring compliance and minimising the potential for any avoidance of payment. The council has committed to design any administration mechanism in partnership with the business community. Indeed, given that several of our accommodation partners in the city are international companies operating TVLs in other parts of Europe, there should be much to learn in terms of best practice.

28. As such, the council is hosting a round table of large and small industry partners to specifically consider a model for scheme administration in the afternoon on September 13. This conversation would cover the detail design of a potential administrative mechanism addressing issues such as registration, collation mechanism, collation timescales compliance mechanisms and the associated costs.

**Raise *additional* income, transparently invested**

29. The introduction of either a small charge of 2% of the room cost or £2 per room per night could generate over £11 million per annum to invest within the City. This estimate is based on hotels, services and self-catering apartments, short term lets (from Airbnb) and guesthouses and B&B's within the City of Edinburgh geography. It does not show the expected revenue to be raised from Edinburgh hostels, or campsites.

30. Some of the learning that can be taken from other parts of Europe is around how best to invest the resources raised. For example, in Barcelona funds are allocated to the local authority to resize general services to meet to demand from tourist visits. In Antwerp, funds are allocated for clean streets, enhanced information services, and the maintenance of museums.

31. What is clear is that transparently developing proposals for how this resource is invested in partnership and collaboration with all stakeholders is an important component of gaining trust and support for the TVL.

32. While the specifics of investment of income raised in Edinburgh would be something that the council would want to further consult on, it is worth reiterating that the purpose of the scheme would be to:

- Ensure that Edinburgh's status as one of the world's great cities in terms of culture and heritage is sustainable.
- Ensure future investment in culture, heritage, arts and sport activities which benefit the city and enhance tourism.
- Ensure future investment in promotion of Edinburgh as one of the world's best cities to visit all year round.
- Ensure that tourists and residents equitably invest in core council services that ensure visiting this city is an enjoyable and safe experience and support the council to manage the consequences of successful tourism industry

33. There is no suggestion from the Council that the TVL should compensate for or alleviate the responsibility to adequately fund local government to meet its wider statutory duties.

**Have transparent governance and accountability**

34. Transparent governance and clear accountability are closely tied to decisions around resource and investment detailed above, but the importance given to this principle also reflects the need to evidence that any TVL is delivering benefit to the City of Edinburgh. Partners rightly want to clearly see what is being raised, what the priorities for investment are and whether that investment has improved outcomes for all.

### **Developed in collaboration**

35. Finally, the council has been clear that all work that we are doing on TVL is taken forward in the spirit of collaboration and co-production. The council has not put forward its own version of a TVL for the city, instead it has embarked on a series of informal engagement sessions, round tables and workshops with key stakeholders and partners. This has been to ensure that when the council publishes draft proposals for formal public consultation later this month, it is done having listened to the concerns and inputs shared with us. In this regard, the council is committed to doing with and not to industry, culture, tourism partners and residents. The commitment to co-design the administration mechanism of the scheme is an illustration of this.

### **Next steps**

36. The council intends to consider a detailed proposal for an Edinburgh TVL Corporate Policy and Strategy Committee in October after which we will embark on a public consultation. In the meantime, results of our residents and tourists research is expected imminently which will support the ongoing balanced and transparent consideration of this issue within the city.

### **Conclusion**

37. The case for a tourist tax isn't a new one, but it's a strong one, applicable to different parts of the country in different ways. In Edinburgh, we believe that there is a clear rationale for implementing a TVL and the council is seeking the Scottish Government and Parliamentary support for the legislative power to take this forward. We believe that this needs to be done through a legislative provision if it is to be well implemented and flexibly applied across the country in a way which is sensitive to local circumstance.

## **Transient Visitor Levy**

### **Written submission from Aberdeen City Council**

#### **Key Points:**

- Tourism is a major contributor to the city and regional economies. As well as employing 18,000 people in the region in 2016, the sector contributed £387m GVA in 2016, 10% of the total Scottish sector total.
- Aberdeen City Council is investing in the tourism sector through delivery of a new international Events Complex Aberdeen (a £333m project) an extensive refurbishment of the city's Art Gallery (a £30m project) to create world class facilities, as well as the ambitious investment in the physical transformation through the City Centre Masterplan and supporting development of the Aberdeen Harbour expansion. The Council also supports the sector with revenue funding to promote the city to UK and international markets and has invested considerably in the Aberdeen365 Events Plan.
- The Council recognises that powers and levers that respond to and support economic growth may be needed at a local level, to offset the funding reductions the Council itself is facing, and in the context of being the lowest funded Council in Scotland. It has been considering the potential of a tourism levy since 2015 through the negotiation of the Aberdeen City Region Deal.
- The Council has undertaken research on how a levy could operate in the city, in consultation with local stakeholders, including local hotel sector, to ensure that their views continue to contribute to the development of any scheme.
- At this stage, the Council wants the devolution of legislative powers to look at levers to drive local economic growth, and the tourism levy is one such lever.
- The Council will continue to engage with the Scottish Government and industry.

## Introduction

1. Aberdeen City Council's Co-Leader is pleased to attend the Scottish Parliament's Culture, Tourism, Europe and External Affairs Committee's session on Transient Tourism Tax.
2. Tourism is an important contributor to the city economy. The city region makes a significant contribution to the tourism economy, with an estimated visitor spend of £730m in 2017 (from around 1.3m trips). This in turn supports around 18,000 jobs in the city and region, and £387m GVA, 10% of the total Scottish sector total. 2017 data indicates that there are 1,200 registered enterprises involved in tourism in the region, around 8% of all Scottish tourism enterprises.
3. Our ambition is to grow the sector and the number of new leisure and culture audiences coming to Aberdeen. A Destination Strategy for Aberdeen and Aberdeenshire was published in March 2018 by VisitAberdeenshire. This sets out the ambition to develop the North East visitor economy to a £1bn a year sector by 2023, and to provide a sustainable contribution to the prosperity of Aberdeen the north-east, Scotland and the UK. Investment in the development of the tourism, culture and events product, and its promotion and marketing, will be key in reaching these ambitious targets for the sector.
4. The Regional Economic Strategy adopted by the Council in December 2015 focuses on diversification of the economy recognising the dominance of the oil and gas sector and supporting subsea engineering sectors. One of the key sectors in the Regional Economic Strategy is tourism, and in particular diversifying into leisure tourism markets. To achieve this, Aberdeen City Council invests significantly in supporting tourism, culture and transforming the city centre as visitor destination.
5. Recognising that new infrastructure is required, the Council supports the sector in a range of ways through its capital plan. This includes supporting a refurbishment of the Aberdeen Art Gallery, delivery of the new international Events Complex Aberdeen (a unique development in UK terms) and two new hotels onsite, and through the City Region Deal itself, supporting the Aberdeen Harbour Expansion project and its provision of new berthage for cruise liners. These investments are aimed at acquiring new audiences to the city and Scotland that in turn will help grow the tourism, leisure and culture sectors. The Council has invested close to £400m in capital funding towards their costs, and as they start becoming operational, in 2019 and 2020, they will attract new visitors to the city, region and Scotland.
6. Away from infrastructure, the Council also supports the sector through its funding of VisitAberdeenshire, a city and regional destination management organisation, Aberdeen365 Events Plan, and Culture Aberdeen. The Council contributed £570,000 to VisitAberdeenshire under a service level agreement in 2018/19. Aberdeenshire Council also contributes towards its



funding. In turn the private sector contributes to VisitAberdeenshire revenue budget subject to the financial commitment by the two Councils.

7. The Council's revenue investment is all part of complementing the capital investments in the sector and supporting the City Centre Masterplan objectives to create the city centre as a destination. Already we are seeing the interest by the events sector in the new Events Complex Aberdeen which opens in 2019, and its capacity to bring new events to Scotland.
8. As a Council, we are aware of our geographic location and the need for better transport connectivity to and from the city. There is a need to balance our transport investment against the supporting investment in our tourism, leisure and cultural offerings. The Council will continue to seek innovative ways in order to deliver major investment in the city's assets – for example, the £370m bond issue to support our capital programme.
9. As the lowest funded Council in Scotland and in the context of the fiscal pressures it faces, for the Council to continue to respond to increasing demand for its services from the citizens of Aberdeen, other powers and levers need to be considered so there is a sustainable source of funding for this key sector of the city and Scottish economy.

### **Tourism Levy**

10. In September 2015, as part of the Council's work in negotiating a City Region Deal with the UK Government and the Scottish Government, it submitted a Statement of Intent that set out a basis from which the negotiations with the two Governments could begin. Broadly the Statement emphasised that certain powers and discretion were needed in the city that could drive and support local and regional economic growth.
11. The Statement recognised the need to secure sustainable investment to support the tourism ambitions of the city region, the development of a new Destination Management Organisation, the Events Plan within the City Centre Masterplan and its cultural objectives.
12. It requested therefore powers to raise a Tourism Charge on overnight visitors to the city to support the work of the new Destination Management Organisation and its internationalisation agenda.
13. That proposal did not form part of the Aberdeen City Region Deal. However, the Council contributed to the June 2016 work by the Scottish Cities Alliance (SCA) "Empowering Scottish Cities to Grow". It identified non-fiscal and fiscal levers that could be most effectively devolved to the cities to foster growth, create employment and make Scotland's cities more attractive places to live and do business. It was the city councils that were managing the pressures and costs of city region economic growth, and the Leaders of each city called for a collaboration with the UK and Scottish Governments in four areas:

- A shared approach to improving connectivity and infrastructure;
- A radical change in the approach to economic development;
- A shared approach to improving our communities; and
- A shared approach to setting a diverse tax system across Scotland.

14. Aberdeen City Council, as part of the seven Scottish cities, called on the UK Government and the Scottish Government to discuss a redefinition of existing relationships with Government, a 'new deal' between cities and central governments that will set a framework for the devolution of future powers. The work provided a menu of local taxes and levies as a starting point for these future discussions to align revenue generation capacity to a city's economic growth priorities. This included a tourism levy.

15. In August 2016 a report on additional powers was presented to Aberdeen City Council who noted the priority levers in the SCA report and instructed officers to assess the implications on the Council's finances if these were to be devolved to the Council.

### **Implementation**

16. In March 2017, officers presented the analysis of their work on how a tourism levy could operate to Aberdeen City Council's Finance, Policy & Resources Committee. It heard that the purpose of a levy would be to generate a sustainable revenue stream that could be ring-fenced for investment in the development of the tourism sector, including destination promotion and marketing, other specific marketing campaigns, supporting the delivery of international and national events and/ or cultural development. It would be a flexible response to the needs of the city, particularly in the context of capitalising on the opportunities from the Council's investments coming onstream in 2019 and 2020.

17. The analysis included international comparator research of other schemes and VAT regimes<sup>5</sup>, consultations with industry and analysis of delivery options. It assumed that a levy would apply across accommodation types (eg hotels and self-catering/ AirBnB); it would comprise of flat rate levy of £1 per bed per night; and modest occupancy rates of 67% (for hotels, lower across other types). It excluded any hotels that were in the planning system.

18. Based on these assumptions, a levy could generate around £1.8m of revenue annually. The report to the Committee highlighted the issues raised during the consultation, including:

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<sup>5</sup> Cities included Paris, Berlin, Hamburg, Amsterdam, Rome, Barcelona, Brussels, Vienna, Lisbon, Vancouver and New York.

- Competitiveness – would a tourism levy affect Aberdeen’s competitiveness;
- Sector – the impact of a levy in the context of the oil and gas downturn and the effect of Non-Domestic Rates;
- Administration system – it should be efficient to operate and while able to collect, the cost/ burden should not be on the industry;
- Parity – across accommodation providers, and especially in relation to the short-term let/ AirBnB market (licensing, NDR). Regardless of the type of levy, it should seek to be equitably applied across the accommodation sector;
- Assurance that if a levy was to materialise, the revenues would be ring-fenced for development of the tourism sector. Local industry would welcome participation in how funds are managed and invested and ensuring transparency.

19. The Committee noted the analysis and that primary or secondary legislation would be required by the Scottish Parliament to implement a scheme. It instructed the Chief Executive to write to the Cabinet Secretary for Culture, Tourism and External Affairs to seek legislative power to introduce a scheme as part of Empowering City Government framework.

### **Engagement**

20. The response by the Scottish Government to the Chief Executive’s letter requesting the power to introduce the scheme stated that the Scottish Government did not intend to take forward any plans to introduce a tourism levy at that time and that Scottish Ministers were not willing to consider requests to explore a possible levy with local government unless the tourism and leisure industry was involved from the outset and their long term interests were recognised in any work.

21. During the development of their report, officers engaged with the Aberdeen City and Shire Hotels Association, Aberdeen & Grampian Chamber of Commerce, VisitScotland and VisitAberdeenshire.

22. Since then officers have extended their consultations to include the British Hospitality Board (BHB) and CoSLA. This engagement with industry will continue as the Council develops its position on the securing of powers to introduce a levy.

### **Conclusion**

23. Aberdeen City Council has done much to develop the case for allowing cities to have the devolved power to introduce a levy and has engaged extensively at a local level with all of the key stakeholders. Should local government be granted such powers, it will ultimately then be a decision for the Council on whether to use the power on any such levers, including a levy.

24. The Council and officers will continue to engage with industry stakeholders as its discussions progress.

## **Transient Visitor Levy**

### **Written submission from Comhairle Nan Eilean Siar**

Dear Sir/Madam

#### **Transient Visitor Tax**

Thank you for the opportunity to contribute to the discussion on Transient Visitor Tax (TVT).

The Comhairle has not yet reached a view on whether it would support the introduction of TVT in the Outer Hebrides but, consistent with the Our Islands: Our Future campaign, would wish to see the power to implement such a levy devolved to local authorities.

The welcome increase in tourism has undoubtedly increased pressure on infrastructure, including roads, parking and public conveniences, at a time when council resources are reducing.

Prior to making any decision the Comhairle is seeking to establish whether there is evidence that would support the implementation of TVT. Important considerations in this include: the impact on the number of visitors; the sustainability of the sector; and the cost of collection.

The Committee may wish to give consideration to how any scheme might operate across Scotland as a single system may well be more efficient for both operators and visitors. Such consideration should also include whether TVT would impact on the overall number of visitors to Scotland or the distribution of visitors within Scotland.

Yours faithfully

Robert Emmott  
Director of Finance and Corporate Resources



## Culture, Tourism, Europe and External Relations Committee

22<sup>nd</sup> Meeting, 2018 (Session 5) Thursday 13 September

### Transient Visitor Levy

#### Commission on Local Tax Reform

The Commission on Local Tax reform was formed in 2015 to “identify and examine alternatives that would deliver a fairer system of local taxation to support the funding of services delivered by local government”. The Commission [reported in December 2015](#). Although the focus of the Commission was on primary streams of local taxation (property, land and income), the report highlighted that—

“Broadening the local tax base could include environmental, resource, sales or **tourist taxes**, as appropriate to local circumstances and local authority decisions. We see no reason in principle why such options should not be identified, developed, and, if found to be workable, made available to Local Government. These options would not be anticipated as forming the main basis for local taxation, but could ... make a contribution to local revenues.”

Whilst the Scottish Government responded to the Commission’s findings [by proposing and implementing changes to Council Tax](#), no changes were proposed to the smaller taxes referenced above.

#### COSLA

In May 2018, a COSLA spokesperson [stated](#) that:

“We want to strengthen local democracy and local choice and that is why COSLA, on behalf of Scotland’s Council Leaders, will continue make the case for the introduction of local discretionary taxes such as TVT for all local authorities to address specific local issues.”

This was followed up by a more detailed [statement](#) and policy paper on 26 June, which stated:

“What we are asking for today is not a national tax, but a tax that could be introduced locally if the circumstances are right and if councils in their own area think that it is the proper thing to do.

“This is the start of a process through which any industry concerns can be alleviated. Our next step on this journey will be to work with the

tourism industry and sector in close partnership to allay any concerns that they may have.”

COSLA does not advocate a single model for implementing a transient visitor levy but rather explains that it could be implemented by local authorities in different ways depending on local circumstances.

The work being done in recent years by individual local authorities is covered in more detail below.

### **Local Authorities**

There have been calls for the introduction of a transient visitor levy (“TVL”, or transient visitor tax “TVT”) in a number of Scottish cities over a number of years. Many local authorities have recently undertaken their own policy analysis of the costs and benefits of introducing a levy.

#### ***City of Edinburgh Council***

A recent [Freedom of Information](#) request details communications between Edinburgh City Council and the Scottish Government on this matter going back to 2015.

In November 2017, the City of Edinburgh Council [reported](#) that:

“A proposal for what is known as a Transient Visitor Levy has been regularly discussed. This mechanism has been applied in many other major destination cities across the world. It involves a minor additional charge to visitors on departing from their tourist accommodation. This directly benefits the relevant Council’s, or equivalent body’s, ability to directly improve quality of the city’s public realm, city promotion and cultural investment and activity throughout these cities. The introduction of such a levy would require agreement and process approvals from the Scottish Government as well as the Council. Examples of cities which have introduced a levy include New York, Barcelona, Florence, Paris and Berlin.”

At its meeting on [31 May 2018](#), Edinburgh Council debated a research paper on a [Edinburgh Transient Visitor Levy](#). The paper related to the Council’s commitment to progress an Edinburgh TVL. It also outlined some of the findings from desk-based research into an Edinburgh levy and noted further activities related to a levy.

The Council argued that adding a £1 charge to hotel guests’ bills could raise £11m to fund local services in Edinburgh.

The Council approved the TVL research paper and Council Leader Adam McVey [posted](#) on Twitter that:

“In the next 12 months our plans for a “tourist tax” will be ready for implementation. While it may take longer to deliver the powers

necessary to start collecting, our timeline is robust & we'll be ready to go!"

Over the summer, the Council has carried out formal engagement/research activities, as well as having ongoing politically led engagement with elected members and the industry. These included:

- research into the views of residents and visitors on the TVL carried out in partnership with Marketing Edinburgh, the Council is expected to publish results from this research in September and again in November. The results will require consideration by, and a response from, the Council reflecting on some of the future challenges it may also have with both resident and tourist numbers expected to grow
- roundtable discussion with industry stakeholders on the details of what an Edinburgh Scheme could reasonably look like and options for implementing it.

Later this year, a final report, seeking a formal decision to back the introduction of an Edinburgh TVL, will be brought before the Council, and, if agreed, the Council will seek the legislative ability to implement the policy. In the interim, Councillors have continued to emphasise a desire for such measures in [media statements](#).

On 20 August, news coverage suggested a division between Edinburgh councillors on the issue, as well as between supporting councillors and business representatives. ([The Herald](#), 20 August).

According to the Council's written submission, it "...intends to consider a detailed proposal for an Edinburgh TVL Corporate Policy and Strategy Committee in October after which we will embark on a public consultation."

### ***Aberdeen City Council***

Aberdeen City Council's Finance, Policy and Resources Committee considered an [analysis](#) of options for how a tourism levy could operate and the costs and benefits of a scheme on 9 March 2017. The analysis notes that the Council's consideration of introducing a levy "originated in the discussions with the UK and Scottish Governments on an Aberdeen City Region Deal in 2015".

According to the analysis, the Council's main motivation for introducing a levy is tourism promotion and creating a sustainable source of funding and investment for the sector. The Council's analysis notes in this regard that a key element of a levy is that "100% of the revenue collected must be ring-fenced for tourism activities".

The Council's analysis recommends introducing a "flat rate tourism levy of £1 a night for every room occupied". It further explains that camping and youth hostels should not be included within the scope of the levy. The Council analysis further states that "the Air BnB sector...should be included, but



further consideration [is needed] on how this could be achieved, including in any legal drafting and enforcement”.

### ***Comhairle Nan Eilean Siar***

Comhairle Nan Eilean Siar’s written submission explains that “The Comhairle has not yet reached a view on whether it would support the introduction of TVT in the Outer Hebrides but, consistent with the *Our Islands: Our Future* campaign, would wish to see the power to implement such a levy devolved to local authorities.”

The Council also notes that:

“Prior to making any decision the Comhairle is seeking to establish whether there is evidence that would support the implementation of TVT. Important considerations in this include: the impact on the number of visitors; the sustainability of the sector; and the cost of collection.

The Committee may wish to give consideration to how any scheme might operate across Scotland as a single system may well be more efficient for both operators and visitors. Such consideration should also include whether TVT would impact on the overall number of visitors to Scotland or the distribution of visitors within Scotland.”

### ***Glasgow City Council***

Glasgow City Council commissioned a Working Group to examine and report on a transient visitor levy and other potential local taxes. The Working Group’s [report](#) dated 15 November 2016 concluded that:

“Of the options considered by the Working Group, a tourist tax is the most capable of being implemented. Further work, in consultation with the tourist industry and local business community, other local authorities and Scottish Government would be required to establish how a scheme could operate, if pursued - but, of the taxes reviewed, the tourist tax option appears to offer an efficient way of generating additional revenue that would also allow investment to enhance the existing tourism offering.”

### **Powers for Implementation**

COSLA takes the view in its [policy paper](#) that “...primary legislation would...be required for the establishment of a Transient Visitor Tax”. In its written submission to the Committee, COSLA explains:

“Local authorities do not currently have the power to introduce anything like TVT. COSLA has undertaken extensive work to investigate options:

- byelaws are about good rule and the prevention of nuisance and so are not an option
- the ‘power of wellbeing’ has a specific provision which prohibits local authorities from raising money by taxation, charging, borrowing or otherwise in the name of well-being, so although TVT would contribute to local well-being, this existing power is not an option
- licencing of any kind is not a viable option

For revenue to be fair and sustainable, it has to be easy to administer and difficult to avoid. This would not fit with any voluntary options which could produce inconsistent application and lead to unfairness.

We are clear that the introduction of discretionary tax powers is the only way to enable TVT and fiscal empowerment. This requires legislative change to establish the possibility of imposing a tax which would be at the discretion of local authorities to design with the aim of economic enhancement and within the framework of local partnership.”

Aberdeen City Council considers the legal issues underlying implementation of a transient visitor tax in detail in the [policy analysis](#) presented to its Finance, Policy and Resources Committee. The analysis considers the application “the general power to advance well-being” under [section 20](#) of the Local Government (Scotland) Act 2003 (the Act). It notes that the exercise of this power is limited by [section 22](#) of the Act, which the paper concludes “...does not enable a local authority to do anything for the purpose of enabling the authority to raise money by levying or imposing any form of levy or charge, by borrowing or otherwise.”

Aberdeen City Council’s paper analysis explains that:

“Consultation with the Council’s Legal and Democratic Services indicate that they do not see the use of the Power to advance well-being as an appropriate tool for the Council to introduce a levy. Without support from Scottish Ministers, they do not see any other way to introduce a levy.”

Aberdeen City Council’s analysis considers primary legislation and notes that this is a lengthy process. In relation to secondary legislation, the paper explains:

“There is an alternative way for the Scottish Ministers to legislate with secondary legislation. Under section 57(1) of the Local Government (Scotland) Act 2003, Scottish Ministers have the power to make an order to “amend, repeal, revoke or disapply” any enactment to which the section applies to. This applies to “any enactment which the Scottish Ministers consider prevents local authorities from exercising their power under section 20(1)” (the power to advance well-being).

Therefore, the easiest way for Scottish Ministers to vary the legislation would be to repeal or amend section 22 (the limit on local authorities to raise money by a levy or levy other than Council Levy and rates). If Scottish Ministers can be persuaded to do, they would have to lay down a Scottish Statutory Instrument (SSI), which would need to be approved by the Scottish Parliament.

If the law was amended by Ministers, it would need to be specific enough to include organisations such as Air BnB, and not limited to just hotels, guest houses and B&Bs. Any law would have to be carefully worded to include them, as they would certainly not be volunteering to be included.”

The City of Edinburgh Council’s written submission explains that it has:

“...looked at all local income-raising options including a Tourism Business Improvement District (a collection of businesses paying into a common pot to meet strategic aims), VAT retention, and a Cultural Heritage Fund.”

In the City of Edinburgh Council’s view:

“...a legislative power to raise local tax is the best option for an Edinburgh TVL for a number of reasons; it would provide secure income; income raised can be used flexibly and; income raised can be used across the city.”

### **Scottish Government’s Position**

On 4 July 2018, it was [reported](#) that the Cabinet Secretary for Tourism, Fiona Hyslop MSP, questioned Edinburgh Council’s tourist tax plans, saying that there is "no agreement with the Scottish government" to make them happen.

On 2 September, [news coverage](#) speculated that any Scottish Government plans to implement a Transient Visitor Levy had been postponed.

The [Scottish Government’s 2018 Programme for Government](#) makes no explicit reference to a Transient Visitor Levy or a tourist tax. It does, however, reference the challenges created by growing tourist numbers in terms of short-term lets, which is an issue often raised by supporters of introducing local taxation powers:

“While we want to ensure that tourists have places to stay, we do not currently always have the right balance between supporting tourism and the economic and other benefits it brings through short-term lets and what is right for local communities.

In the coming year, we will work with local government, communities and business interests to ensure that local authorities have the appropriate regulatory powers to allow them to take the decisions to balance the needs and concerns of their communities with wider

economic and tourism interests. These powers will allow local authorities to ensure a safe, quality experience for visitors, whilst protecting the interests of local communities.”

## **Responses from Industry**

### ***Opposition to the proposals***

On 5 July, the Scottish Tourism Alliance [stated](#) that:

“The Member Council of the Scottish Tourism Alliance (STA) welcomes the reaffirmed Scottish Government position that it will not legislate to grant powers to local authorities to introduce a Transient Visitor Tax without the full involvement of the tourism industry and ensuring that the long term interests of the industry are fully recognised.

The STA Member Council is of the view that any change to this position should only be considered in the light of an objective and well-informed national, rather than local debate, following conduct of independent research.”

A TVL has also been opposed by other business groups such as the Federation of Small Businesses (FSB), who call it "potentially damaging". It was [reported](#) that the FSB had asked its members in Edinburgh for their views on the idea of a visitor levy. 124 FSB members, out of a potential 1700, responded to the survey, almost 80% of the respondents were tourism-related firms:

- 67% of respondents said they believed a tourist tax would have a negative impact on their business
- 73% said it would have a negative impact on the local economy.

The FSB also [noted its opposition](#) to Highland Council's proposals.

On 5 July 2018, [UKHospitality](#), the new trade body formed from the British Hospitality Association joining with the Association of Licenced Multiple Retailers, published a news release: [UKHospitality warns against tourist tax](#).

UKHospitality reiterated its message that a tourist tax in Edinburgh, or any part of the UK, could be disastrous for hotels and the hospitality sector, which it described as the UK's third largest private sector employer.

The trade body argues that:

“Hotels and hospitality businesses are already facing a mountain of costs and any additional tax, no matter the cost, would present vital employers with a significant barrier to growth and investment. The UK is one of only three EU countries which does not have a reduced rate of VAT on hotel and tourism services - by comparison, the rate of VAT on hotel rooms in EU countries is about half of the 20% rate applied in

the UK. In the majority of EU countries which have some form of tourist tax, there is a reduced rate of tourism VAT.”

The body is asking national governments not to devolve powers to local authorities to introduce local tourist taxes, and that local authorities should examine other means to raise local revenue to support tourism.

### ***Support for the proposals***

On 22 August, [news outlets](#) reported that both AirBnB and the Chief Executive of Virgin Hotels had voiced their support for a Transient Visitor Levy in Edinburgh. Airbnb currently [collects and remits](#) taxes on behalf of hosts in 10 countries (in addition to many states in the US) and [reportedly](#) “has agreements with more than 400 governments and local authorities around the world”.

### **Tourism VAT**

One of UKHospitality’s current campaigns calls on the UK Government to urgently consider, and introduce, a reduced rate of VAT for the hospitality sector.

The body argues that:

“The UK is one of the few countries in Europe that does not have a reduced rate of VAT for the hospitality sector. It has been widely introduced as a measure to boost tourism and to grow the economy. We believe that its introduction would lead to thousands more jobs, economic growth, a boost for Treasury revenues and an improvement in the UK’s tourism balance of payments.”

In June 2016, the Cabinet Secretary for Tourism was [quoted](#) as saying:

“One of the things they [the UK Government] haven’t made good decisions on is in terms of VAT on the tourism industries. It means Scotland has the second highest VAT payable for the tourism industry.

In that context, trying to put extra taxation on them doesn’t make sense. I agree with the cultural sector, we need more investment to help support the infrastructure in our cities, of course we do, but there are smart ways of doing it. That’s what I want to do as part of my brief, to look at smart ways of getting the investment we need, but to do it in a way which doesn’t hammer the tourism industry.”

### **International Examples**

International examples have been cited as models for how this might work – these are detailed in the [Annexe](#).

**Ailsa Burn-Murdoch  
SPICe Research**

## ANNEXE: INTERNATIONAL EXAMPLES

The report, [Edinburgh Transient Visitor Levy](#), debated by the City of Edinburgh Council in May 2018 (see below), pointed out that, as of 2018, the UK is one of only nine countries from the EU-28 that does not charge a tourist tax. The report provided examples of three different types of visitor levies already in place in other countries. These are the progressive tourist tax model, the tax liability model and the flat or fixed rate model.

The report states:

### “The progressive visitor levy option

A progressive visitor levy is a charge that varies by size on the type of accommodation. This means that it varies by hotel grade or price band, so staying in a more expensive or better-quality establishment would incur a higher charge. An example of this visitor levy type applies in Rome, guests staying in a 3-star hotel are required to pay between €4 per person per night, and €7 per person per night if they are staying in a 5-star hotel.

**Figure 17: Example of cities with a progressive visitor levy**

Location	5-star	4-star	3-star	Notes
Athens	€4	€3	€1.50	Per room per night
Paris	€3.30	€2.48	€1.65	Per person per night
Rome	€7	€6	€4	Per person per night
Florence	€5	€4	€3	Per person per night

The city tax in Rome is one of the highest in Europe and this in part reflects the many tourists that visit this large city every year. Other selected cities that adopt a similar approach are noted in the table. This option may appear as the fairer option for visitors as it charges more for those that can afford to pay more.

The progressive visitor levy option, carries a disadvantage of being more complex to administer, the classification of apartments, non-service accommodations of different quality would need to be

determined. One way around this is to adopt the price band approach similar approach used in Vicenza, Italy whereby the progressive charge varies by the value of the room rate. For example, a room rate per night of between €25 and €70 is charged €2.00 per person per night and rooms costing over €130 are charged the highest fee of €3.00 per person per night.

### The fixed rate or flat fee visitor levy option

The fixed rate visitor levy is a standard fee applied equally across all types and grades of accommodation. It is used in cities like Lisbon, Prague, Dubrovnik a fixed fee is charged per person per night. This charge is no more than €1 per night. The influence of this tax would arguably be felt more from visitors who stay in budget or cheaper accommodation as the fixed fee would make up a larger proportion of the overall occupancy expense.

**Figure 18: Example of cities with a modest fixed fee visitor levy**

Location	Fixed fee value	Notes
Dubrovnik	€1.00 or €0.80	Per person per night (higher in peak season)
Gent	€2.50	Per person per night
Lisbon	€1.00	Per person per night
Prague	€0.60	Per person per night

This option is the most transparent for visitors in the way it is universally applied across all types of accommodation options. Many of these cities mentioned above also include caps to the duration of the tax, for example, the charge applies to only the first four nights or first seven nights.

### The tax liability visitor levy option

In Brussels, every accommodation under scope is classified with a tax liability per room per year depending on size (e.g. number of rooms) and type of accommodation (e.g. hotel category or apartment hotel). An extract of the table is copied in Figure 19.

This option has the advantage of easy to administer once the liability values are calculated. It would offer a certain amount of revenue, and give some flexibility to hotel accommodation provider to better respond



to the market condition of visitor demand. For example, the charge could be applied evenly throughout the year or varied to suit their individual business needs such as charging a higher rate over peak seasons. This would mitigate any potential reduction in visitor demand, charging the tax at the peak season. This option gives the accommodation provider more control and flexibility to the introduction of the transient visitor levy.

It also relatively advantages small accommodation provider over larger scale hotels. Smaller accommodation providers are charged less per room relative to the larger and higher star rated establishments. The disadvantage of this scheme is that it is not very transparent to visitors as different accommodation provider vary the price by location reducing the visibility of the tax for the visitor. This visibility issue however, could be overcome by the accommodation providers including the city tax within its room cost at the time of booking.

Figure 19: extract of tourism levy charges in Brussels

Hotel category or type	Number of rooms	Tax liability per room per year
"Unclassified"	1-99 rooms	€400.00
"Unclassified"	100 rooms and over	€720.00
Category "1" or "H1"	1-99 rooms	€672.00
Category "1" or "H1"	100 rooms and over	€884.80
Category "2" or "H2"	1-99 rooms	€931.20
Category "2" or "H2"	100 rooms and over	€1,272.00
Category "3" or "H3"	1-99 rooms	€1,363.20
Category "3" or "H3"	100 rooms and over	€1,507.20
Category "4" or "H4"	1-99 rooms	€1,536.00
Category "4" or "H4"	100 rooms and over	€1,718.40
Category "5" or "H5"	1-99 rooms	€2,419.20
Category "5" or "H5"	100 rooms and over	€2,880.00
Category "Aparthotel"	1-99 apartments	€1,017.60
Category "Aparthotel"	100 apartments and over	€1,526.40

Source: ETOA, [Belgium city taxes](#)