

Local Authorities

a. Named

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Evidence Number	0.04
Name	Inverclyde Council
Permission to Publish	Yes
<p>Report To: Corporate Management Team Environment & Regeneration Committee</p> <p>Report By: Corporate Director Environment, Regeneration & Resources Report No: ENV/008/19/SA</p> <p>Subject: Transient Visitor Taxes in Scotland – Supporting a National Discussion (Consultation)</p> <p>1.0 PURPOSE</p> <p>1.1 The purpose of this report is to present to the Committee the Scottish Government's discussion document on a Transient Visitor Tax and to seek approval for Inverclyde Council's response.</p> <p>2.0 SUMMARY</p> <p>2.1 The Scottish Government has recently published a document titled 'Transient Visitor Taxes in Scotland: Supporting a National Discussion'. The document describes the volume and extent on the tourism industry in Scotland and seeks views on the principle of visitor tax along with potential mechanisms for delivery. The document has been produced to facilitate discussion on transient visitor tax and has been supported by a number of consultation events across Scotland. Key visitor information is produced in the document such as day visitors by council, visitor numbers to significant attractions, hotel and self-catering occupancy rates for different council areas, tourism as a share of local authority employment, the volume of self-catering hotel accommodation across Scotland and a range of other relevant information.</p> <p>2.2 The discussion paper recognises that Cosla recently submitted a position paper on transient visitor taxes which majored on the cost of maintaining the local environment and public services and the wider costs created by tourism which are also borne by local tax payers. Cosla is supportive of new legislation which would facilitate local tax raising powers for local authorities in respect of tourism. This being on the basis of local needs and opportunities and in consultation with local partners. A transient visitor tax could therefore tackle both visitor pressures within council areas but also enhance the tourism offering for the benefit of increased economic activity.</p> <p>2.3 The National Discussion document also however presents a counter view that may reflect some of the concerns of the tourism and leisure business sector. This includes the amount of tax that it is already indirectly contributing towards services and facilities through tourism along with the concerns about an area specific tax acting as a deterrent.</p> <p>2.4 Through consultation, the Scottish Government hope to reach a considered view on the case for creating supportive legislation.</p> <p>3.0 RECOMMENDATIONS</p>	

3.1 It is recommended that the Committee approve the responses to the questions as set out in the background to this report as Inverclyde's response to the Transient Visitor Taxes in Scotland Supporting a National Discussion consultation.

4.0 BACKGROUND

4.1 The document 'Transient visitor taxes in Scotland: Supporting a National Discussion' asks a number of questions to assist the Government consider the case for the creation of facilitative legislation. The questions are set out under Section 6 of the document on pages 26 & 27. Questions have been reproduced for convenience with a proposed response from Inverclyde Council.

4.2 What would be the reasons for introducing a transient visitor tax?

As the document recognises, tourism is an important aspect of Scotland's economy with potential for further growth. Tourism does however bring pressures, particularly on local authorities who are constrained through the manner in which local government in Scotland is funded. Local authority income is primarily set through Scottish Government with only a small proportion (around 10%) within the discretion of local authorities through domestic rates. It is the case that tourism can impact on local services and amenities in widely varying ways across Scotland. Councils at present have little or no flexibility to respond to this.

Within Inverclyde we host a major cruise ship terminal and we have been advised that for 2019 over 80 cruise ships are already booked to dock at Ocean Terminal. The cruise ships typically carry between 2,000 – 5,000 passengers. The experience of cruise ships is therefore one of short but intense demands on local facilities.

Inverclyde benefits significantly from the visitors and the crews from the cruise ships although it is recognised that most passengers progress on day trips to other parts of Scotland. For Inverclyde therefore having the powers to consider a tourism tax would allow the Council to consult with local partners and businesses with a view to creating a revenue stream which would support and enhance the experience of short duration cruise ship passengers. We anticipate the objectives would be around improving the desirability of Greenock as a stopover thus encouraging more operators. This approach would support the significant City Deal investment being taken forward in the new cruise ship terminal and berthing facilities.

Whilst our focus is on Inverclyde, we recognise that other local authorities will have their own tourism pressures which in this Council's view would benefit from devolved tax raising powers.

4.3 What would a well-designed and well operated transient visitor tax look like?

This is a matter for all Scottish councils to consider but the focus within Inverclyde would be very much on the potential to raise revenue from cruise ship passengers and others. In our view, facilitative legislation would allow the Council to consult with partners locally across all sectors and design a tax raising model similar to visitor taxes in other countries worldwide. The tax would be agreed locally, administered by the Council and potentially support tourism and regeneration activities.

4.4 What positive and negative impacts could a transient visitor tax have?

This Council recognises that a transient visitor tax creates very significant opportunities for investment both directly and with partners to improve the tourism offering. This is an approach commonly used in countries across the world and allows local economies to respond positively to the particular pressures they experience. The impact of tourism is not spread equally across Scottish local authorities and the discussion document clearly highlights the dramatic differences between locations such as Edinburgh for instance and Highland. Flexibility therefore for local tax raising powers would give devolved responsibility and capability to local authorities to address their unique circumstances.

Inverclyde Council recognises however that the application of transient visitor tax must be sensitive such that economic activity from tourism is not suppressed. There is a danger that ill-considered tax raising could be detrimental to the industry both locally and nationally. On balance however we consider that local authorities are best placed to consult with partners and develop schemes (or not as the case may be) which ensure positive contributions to this industry.

4.5 How could a transient visitor tax be used and how can revenue be distributed fairly?

Inverclyde Council considers that the value of local tax raising powers is wholly associated with the ability to respond to the pressures and opportunities from tourism locally. Whilst there is an argument for cross boundary sharing of revenue raised from local tax raising, we consider that this is not a matter which should be legislated for or prescribed by Scottish Government. Various partnerships already exist across Scotland amongst local authorities which provide forums for discussion on economic issues such as this. Inverclyde for instance sits within the City Region partnership of councils and would anticipate discussion amongst partners in relation to transient tax proposals. Through partnership working across local authorities we believe that equitable arrangements can be derived with local authorities where tourism pressure may be significant whilst the opportunity for tax raising may be limited. It is important to note however that this council does not consider that revenue streams from any potential transient visitor tax within this area would be significant. It is also important to emphasise again that this council would consider any tax raised be ring-fenced to support tourism and economic regeneration.

With regard to the revenue risk arising from local tax raising powers, we consider that this is no different from the Council's risk in regard to collecting domestic rates. Any revenue raised from transient tax raising powers will be comparatively small with risks managed in the normal way through contingency reserves across council budgets.

5.0 IMPLICATIONS Finance

5.1 Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	£000	Virement From	Other	Comments
N/A							

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	£000	Virement From (If Applicable)	Other	Comments
N/A							

Legal

5.2 There are no legal implications.

Human Resources

5.3 There are no human resources implications.

Equalities

5.4 Has an Equality Impact Assessment been carried out?

Yes See attached appendix

This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

Repopulation

5.5 If the Scottish Government create enabling legislation for a local authority Tourism Tax, the consequent revenue could potentially support the regeneration and repopulation agenda.

6.0 CONSULTATIONS

6.1 N/A.

7.0 CONCLUSIONS

7.1 N/A.

8.0 BACKGROUND PAPERS

8.1 N/A.

Evidence Number	0.42
Name	Argyll and Bute Council
Permission to Publish	Yes
<p>What would be the reasons for introducing a transient visitor tax?</p> <p>The Transient Visitor Levy (TVL) would be used to correct externalities associated with tourism. Whilst there are cultural and economic benefits of tourism, the cost of tourism infrastructure is shouldered mainly by local authorities, businesses and citizens via council and business rates and there is a case for this cost to be shared more widely.</p> <p>Some of the underlying reasons driving the introduction of a TVL may come from a combination of the trends outlined later in our response, as well as influences from national policies.</p> <p>With some destinations recently experiencing rapid growth, their ability to manage this in a sustainable way is being tested. It has also highlighted particular deficiencies in the resources being used to support tourism growth at a local destination level and the ability to improve destinations. In general, there is a greater awareness of the fact that tourism largely uses free resources and that sustainability brings additional money pressures, and these funds need to be sourced. In recent years there has been a notably greater proliferation in the number of tourism levies introduced within the EU and internationally, acceptance of these by tourists has largely been positive.</p> <p>I. What are the tourism priorities that we need to meet at local and national levels?</p> <p>In general, visitor destinations want to increase the number of visitors and spend, reduce seasonality, attract investment, increase competitiveness and employment opportunities, all while ensuring this is done in a sustainable manner.</p> <p>There is a general requirement for economic and social sustainability.</p> <p>Economic sustainability can be achieved by maximising yield and occupancy across the year and ensuring an upward trend of increased occupancy, profitability, investment and customer satisfaction. There is also a growing need for social sustainability, ensuring tourism is genuinely benefiting and is generally perceived to benefit the people living and working within a destination. A common interest between visitors and residents needs to be developed, with visitor provision also enhancing the quality of life for residents, with sustainable sharing of public goods.</p> <p>In general destination priorities include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Supporting destination and business development through driving collaboration, innovation and new product development, sharing best practice, marketing intelligence and recognising industry leadership; • Supporting businesses to adopt more sustainable practices and the provision of marketing support; • Supporting the development of destination assets, in terms of Argyll and Bute, the development of Culture, Heritage and Arts, Nature and Activities, Marine 	

and Coastal tourism, Events and Festivals and other general destination development including product development/innovation and delivering new improved experiences;

- Supporting new and growing businesses;
- Investment in skills development, talent attraction, career pathways and improvement in quality of customer service programmes;
- Digital training and support, encouraging online booking and better marketing practices;
- Improved digital connectivity;
- Transport capacity and reliability, improved air routes, improved supporting infrastructure to enable destination growth;
- Improved visitor information;
- Provision and retention of local amenities*;
- Protection of the local environment and countering negative visitor impacts where possible; and
- Investment in visitor orientated infrastructure – signage, toilet provision, increased car parking, road improvements to support tourism growth (additional laybys on high volume tourist routes on single track roads). If we are forecasting further growth, there needs to be adequate investment in the required infrastructure to support it.

*It should be noted that substantial cuts have taken place in local government amenity services and additional funding from a TVL might not return services to previous levels.

Therefore expectations will need to be managed around the use of any additional funding such as TVL.

II. What are the global, local and national trends that will influence these?

Global trends affecting the tourism market include the continued growth of the global population, growing global affluence/expansion of the middle class and technological changes, GPS and social media usage, as well as increased transport capacity. Global tourism growth is set to continue and Scotland as well as its localities, will be influenced by these trends. It is important that Scotland at a local level has the capability and flexibility to grow visitor numbers in a sustainable manner.

Discontentment has emerged over the past decade caused by tourism saturation which has happened in some locations/destinations in Europe, some well documented ones include Venice, Amsterdam and Barcelona. Locally, the islands of Argyll and Bute are seeing increased road traffic and motorhome pressures. Pressure for change comes less from tourists themselves but from locals, it is therefore unsurprising that pressures are placed typically on local and municipal governments to act or find a solution. Some reasons for this can include:

1. Congestion in places inconveniencing locals and residents.
2. Further privatisation of public spaces.
3. Growth of cruise tourism and ship size.
4. Rise in house prices and declining affordability.
5. Decreases in resident's purchasing power.
6. Imbalanced ratios of visitors to locals.

Promotion of popular or up and coming places is compounded by the fact that visitors further promote positive experiences at locations, online reviews greatly influence consumer behaviour, millennials in particular, are heavily influenced by their peers online. People are constantly searching for inspiration on Instagram and TripAdvisor, browsing for travel inspiration and validation from their peers. It is easier than ever to find travellers' photos, check-ins and ratings, etc. People have always enjoyed sharing photos and videos taken of their travels. Social media has facilitated and expanded people's ability to share travel experiences with a wider audience more than ever before and therefore inspiring others to visit. Experiences have overtaken material considerations, as consumers look for high quality experiences which will create a lasting memory; authenticity has become more of a priority.

Changes in media habits are also having an effect, an example being the "Outlander effect" with some locations and destinations experiencing rapid growth due to international exposure from being used as film locations. Responsiveness and flexibility through resource use at a local level is required to best meet challenges positively and encourage growth.

Growth in "private accommodation" and "non-serviced accommodation" has been greatly assisted by the digital disruption provided by platforms such as Airbnb. Airbnb has been exceptionally attractive due to the ability of travellers to feel that they are living like locals and to fulfil travellers seeking authenticity. The appeal of Airbnb took off with young urban and relatively well-off millennials (aged under 35).

New supply of beds for travellers has primarily come from a rise in non-serviced accommodation and this is reflected in Argyll and Bute's figures. Properties are listed all year round, open apartments occupied for much of the year by Airbnb - potentially reducing the number of available homes for locals but possibly making a greater number of second homes more economically active.

Airbnb can have positive effects on a local economy, especially if it is a shared room with a local family or a property owned by a local family. It should be noted that it is also common that people living outwith the area own rental properties in Argyll and Bute and it's likely that most of the income is leaking outwith the area and not providing a significant economic benefit locally.

The continued downward trend of housing affordability in popular destinations and the increasing rise and proliferation of non-serviced accommodation will undoubtedly present challenges locally as even perceived issues for locals and residents, such as housing, parking etc., will result in local reactions.

III. What are the challenges posed by Brexit for the tourism sector?

Many hospitality businesses in Scotland, as well as Argyll and Bute, are dependent on seasonal and full-time work undertaken by European workers. Since the referendum in 2016 resulting in the UK's programmed exit from the EU, there has been the perception that Britain is less welcoming to economic migrants, due to uncertainties around the Brexit process to date. The devaluation of the pound in the short term, relative to other currencies, has also made it less attractive for some

European workers.

A recent study commissioned by Argyll and Bute Council highlighted that hospitality businesses in Argyll and Bute have concerns over the impact of the UK leaving the EU on recruitment and retention of employees. Qualitative comments from respondent businesses voiced concern that there is already a lack of interest and supply of candidates for some jobs, with some businesses depending on and actively recruiting European employees to fulfil workforce requirements. Some businesses reported that some of their European workers were intending on working in other European countries in 2019 due to uncertainties around the UK's future relationship with the EU. Local businesses are concerned they won't manage to fill the vacancies from the local area, compounded by the fact that Argyll and Bute is experiencing a depopulation trend, has relatively low unemployment and has increased visitor demand. Admittedly, some hospitality and tourism businesses who reported that they were less concerned with the effects of Brexit, tended to have staff who live locally and had a customer base of international visitors from outwith the EU. It would seem that wage inflation could be a likely outcome of Brexit locally.

Diminished consumer confidence, due to uncertainty within the domestic market, on which most of Scotland's visitor economies are dependent, could impact length of stays, consumer spending and the number of holidays booked. However, it might be offset in some way by further devaluation of the pound decreasing affordability of European holidays for UK consumers and may drive increased domestic tourism demand if some opt to stay in the UK.

However, demand for overseas travel can be more price-inelastic, at times. When the cost of going abroad increased fairly significantly (summer 2008-2009), the number of overseas trips by British holidaymakers reduced by a much smaller proportion. Sometimes consumers will prioritise their European or international holiday, cutting back on other short breaks or day visits throughout the year, which might negatively impact some destinations.

Any restrictions in free movement within the EU will have considerable implications for the travel and tourism sector. The UK Government's immigration white paper proposed a minimum £30,000 salary threshold for a tier two visa, something like this might exacerbate recruitment challenges already being experienced by the industry.

IV. What is needed to support tourism and the visitor experience at Scotland level, and in different parts of Scotland?

Support in Scotland is offered towards many of the items in our response to the 'priorities section', however, there is decline in many areas. There is a distinct lack of resource towards small-scale supporting infrastructure, tourism orientated infrastructure (pontoons, signage, car parking, etc.), and reducing funds towards supporting visitors at a local destination level.

V. What are the positives and negatives of the general principle of a Tourism Tax? Tourists impose costs on the host society, examples might include congestion and pollution generated by consumption of services like transport. Crowding, untidy environments affect residents in particular locations and the positive might be that it

is used to offset resident's burden or to mitigate the externality. The second aspect of the externality argument relates to the provision of public goods to visitors. Tourists consume un-priced natural amenities and public goods, which gives rise to the free rider problem.

Local residents make a significant contribution to the provision and maintenance of public goods through income and property taxes such as council tax. It can be argued that International visitors make little contribution to national or local funding for these types of goods. The "exportable" nature of a levy a burden which doesn't fall on local residents makes it a potentially favourable proposal if it is proven that it is unlikely to have a dramatically negative effect on the competitiveness of a destination.

Industry representatives mainly argue that a TVL would reduce the competitiveness of the sector in relation to competitor destinations. It is argued that tourism is highly price sensitive because of many close substitutes. A second argument is that the tourism sector in the UK is possibly taxed enough as it already is. VAT is charged at the standard 20% rate where as some other destinations in Europe offer reduced VAT rates for hotels and accommodation. The tourism sector is also characterized by a large number of small and micro businesses which operate at low profit margins, meaning a badly introduced TVL could rule out the viability for some types of business and experiences.

Another potential negative is that a TVL might only apply to a section of the wider tourism industry such as the accommodation sector. It could be argued that many of the arguments to tax tourism could equally apply to other service providers, such as restaurants, attractions, etc.

Another potential argument against a TVL is the administrative burden which might result for businesses, adding to their cost base. However digital solutions might exist to reduce any inconvenience and reduce any risk of administrative burdens.

A major positive from a TVL would be some resource to fix infrastructure issues, improve destination development, offset negative externalities from visitors, create better local and visitor experience and assist tourism in a sustainable way.

What would a well-designed and operated transient visitor tax look like?

A well designed and operated TVL, should provide efficiency, equitability, administrative simplicity, support local growth & sustainability and involve partnership working amongst destination stakeholders.

Efficiency - Minimum distortion should be caused by any TVL, it should not drastically alter consumption. It should take account of the economic situation/competitiveness of a destination and the sensitivity of demand to changes in price, through price elasticity of demand. Price elasticities depend on a number of factors, an important one is the existence of close substitutes, which will be viewed differently by different consumers due to their perceptions and preference. For example a visitor from Europe might consider Edinburgh's offer to be unique whereas a visitor from outside Europe might consider other major cities in Europe to

be close substitutes. Price cannot be considered in isolation, with the important caveat of quality. Many aspects of a destination's quality are fixed, such as historical/cultural attractions and natural landscape. It is the overall perception of value as the combination of price and quality which is the key determinant.

Equity – Equity of the TVL is more subjective and concerns society's preference for how different income groups and other groups should share the contribution towards a TVL. The division and setting of a TVL will be significantly affected by local market conditions, such as demand elasticity and industrial structure. Typically higher income earners should shoulder more than low income earners, ensuring proportionality and that it does not disadvantage or harm parts of the tourism sector. A well operated example might include a fair spread of tourism businesses within a participating region, with some possible exceptions for more price sensitive accommodation or tourist services (hostels, etc.). The travel and tourism sector should also be treated fairly in relation to and relative to, other sectors of the economy.

Administrative simplicity - Cost of collection should be as low as possible and payment/collection by consumers should be simple. Ideally the collection of a TVL would be done at the point of purchase/booking, through digital means, to ensure minimisation of any administrative burden. It should also be very clear to the purchaser how much they are paying in TVL. It might also be a consideration that businesses can contribute a flat fee based on average number of overnight stays if this was deemed easier. It might be that other benefits could be achieved, such as mandatory reporting of occupancy. Other variables for consideration might be the exemption of business travel, age and different types of tourist passenger, to take account of individual destination requirements. Some platforms such as Airbnb could offer collection in a fairly streamlined manner, it might be viewed that some parts of the accommodation could do with contributing more.

Providing effective stimulus to support growth – the underlying goal of implementing a TVL should be to support local growth and assist sustainability.

General considerations - Review periods might be included to ensure any TVL is effective and having an overall positive effect (relative to local economic conditions and industry trends, etc.). Consumers/TVL payers should be aware of how much they are paying in TVL and should be able to readily access information on the purpose, how resources will be used and how it will improve their experience of the destination. The tourism industry as well as local government should be involved in the local distribution of any revenues derived from any levy to support the destination requirements. This could be done through existing relationships with public/private sector partnerships or open up some project funding for development trusts or similar, dependent on local situation. Care should be taken not to duplicate support already provided by local and national agencies but the possibility should exist to complement and add value to existing work.

VI. What countries have adopted tourism taxes, and what models have they adopted?

Many EU countries have some type of "tourism tax" and this is typically charged per person per night or a flat percentage room rate. The vast majority of tourism levies in

the EU are at a local government level (city, province or municipality). Typically, rates vary in relation to the standard of accommodation (e.g. star rating), location/region and children are often exempt or are a reduced rate.

Croatia - some providers pay a flat fee, worked out from the average number of overnight stays in the previous year for the category of accommodation. The Sojourn Tax is used for the purposes of tourism with fixed proportion transferred to the national tourist board or the local county/tourist board. Children under the age of 12 are exempt and 50% discount for people aged 12-18. Different areas are divided in to different categories, which vary in price at different times of year and by location. The tax also covers visitors arriving and staying on boats within Croatia.

Germany - The German Bed or Culture tax, ranges from 0.50 euros to 5 euros per person per night or 5% of the room bill depending on the type of accommodation, room rate and location. In some locations such as Berlin the tax is capped at 21 successive days and business travellers are exempt. Some cities within Germany such as Munich don't have a form of tourism tax.

Netherlands – Visitors get charged a tourist tax called the Toeristenbelasting. It is applied per person per night in nearly all the municipalities in the Netherlands. It applies to tourists or people on business trips making stays in a hotel, boarding house, overnight establishment or on a campsite. Residents don't have to pay it within their own municipality. Owners of accommodation businesses are responsible for regularly paying the revenue to government, which can be done through direct debits or bank transfer, etc. and there are charges if businesses fail to meet payment schedules. Municipalities receive funds from the state for every resident (member of the population) and another example is given that if too many tourists stay in a municipality, it costs the municipality more (street cleaning and maintenance) and the municipality is able to pay these extra costs in part because of the tourist tax.

VII. What are the characteristics of a successfully designed and implemented model of Tourism Tax?

As stated and detailed in our response to the overarching question in this section. A well designed and operated TVL should provide efficiency, equitability, administrative simplicity, support growth & sustainability and involve partnership working amongst destination stakeholders.

VIII. If implemented, how would a Tourism Tax be administered, collected and enforced, and what requirements would this place on Local Authorities, the Scottish Government and the tourism sector?

As we have stated elsewhere in our response, there are similarities with other local tax collection. However this would require thorough scoping and be factored in to the cost benefit analysis of any proposed TVL. There might be a small administrative burden for accommodation businesses and local authorities if this is the preferred method, but it would be hoped that this would be minimal such as paying collected amounts by BACS, Direct Debit, etc.

IX. If a Tourism Tax were to be implemented, what should a Tourism Tax be

expected to do and fund, and how would this be demonstrated?

This would ultimately be down to a local region to determine the priorities which would ensure continued and improved competitiveness of a destination. Some of the things which could potentially be funded might be;

- additional support to the events and festivals sector;
- visitor information, marketing/promotion;
- cultural experiences;
- tourism infrastructure (car parks, toilets);
- walking tracks;
- signage/interpretation;
- refuse facilities; and
- improvement of tourist areas and amenity improvements.

It could also include environmental improvements (beach cleans for popular tourist spots, additional waste collection and cleaning). Contributions might also be made to general infrastructure improvements benefitting locals and visitors, but the scale of any TVL might be constrained to what degree this might be achieved.

Proper evaluation would need to be undertaken to ensure the desired effects were being experienced by any interventions and that the revenue was being maximised to its full potential.

What positive and negative impacts could a transient visitor tax have?

The overall impact of a TVL could vary significantly dependant on how it is implemented, along with influences from national, local and international sources. Any potential impact of a TVL will be influenced by the extent to which the cost of a new TVL might be passed on to consumers through increased prices and whether consumers are responsive or not, to proposed price increases.

A number of variables exist, some of which might be deemed subjective and vulnerable to consumer trends:

- Perceived quality and value of a destination, influence heavily whether a positive or negative impact might be felt.
- A badly implemented TVL could have a negative impact on the price competitiveness of a destination.
- A TVL focused on occupancy of serviced accommodation might be viewed as being unfair, negatively influencing consumers contributing the most economic benefit to a destination compared to people staying with friends or relatives.
- It might also be viewed that larger businesses of scale have the capability to administer a TVL more than micro businesses and experiences that are free at source e.g. walks to waterfalls, etc.

Unintended consequences could be that tourists respond to increased costs of accommodation by reducing the number of days they spend on holiday or decrease spend while in the destination. Although, the actual effects of a small rise in rates might not induce much effect at all.

Competition amongst accommodation providers through their ability to adjust capacity quickly, and their ability to charge higher prices should also be considered. TVL costs would most likely filter through with businesses passing on charges to

consumers over time, this might happen in cases where businesses are not initially confident their consumers will tolerate the price increases.

For businesses operating in the sector it could mean a loss in profit margins in the short term if businesses are unable to sufficiently pass on costs to guests. A TVL may incur a reduction in revenues due to reduced demand in response to price increases (for example, by spending fewer nights, or by choosing alternative forms of accommodation which might not be subject to an occupancy tax). The proposed introduction of a TVL should consider these points carefully.

Price responsiveness depends on factors such as the availability of substitutes as well as consumer tastes and preferences. Little available evidence exists on the price elasticities of demand for tourism in Scotland, although currency fluctuations may provide some contextual information. Further consumer research and price elasticities of demand evidence would be extremely helpful with respect to Scotland's International, European and domestic markets.

Positive impacts of a TVL might include -

- General infrastructure – improvements to services which are of benefit and are used by both locals and tourists. This might include public transportation, cleanliness and improvement of local amenities, congestion, traffic management, safety and security measures depending on destination requirements.
- Tourism infrastructure – Improvements in signage, improved visitor car parking, WC improvements, support the further development of local attractions, information provision services, additional recreational facilities, further events and festivals support or wifi services for tourists, etc. These are some of the possible improvements for consideration, which would increase the quality of a visitor's experience.
- Greater investment in general tourist services and in turn better overall visitor experience, which will encourage new and return visitation.
- Destinations at a local level would have greater capability, capacity and flexibility to deal with changes and demands from visitors. Thereby helping the destination to be more capable of delivering sustainable local economic growth in the longer run. TVL revenues are hypothetically to be used for tourism purposes and should therefore be invested back into the local tourism industry in order to bring lasting improvements.

X. What are the current cost bases and challenges for the tourism sector across Scotland?

Some of the current common cost bases and challenges for the tourism sector include -

- Rising staff costs and supply of labour - living wage increases, auto enrolment of pensions, apprenticeship levy and general wage inflation.
- Business rate increases and uncertainty of rate of increases.
- Rising costs of food and drink.
- Rising utility costs and insurances.
- Impact of online travel agents on margins (percentage of profit taken before it gets to supplier).
- Corporation Tax.

- Brexit and the effect on staffing, accessibility of materials etc.
- Squeezed household budgets.
- Value Added Tax.
- Access to affordable staff training in remote and rural/island areas.
- Dependability of digital infrastructure.
- Transport and roads infrastructure.
- Increased road traffic on islands due to Road Equivalent Tariff (RET).

XI. What taxes, charges and other costs are currently levied on the tourism sector, and how do these compare internationally?

Taxes and charges vary between the types and scale of businesses within the tourism sector. There are a range of direct and indirect taxes businesses are subjected to within the industry, including Corporation Tax, Employers National Insurance, Non Domestic Rates and Value Added Tax (VAT) and Air Passenger Duty.

As evidenced in the discussion document there are variations in the standard VAT rates and VAT applied to the accommodation across many EU countries. Many destinations claim to have low basic tax rates but have adopted local taxation measures to substantially increase their tax base. In places like Italy, 10% VAT on accommodation is applied but within cities like Rome, with the addition of 6 euros per person per night the effective rate is approximately 26%. Hungary is another example where 18% VAT on hotel accommodation, but in cities such as Budapest with an additional 4% city tax increases the real charge to 22%.

Approximately 1,936 accommodation businesses in Argyll and Bute have a rateable value under £15,000 and receive full rate relief, out a possible 2,891 properties.

XII. How would tourism businesses and visitors respond to the introduction of a Tourism Tax, over the short and longer term?

It is hoped that by the time of introduction of a TVL that extensive consultation and engagement with industry will have taken place to help towards a design which works for industry, residents and local government, carried out over a realistic and practical timescale. Examples elsewhere indicate that introduction of visitor levies have typically shown that some businesses might not immediately request the TVL charges from visitors, in fear of discouraging bookings, instead choosing to absorb them. However, as time progresses, charges are passed fully on to visitors by these businesses. Sufficient notice needs to be given to businesses ahead of implementation, with payment methods and calculation of contributions being as clear and simple as possible. It is hoped that such an approach would minimise any disruption or lengthy administrative processes.

There could be the possibility that some negative perceptions might be held by consumers regarding the introduction of a new "visitor tax" or negative media coverage happens around time of introduction. To counter this, effective communication on the rationale for its introduction by this point would be expected and that thorough analysis would have been undertaken to ensure no unintended

negative consequences. As has been highlighted in the discussion paper “occupancy type taxes” are fairly common within the EU, with UK consumers currently paying them to visit much of Europe. It is expected that it would become the “norm”.

XIII. What the impact of tourism taxes has been on the tourism sector in countries that have adopted them?

It isn't always easy to identify from international examples how the taxes are being reinvested due to some of it being redistributed differently. However destinations such as Amsterdam and Croatia continue to grow visitor numbers and expenditure. These cities have resources for promotion, offer excellent visitor services, transportation packages and are managing to ensure their local environments are maintained.

XIV. What are the potential impacts of a tourism tax on the competitiveness of the tourism sector, both at regional and national level?

As outlined in our overarching response to this section, any issues relating to competitiveness would need to be fully appraised at a destination level.

XV. What are the potential impacts of a Tourism Tax on visitor numbers, visitor expenditure and the wider Scottish economy?

The overall economic impact of a TVL would depend largely on how it was implemented (price) and wider external factors. Limited evidence exists on any potential broader impacts which might be felt at a Scottish or British level. Edinburgh City Council has to date, probably produced the closest research examples; 2% of tourists would have selected another destination if £1 per room per night tax were operated, increasing to 6% of visitors if £4 per night was operated. This can only really be answered through proper cost benefit analysis at a destination level. Any impact from the implementation of tourism tax in Edinburgh would logically provide a guide on how the introduction of a TVL could impact on the Scottish economy.

In the longer run a TVL should help destinations to sustain growth rates, encourage better experiences for visitors and develop harmony between local resident and visitor interests.

How could a transient visitor tax be used, and how can revenue be distributed fairly?

International examples of TVLs vary considerably in their composition and structure for redistributing funds, from the reinvestment of funds back in to regional tourist boards, through to funds being simply reinvested by Federal Government in activities related and unrelated to the tourism sector.

In Scotland, we should take account of the fact that a range of support activities for our tourism sector are already in place and we must therefore be clear on the overall positioning of any TVL.

At a local destination level in Scotland this may mean a tourism industry and public sector partnership focused on improving the destination, might be the best way to

help distribute funds fairly towards destination priorities and avoid duplication. This could be done through existing or new public / private sector partnerships.

It would be up to the individual destinations and partnerships to decide what the best return on investment might be. Options could include everything from additional local government amenity services and refuse facilities, through to supporting general infrastructure, signage and other general tourist services. Some project funding for development trusts or similar, to undertake tourism oriented development projects at a local level would almost certainly be welcome. Revenue could also support initiatives to offset negative externalities from visitors, such as waste disposal and littering, etc., which are becoming increasingly invasive in rural areas and most especially on our island communities.

XVI. What are the potential revenues from a Tourism Tax, and what factors might influence the scale of these?

If, for example, a TVL is applied to the accommodation sector of a region, the major influencing factors would be the number of accommodation businesses and capacity to pay without loss of their type/position in the market. This would be further refined and influenced by the parameters acceptable to any destination (exemption of business visitors, age parameters and locations which might be exempt, etc.).

XVII. How might receipts from locally determined tourist taxes relate to wider local government revenues and expenditure?

We would hope that a TVL resource might complement existing local government and national agency expenditure to support destination development. It could vary quite significantly depending on local priorities of the destination, this might range from enhancing amenity services in certain tourism hotspots across the high season, which local government or other third sector organisations might be well placed to assist with. It could also allow for investment in small to medium scale tourism infrastructure which local government could play a role in delivering or in conjunction with local development trusts. It might involve further collaboration and investment in destination promotion with input from various partner organisations. Toilet and other infrastructure facilities could be upgraded to deal with capacity issues, increase provision if needed and support improvements. It could also support improvements and development of local attractions, etc. It could be used to combat challenges and capacity issues on island and local road networks disproportionately affected by tourism.

XVIII. Would those local authorities where tourism is less developed be disadvantaged by not being able to raise revenues in this way?

Some regions will likely be more conducive to the implementation of a TVL due to their local circumstances and the nature of their visitor economy. It might not necessarily disadvantage areas but might not necessarily solve or address the needs of local destination development for all regions.

Potential changes in policy by Scottish Government, such as not giving a large number of self-catering properties exception of rates under the small business bonus

scheme, could create much needed investment for destination development at a local level. Some local communities have suggested it could be an option for visitors to pay extra on RET, to provide additional and much needed local investment in destination development for our island communities.

There might be other options including the implementation of a voluntary scheme, the use of business improvement districts or sectoral bids, which might suit local authorities with different types of industrial bases.

XIX. What would a local authority need to do to establish, administer and enforce a locally determined tourist tax?

Lead in times for different industry partners needs due consideration, for example small ship cruise bookings can take place between one year and three years in advance. Products sold through travel agents, tour operators and cruise line companies would require sufficient time to notify customers of changes.

Ahead of any tax being implemented, careful consideration of price sensitivity and the economic impact needs to be fully explored. Carrying out consultation work at a local level with the tourism industry and residents/communities to gather a better understanding of the potential risks to a region's existing markets and customers.

A TVL cannot happen without legislation. The Scotland Act 1998 devolved local taxes to fund local authority expenditure (for example, Council Tax and non-domestic rates).

Legislation will be required from Scottish Government to allow the creation of a new tax power – whether as a Government Bill or a Private Members Bill. This could form part of the legislation which flows from the current Local Governance Review.

As part of the evaluation process preceding the introduction of a TVL, local government should ensure a thorough cost benefit analysis is carried out. As outlined in the other responses the administrative burdens should be minimised, where integration with existing collection of local taxation through local authorities might be the best way to help support and administer a TVL.

Economic development services are not a statutory duty and considering the current funding situation of local government, any role the local authority has in collecting, administering or enforcing a TVL would need to come from monies collected.

XX. Should each local authority determine how receipts raised locally are spent or should local expenditure align with and contribute to national priorities?

If the receipts of any tourism tax are accrued at a local level then they should be allocated towards local priorities. There would be an expectation from local businesses, residents and local government that current deficiencies in destination development and sustainability will be targeted through TVL revenues. Local authorities, local industry groups, as well as national agencies working at a local level already ensure alignment to national priorities.

XXI. How could a local authority manage any revenue risks arising from receipts

being impacted by wider events?

Commitment of any revenue should be forecast annually and revenue risks identified. Some revenue risks might occur due to a decreased number of visitors from wider economic shocks or events, etc. A buffer of contingency funding might be incorporated to account for collection issues and spending of revenue might not be fully committed until annual revenues are fully determined. Regular funding to support certain activities could be limited to a certain proportion of the budget, with annual project spend coming out the remainder, allowing as much flexibility to deal with any risks and uncertainty, while also discouraging reliance on TVL revenues.

Evidence Number	0.62
Name	Highland Council
Permission to Publish	Yes

SCOTTISH GOVERNMENT TOURISM TAX DISCUSSION - CALL FOR EVIDENCE

In view of the fact that Highland is one of Scotland's leading tourism destinations, welcoming 6.5 million visitors each year, the Highland Council welcomes the opportunity to contribute views to the Scottish Government discussion on Tourism Tax.

The last few years have seen increasing numbers of visitors coming to Highland, cementing tourism's position as the area's most important industry. 2017 figures showed that our 6.5 million visitors spent a total of almost 12 million nights in the area and spent £1 billion in the area. These visitors created an overall economic impact of £1.2 billion and supported 25,000 jobs in the area. While this increase is welcome, these increasing numbers of visitors have also put additional pressures on many destinations and on public infrastructure. The increasing challenges of balancing demand for tourism related investment against the demand for other Council services has led to a growing interest in exploring ways in which the Council can raise income directly from tourism for reinvestment in tourism infrastructure or other forms of tourism development.

At its meeting on 13th December 2018 the Council agreed to explore the concept of a Transient Visitor Levy further including launching a Highland wide consultation with residents, businesses and visitors to gauge their views.

While the Council therefore welcomes this opportunity to present views to the Scottish Government, it is also important to avoid pre-judging any of the outcomes of the Council's own consultation. With this in mind, the Council's response has been limited to two particular aspects of the discussion:-

1. Why the Council feels a tourism tax or alternative means of raising funding for investment in tourism is required and;
2. Highlighting some of the factors the Council would wish to see the Scottish Government take into account in its deliberations on the basis that some of these factors have been given limited consideration in much of the previous debate on the subject.

The need for funding for investment in tourism

The Council, along with businesses and the vast majority of Highland communities have welcomed the increased levels of tourism in recent years but it is also becoming

apparent that in some circumstances this has led to negative experiences either for the visitors themselves or for those in the local communities being visited. Addressing these issues is essential if we are to continue to be seen as a welcoming destination for visitors. However, this causes a number of challenges to Highland and while these are exacerbated by the current public sector funding situation, these challenges are not unique to today and many would still exist in other circumstances.

Tourism generates income for local businesses and through this the current system of taxation also sees this generate tax revenues for central government. It doesn't however currently provide income to the Highland Council which is none the less still expected to invest in the public infrastructure that these visitors require. The Council is largely dependent on funding from central government which is distributed via a mechanism that considers many other factors and which is commonly directly linked to other priorities. There is therefore no direct correlation between areas where most income is derived from tourism and the availability of funds to invest in these areas.

Highland also faces a number of challenges related to the geography of the area and the challenges and cost this creates in terms of service delivery. Some notable examples include:

- The Highland Council manages 6,754km of road network – the longest of any local authority in Scotland. Much of this was designed and built many years ago for lower traffic levels and use largely by smaller vehicles. Increasing use by visitors including an exponential increase in usage by larger motorhomes in the last decade has put severe additional pressures on these roads. Much of this recent increase has been in more rural areas such as along the North Coast 500 where single track roads are common and where significant investment will be required if these patterns of visitor use are to continue.
- The large geographic area of Highland means there is a need to provide some facilities in numerous locations where other local authorities can centralise these in fewer locations. A prime example of this is public conveniences which Highland expect to operate in 75 locations in 2019 as well as supporting a number of third party operated facilities. This is the largest network of public conveniences operated by any local authority in the UK but this comes at a significant cost when compared to more urban or compact areas where a local authority with a similar population might operate a number measured in single figures! The dispersed nature of these, moderate usage levels and climatic conditions in winter mean these are rarely attractive to commercial or other operators meaning there is a need for significant public sector expenditure to operate these.
- Many visitors to Highland come to undertake activities such as walking, or to tour around taking in the natural environment and stopping at places such as viewpoints. Unlike more traditional attractions these are not facilities where charges can be levied at the point of use but they do however still require investment in maintenance. At a small number of popular sites it is possible to raise income by other means such as parking charges but the volume of such sites and their dispersed nature means that this is not viable in many locations where costs such as implementation and income collection can exceed the level of income.

With the need for both capital investment and ongoing expenditure in operation and maintenance of facilities such as those described it is the Council's view that there is a need for some method of raising income to deliver these services that is responsive to

local needs. Schemes such as the Rural Tourism Infrastructure Fund have been welcomed by the Council but the short term nature of such schemes, allied to the fact that they are focussed only on capital investment rather than supporting ongoing maintenance or other revenue costs mean this approach is not considered by the Council to be a realistic longer term solution.

Factors the Council would wish to see taken into account in considering tourism taxes

With the level of interest in some form of tourism tax in a number of other areas of Scotland as well as elsewhere in the UK there has already been some debate around the issues and while this is welcome it is the Council's view that much of this debate has focussed on selective elements rather than properly considering the wider situation. In supporting moves for a tourism tax, much has been made of the fact that many countries use this system with the counter argument being that most European countries also charge lower rates of VAT on some tourism services. While both viewpoints are correct this is a clear oversimplification of the situation as both visitors and businesses face a range of charges and / or taxes and in some cases other tax exemptions. For example it is common in North America to pay entry fees to National Parks and popular European tourism destinations such as France and Switzerland charge for the use of motorways which are the way by which most visitors travel to their holiday destination. Many tourism businesses in Scotland will also benefit from the Small Business Rates Relief Scheme.

In view of the complex nature of the costs that both visitors and tourism businesses face the Council would urge the Scottish Government to ensure the full range of these are considered before reaching any conclusions on the potential effects of any system of tourism taxes.

The Council considers that it is entirely proper for the Scottish Government to consider whether the introduction of any further charges would influence the level of demand.

Similarly, consideration should also be given as to whether any failure to invest in the public infrastructure required for tourism would impact on demand. Current arguments against further taxation tend to suggest that this will reduce demand but conversely, the main argument against the Council reducing services such as the closure of public conveniences considered last year was that doing so would drive visitors away. The Council would therefore strongly encourage the Scottish Government to consider the relative impacts of both increased taxation and reduced investment before reaching any conclusions.

In conclusion, I would therefore ask that you consider this as the Council's response to the current consultation with the proviso that it is limited by the need to avoid prejudging the Council's own consultation. I would of course be happy to share the results of this with you once it is completed later this year.

Evidence Number	0.67
Name	City of Edinburgh Council
Permission to Publish	Yes

Submission to the Scottish Government National Discussion on the Transient Visitor Tax.

What would be the reasons for introducing a transient visitor tax?

Edinburgh has strong tourism trends that need additional secure resources to support, manage and maintain.

Tourism is an important contributor to the city economy, with more than four and a half million visitors annually and spending £1.8bn. Edinburgh visitor numbers exhibit a strong seasonal pattern, and spend per visitor is high and increasing.

From 2011 to 2017, the number of visitors to Edinburgh and the Lothian’s rose by 18 per cent, while total expenditure from visitors rose by 53 per cent over the same period.¹ In Edinburgh there are very high hotel occupancy rates. The average occupancy rate in Edinburgh hotels was 83.7% in 2017, the highest in the UK.²

During 2017, Edinburgh welcomed over 10.7 million bed nights from international visitors and 6.9 million bed nights are from domestic visitors. Edinburgh has witnessed a growing overseas tourism with the number of visitor nights increasing by 47% from 2011 to 2017, compared to an increase of 2% from domestic visitor nights.³ Successful expansion of new routes to Edinburgh Airport has contributed to this growth. From 2011 to 2017 the growth of Edinburgh airport passenger numbers increased from 9.4 million to 13.4 million.⁴ Edinburgh clearly has a strong appeal internationally to the global tourism market.

Edinburgh draws in more overseas visitors per year than other UK cities, excluding London. There were on average 1 million more overseas visitors a year than Glasgow and Liverpool, and even 0.5 million more than Manchester and Birmingham. Many of the overseas visitors are for leisure tourism who come to Edinburgh on holiday at 71%, which is larger than other major UK cities including Glasgow 54.5% and London 50.7%.⁵ This means that Edinburgh as a destination is starting from a strong base with a high amenity value for tourism (culture, attractions, events). In 2017, seven out of the top ten most visited tourist attractions in Scotland are in Edinburgh.⁶

This growth in tourism needs additional resources to support sustainable investment into the future and, in order to manage the impact of the success of tourism on the city and its residents.

¹ Visit Scotland 2017 Tourism Performance Visitor to Edinburgh & the Lothians.

² Edinburgh by Numbers 2018, data provided from Colliers UK publication.

³ Visit Scotland 2017 Tourism Performance Visitor to Edinburgh & the Lothians.

⁴ Edinburgh by Numbers 2018, data provided from Civil Aviation Authority.

⁵ Edinburgh by Numbers 2018, data provided from the International Passenger Survey, ONS.

⁶ Edinburgh by Numbers 2018, data provided from Association of Scottish Visitor Attractions.

Current levels of support and investment

The City of Edinburgh Council has a strong track record of investing in and supporting tourism, culture and the City's heritage. This is in addition to core services that might be expected or the council is statutorily required to provide. Council funds a range of cultural bodies in Edinburgh through grants from the

Edinburgh Festival organisations, to its music and theatre venues. The council also provides funds to support destination promotion and management, funding for museums and galleries, and events like the Winter Festivals and Hogmanay. In addition to core services the Council provides funds for additional bin emptying, nightshift cleaner and sweepers, pavement sweeping, washing and repairs in city centre area including improvement to parks and open spaces and funds to enhance community safety during busy visitor times of the year.

In addition, the City of Edinburgh Council has also committed funds on key capital projects, including the Collective Gallery on Calton Hill, Leith Theatre, Kings Theatre, and IMPACT, the first new concert hall in Edinburgh in over 100 years on St Andrew's Square. The Council also continue to work with the Ross Development Trust on a refurbished Ross Band Stand. Through this partnership, the council also delivered a fully refurbished Ross Fountain, located on the West End of Princes Street Gardens.

Tourism challenges in Edinburgh

As detailed Edinburgh City Council has a strong track record of investing in and supporting tourism, culture and general services which provide the environment and context for a successful tourism industry. This investment has supported the delivery of the Edinburgh 2020 tourism strategy. The 2020 strategy was led by a cross industry body with central government representation from Scottish Enterprise.⁷ There were three priority objectives:

- to increase the number of visitor to the city by one third;
- to increase the average spend of visitors to the city by 19% and
- to reduce seasonality across the sector.

However, the financial situation in Scotland remains challenging and most public bodies are operating in an environment that anticipates further reductions. Public sector funding has been in decline over successive years and this has placed pressure on supporting Scotland's infrastructure and tourism. In the pre-budget scrutiny undertaken by the Local Government and Communities Committee of the Scottish Parliament in 2018 it was observed that "for councils, the last decade has been about doing more with less."⁸

⁷ The ETAG group comprises of a cross representation of the tourism industry, including Scottish Enterprise, Marketing Edinburgh, Edinburgh Hotel Association, the Federation of Small Businesses, City of Edinburgh Council, the Scottish Tourism Alliance, and other Edinburgh business and tourism groups or businesses.

⁸ Scottish Parliament Letter to Minister for Local Government, Budget 2019-20: Pre-Budget Scrutiny, December 2018

The new Edinburgh tourism strategy for 2030 is currently being developed. The emerging themes coming out of this work relate to how the city can ensure better quality and sustainability in growth. This reflects the similar themes from the Scottish Government's Economy Strategy. The proposed Edinburgh tourism strategy, is therefore, not only focussing on visitor related metrics but is understanding that services related to transport and infrastructure and the city centre transformation play an important role to the visitor economy.

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 collection and a need to provide enhanced community safety. This need to be financially supported in addition to investments made in more obvious activity such as events and attractions.

To continue to build on and manage the success we have had as a city to date the Council needs a secure revenue raising mechanism that can assist in adapting to new economic challenges, as well as manage the impacts and opportunities arising from a growing sector.

The main aim of the TVL would be to create the conditions for Edinburgh to sustainably invest and manage the success of an expanding tourism sector, helping to ensure Edinburgh is a more attractive destination for people to visit and to continue to work.

Why a TVL

During the last Council term starting from 2012, the Council worked with the Edinburgh Tourism Action Group (ETAG) and identified other funding models for tourism promotion. A variety of funding models were considered which could be used to generate additional funding such as Tax Increment Financing (TIF) and a Tourism Business Improvement District (TBID).

A TVL is favourable over these alternatives because it has fewer restrictions in spending scope and has greater long-term security of funds. For example, a BID has the potential to be discontinued and is not considered a secure source of income. This would limit the flexible use of any resource raised to potentially invest in innovative income raising or capital projects should those opportunities arise.

The legislative approach of a TVL, where the Scottish Parliament legislates to enable local government to introduce such a levy, is more flexible in this regard and would make the mechanism more durable and responsive to local circumstance and city-wide issues. The Scotland Act, has devolved significant new powers to Scotland and presents the opportunity to take a more innovative approach to taxation. COSLA continues to argue for more devolved taxation powers to Scottish Councils.

Edinburgh's citizens have also showed support for and promoted the concept of a TVL in the city as part of budget and citizen engagement survey's and consultations. 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.

Progressing the TVL in Edinburgh

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 the Council undertook a range of activities to help scope and identify the key issues around TVL. The Council:

- Produced a comprehensive research paper on the potential Edinburgh TVL published in May 2018.
- Commissioned a survey using an independent research firm to test the views of visitor and residents on a potential Edinburgh TVL.
- Held over 20 different informal meetings one to one with stakeholders, within the Edinburgh tourism and business sectors, to discuss the issue of a TVL.
- Held a series of roundtable discussions with tourism stakeholders to hear their views and present the findings of the research.
- Officers further presented to stakeholder business groups around Edinburgh, and took part in a national roundtable discussion hosted by COSLA.
- Gave evidence to the Scottish Parliament Committee CTEEA alongside other LA leaders and COSLA
- Conducted a formal engagement process and consultation on a draft proposal for an Edinburgh TVL supported by further roundtable events open to all groups, residents and businesses.

Summary reasons for introducing a transient visitor tax

The City of Edinburgh Council is responding to the needs of residents, businesses and visitors who would all like to see Edinburgh as a well-managed tourist destination.

The Council is also seeking to ensure the future sustainable success of the City as the visitor accommodation sector and tourism continues to grow at a time when public spending is reducing.

To remain a successful and world leading tourist destination, Edinburgh needs to compete with other global cities as a destination into the future and that the growing tourism economy retains the support of Edinburgh's residents.

If the current growth continues, without a corresponding source of sustainable investment then there is a credible risk that the City offer for both visitors and residents will be damaged. A failure to secure TVL could pose its own risks to the sustainable growth of the industry.

What would a well-designed and operated transient visitor tax look like? Tourism taxes

Edinburgh is not alone in looking at the options for implementing a transient visitor levy and there are a significant number of best practice examples to learn from.

The idea has been used in many cities, including very recently in Porto which introduced a city tax in April 2018 and Athens in January 2018. The UK is one of only nine countries from the EU-28 with no tourist tax as of 2018.

Despite the differences in fiscal and regulatory systems applying a tourist charge on overnight accommodation stays in popular city destinations is overwhelming preferred option for income generation. Tourism taxes in other countries are usually a devolved issue and are determined and administrated locally by the municipal authority.

The international tourism sector has observed a rapid uptake of cities adopting a tourist tax since 2012. For example, a few of these cities are: in 2012 Barcelona, Budapest, Hamburg, Milan; 2013 Berlin; 2014 Turin, Dubai, Rome 2014; 2016 Lisbon, Palma Majorca, Abu Dhabi; 2017 Baden Baden; and in 2018 Athens, Porto and Vilnius.

Hotel taxes can vary by city within the same country. Italy for example has over 60 destinations with a tourist charge. Tariffs vary from one location to another, the highest charges are reserved for the art-rich cities of Venice, Milan, Florence, Siena and Rome charge top rates of up to €7 per person per day.

If a tourism tax were to be implemented in the UK, it would be visible in the booking process. The fact that pricing on accommodation is made public on grounds of no hidden charges is a benefit to consumers.

There are many different tourist tax models currently in use with different charge types. These are briefly mentioned below and illustrate the ability to select a specific option relevant to their city economy rather than blunt option such as reducing VAT charge rate or a fixed entry charge to a destination.

Tourist taxes apply across many of the most popular Italian towns and cities. The tariffs vary from one location to another. Rome charges up to €7 per person per night, Venice, Milan, Florence, Naples and Turin charge up to €5 per person per night and Verona charge up to €3 per person per night. There is also considerable discrepancy in the number of nights which the tourist tax is applied: in Naples and Rome, it is applied to the first 10 days of your stay while it is lower in other cities like Florence 7 nights, Verona 5 nights and Turin 4 nights.

A progressive tourist tax model 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 will incur a higher charge than a budget or less well service establishments. 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.

The fixed rate or fee model is a charge applied equally across all types and grades of accommodation. It is used in cities like Lisbon, Prague, Dubrovnik who charge a fee per person per night. Variations of this model also include a charge per room (e.g. Dubai) and a charge based on a percentage of the room cost (e.g. Amsterdam,

Berlin, Budapest, Vienna).

Characteristics of an Edinburgh TVL

Having listened to feedback from key industry partners through a number of informal individual and group discussions, the Council developed a draft proposal for a £2 or 2% per night per room charge on all accommodation types, across the whole city all year round but capped at 7 consecutive nights stay.

This draft proposal has been subject to an 8-week public consultation which invited detailed consideration of each characteristic including administration and collection, use of resources raised and governance and accountability for the scheme.

Purpose of the Edinburgh TVL

The underlying rationale for the TVL is that overnight tourists who pay to stay in the city and use public spaces and public services across the city should contribute more to help manage the impact of a successful tourism economy and to secure sustainable investment for the future. The Council believes it is necessary to introduce a charge to:

- Ensure Edinburgh's status as one of the world's great cities in terms of culture and heritage is sustainable
- Ensure that future investment in culture heritage, arts and sport, which benefit the city and enhance tourism
- Ensure sustainable investment in promotion of Edinburgh as one of the world's best cities to visits all year round.
- Ensure that tourist and visitors equitably invest in public services and ensure visiting this city is an enjoyable and safe experience
- Support the Council to manage the impact of a successful tourism industry.

Investing Resources and Accountability

The revenue raised by any new levy should be re-invested into managing, supporting and increasing tourism in the city. Investment should be targeted at infrastructure and public services improvements which businesses and stakeholders believe will improve the visitor experience of Edinburgh and increase its attractiveness as a destination.

We have heard from the consultation results that decisions about how or where the revenue raised should be spent should be made in partnership with the tourism industry and accommodation providers.

Further examples of what the revenue raised could be deployed on include: to support promotional tourism activity to market Edinburgh to new markets, support destination management; such as to invest 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 of the city, such as refuse collection, public conveniences, and community safety.

Public accountability for the effective use of resources is a critical component of the scheme. While the council to be legally responsible for taking decisions related to raising income locally, there are many ways which stakeholder engagement, transparent decision making and public accountability can be enhanced. The Edinburgh TVL consultation specifically seeks feedback on the roles and responsibilities of a stakeholder advisory group or forum for the proposed Edinburgh TVL.

Summary of consultation findings

- 85% of all respondents expressed strong support for the introduction of a TVL in Edinburgh, as did the majority of all category stakeholders, including Edinburgh businesses and Edinburgh accommodation providers.
- 67% of respondents felt Edinburgh should introduce a TVL at a rate of around £2/2% of the cost of accommodation while 18% felt this was too low.
- The majority of respondents (47%) preferred a flat £ per night per room rate but a high number of respondents (38%) wanted to see a charge based on the percentage of the room fee introduced.
- Respondents felt there should be no significant exemptions or variations to this rate based on quality of accommodation, time of year, type of accommodation or length of stay.
- Exceptionally, respondents wanted to see a cap on charges of no less than seven days to help protect festival performers and other non-leisure visitors.
- Consideration should be given to how those not staying overnight could also make a fair contribution to the maintenance of Edinburgh as a major tourist destination, given that day visitors to the city significantly outnumber overnight visitors while spending less with local businesses.
- TVL should be considered alongside the rate of value-added tax applied to accommodation.
- While respondents largely supported the purpose of the TVL, it was felt that a narrower set of objectives for funding should be identified and that the Council must be able to demonstrate clear outcomes and visible success in the short term.
- Concerns are high that TVL revenue will be reallocated to fill gaps in Council spending or effectively removed in any Scottish Government funding settlement.
- In setting priorities for investment, respondents felt that revenue from TVL should be prioritised to street cleaning and transport in the first instance, then to parks and policing of tourist areas.

The full report of the Edinburgh TVL consultation findings is available here. The Council will consider its response to the consultation and a final draft proposal for an Edinburgh TVL Scheme in February.

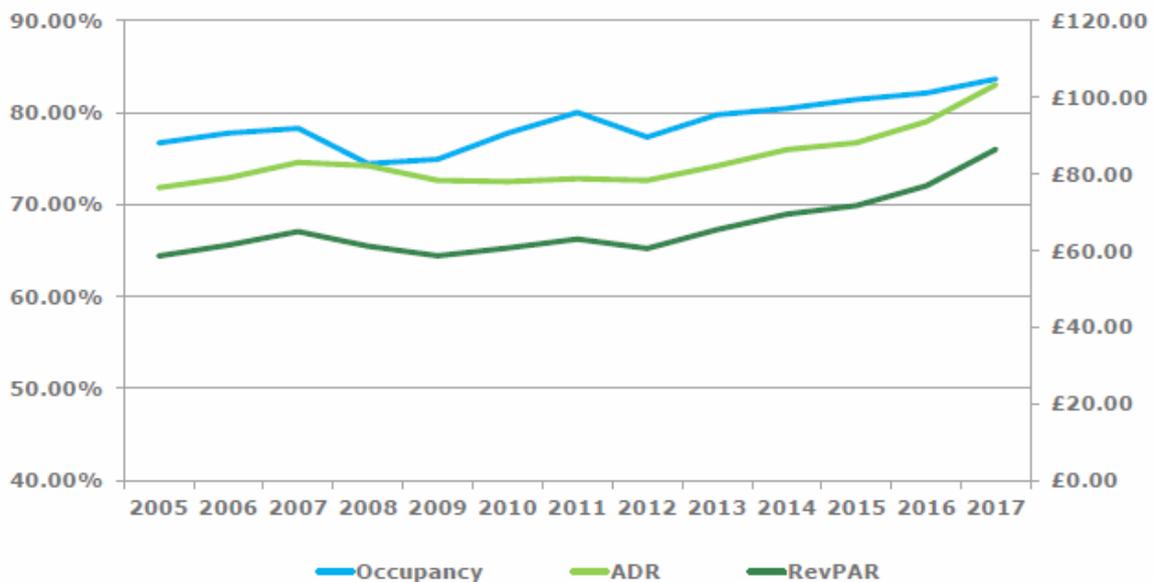
**What positive and negative impacts could a transient visitor tax have?
Challenges and costs to tourism sector**

The performance of the accommodation sector within the visitor economy is very strong which has resulted in considerable growth in the sector historically. Observing the future supply and recent openings of accommodation in Edinburgh, it is clear than the two growth areas are hotels and serviced apartments.

There are different metrics that can be reported when showing the performance of the accommodation sector. One of the most readily available relates to hotel accommodation. The three main indicators are occupancy rates, average daily rate and revenue per available room.

The chart illustrated below was taken from a piece of work the Council commissioned as part of the City Plan work to research the commercial needs of the accommodation sector in Edinburgh, the information was sourced from STR.

Edinburgh Hotel Performance



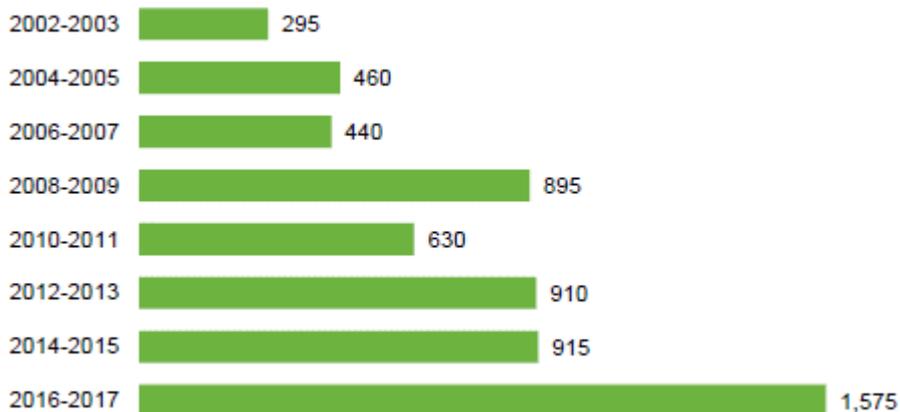
Occupancy levels in Edinburgh have continued to increase since 2012, this is in despite of continued supply growth in hotel rooms. Occupancy is a measure on the percentage of all rooms occupied, or sold in, a given period to the total available rooms in that period. The market does show seasonality with typically lower rates in the winter months. The highest occupancy achieved in the market was 93.6% in August 2017.

The revenue per available room, is also known as 'yield', is calculated by multiplying the occupancy rate by the average daily room rate. The average daily room rate is the total hotel room revenue divided by the number of rooms sold. As also shown in the chart both these measures have been increasing over time and more prominently since 2012.

It should be noted that fluctuations in the occupancy rate are influenced by the introduction of new rooms added to the existing stock. For example, the October 2018 YTD occupancy rate shows a 1.4 percentage-point drop on the same period in 2017, but there was a 5.6 per cent increase year on year growth in supply of new hotel rooms over that period.

The next chart depicts the scale of the increase in the supply of new hotel rooms in Edinburgh. There were on the latest estimate in 2018, 167 hotels or just over 13,000 rooms in Edinburgh. The continued growth in the level of hotel occupancy despite the recent increased in hotel supply is evidence of the considerable growth of the sector and hotel operator and developer demand in Edinburgh. This also speaks to industry confidence in Edinburgh's tourism economy.

Hotel development completions in Edinburgh 2002 to 2017 (number of rooms)



Comparing year on year occupancy rates is one way of showing the performance of the sector. The relative performance of the Edinburgh hotel market is also strong. The average occupancy rate in Edinburgh hotels was 83.7% in 2017, the highest in the UK. Recent data published by European Cities Marketing shows that in the first 9 months of 2018, Edinburgh is ranked 1st in terms of the best occupancy rate in Europe, with London (2nd), Liverpool (9th) and Hamburg (10th).⁹

⁹ European Cities Marketing Press Release – European Hotel Industry Growth – first 9 months of 2018.

International comparisons

Many hospitality industries have thrived due to the public investment that tax take 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.

Edinburgh is not alone in looking at the options for implementing a transient visitor levy. The idea has been used in many cities, including in cities like Porto who introduced a city tax in April 2018, and Athens in January 2018. The UK is one of only nine countries from the EU-28 with no tourist tax as of 2018.

Despite the differences in fiscal and regulatory systems the tourist charge on overnight accommodation stays is an overwhelming popular choice of local taxation. The underlying rationale for the TVL is that overnight tourists who pay to stay in the city and use public spaces and public services across the city should contribute more to help manage the impact of a successful tourism economy.

If the cumulative fiscal burden placed on accommodation providers and consumers should be accounted for in the evidence base for any new levy then greater attention is needed in what we are comparing. There are indeed many moving parts to taxation in general, only observing the size of one tax rate ignores exemptions or reliefs that could apply.

There is very little supporting evidence that the UK is at a competitive disadvantage to other locations because of a lower VAT. Any suggestions that this is true ignores exemptions, and other taxes impacting on businesses and providers in the UK.

The following points should be considered in relation to the UK collective tax regime relative to the rest of the Europe.

- The UK has the highest VAT registration threshold in the EU and the OECD, so many small businesses providing goods and services to tourists across the UK are not charged VAT at all.
- The UK has lower rates of corporate (and personal income) taxation compared to most of Europe.
 - The overarching Corporate income tax rates across the EU-28 range from as low as 9% (in Hungary) to up to 35.53% (in Belgium), however the average rate across is around 21%. In the UK the charge is currently 19% going down to 17% in April 2020.
 - The marginal personal income tax rates for average earners across the EU-28 range from 10% in Bulgaria to up to 54.5% in Belgium, with an average of just below 30% across all. The UK average rate is currently at 20%.
- The World Economic Forum ranks the UK 40th out of 136 on overall tax, "real tax rate. This tax measures the level of personal income tax and social security contributions in each OECD country by calculating the "tax wedge" - personal income tax, employer and employee social security contributions, minus family benefits received as a proportion of total employer labour costs.

Wider research on visitor behaviour

The Council commissioned a specific piece of research into the views of residents and visitors on the TVL which was conducted independently by Marketing Edinburgh. This was the first-time residents and visitors to Edinburgh have been asked for their views on the issue.

Over 500 residents (evenly split between those living in and around the city centre, and those living in other parts of the city) and over 500 paying overnight visitors (10% from Scotland, 35% from the rest of the UK, 56% overseas were asked for their views in the survey.

This provided us with the views of residents and importantly the views of visitors. The results showed that there would be no impact of a £2 tourist tax on overnight stays on 88% of visitors coming to Edinburgh. Only 3% said they would change their plans to come to Edinburgh if a TVL was applied. However, given we know that it is budget visitors who are most likely to be price sensitive, it would be erroneous to suggest that this would equate to 3% of the total economic yield of tourism.

These results indicate that an overwhelming majority of visitors would still come to Edinburgh if a levy was introduced – speaking to the question of price elasticity. Indeed, in the survey, around 78% reported that they would still come to Edinburgh, even if the tax was as high as £4 per room, per night.

In November 2018 STR's Tourism Consumer Insights team used their Edinburgh Visitor Survey to poll recent visitors to the city to gauge their perceptions on a tourism tax and to capture additional data to enable a deeper understanding of the economic impact such a tax might have on the city.¹⁰

¹⁰ Tourism tax: a blessing or a curse STR November 2018

The research set out to evaluate the potential impact of the possible introduction of Transient Visitor Levy of £1 to £2 per night for shorter-stay travellers. In Edinburgh three out of every four visitors to Edinburgh said that a tourism tax would have no effect on their stay. Another positive sign for the acceptance of the TVL is that only 2% of travellers said they would not travel to Edinburgh. Around 9% of travellers who would choose cheaper accommodation to help deal with the cost of the tax and a further 6% of tourists indicated they would have visited the city but stayed outside of it to avoid paying the tourism tax. These findings need to be set against the general acceptance that tourism to the city is projected to continue to grow.

In addition to evaluating the impact of the tax on the accommodation sector, the research examined if the tax might have associated impacts on visitor spending in other aspects of the visit. The results showed that there was only a small cross-section of travellers (14% of sample) were likely to reduce their spending during the trip.

A strong majority of respondents, reported that such a charge of £1 or £2 per night would not reduce their non-accommodation spend (73%), a further 14% were unsure. It was further found that domestic travellers and those aged 25-34 years, an age-group arguably more likely to be travelling on a budget, were the most likely to adapt their budget to compensate for any additional cost.

Impact

It is important that when looking at the potential impact of introducing a TVL scheme that specific characteristics of the markets are considered when interpreting the results. Any research findings should be set in the specific context that:

- Accommodation owners have flexibility to vary pricing by the day of week, month or year, time of booking or booking agent. The dynamic pricing systems creates a degree of uncertainty over the potential impacts on consumer behaviour. A strong case could be made that as consumers are already used to paying incredibly variable price changes in the rates of accommodations they will not be as deterred from a marginal rise in prices.
- There is also the relevance of scale, will the charge of £8 be impactful enough when the price of 3* hotel over four nights in Edinburgh can be as high as £1,589

on average ¹¹

- Accommodation costs may represent a large proportion of overall average visitor spend, around 50%,¹² but not all of it. Other costs include: food and drink, travel, events, tours etc.
- Origin of visitors, destination, the modelling method and time-period are all relevant factors when calculating demand elasticities in research and all of these factors significantly influence the estimates.
- Research results from an independent Edinburgh survey from STR concluded minimal impact on final visitor decision and impact on non-accommodation spend. Under the presence of a £1-£2 tourist tax on overnight stays, 91% of visitors to Edinburgh said they would not change their plans, and 73% said it would not reduce non-accommodation spend.

¹¹ Average cost of 4-night break in Edinburgh taken from Scottish Government Transient Visitor Taxes in Scotland: Supporting a National Discussion, November 2018, figures based on Moffat Centre Analysis of Scottish Accommodation Occupancy Survey.

¹² Figure sourced from the Edinburgh Visitor Survey 2018.

Competitiveness is not just about price

When interpreting any measure of price competitiveness, it is important to understand how the measure has been derived. The World Economic Forum for example, create a range of index values and rank countries relative to each other. Creating almost a league table of countries depending on different measured data points.

Most of the measures for overall international competitiveness are at the national level. The World Economic Forum's Travel and Tourism Competitiveness index placed the UK 5th out of 136 economies in 2017 for competitiveness. This ranking was based on a broad range of factors including business environment, prioritisation of travel and tourism, Cultural resource and business travel, international openness, and price competitiveness.

This reinforces the position that the UK and within that, Edinburgh, remains competitive when all factors are considered alongside price.

The measure for international tourism price competitiveness are comprised of four indicators. The measure includes indicators for: value for money, the cost of travel (i.e. airport tax and fuel), and the cost of a brand hotel. This covers only a few of the many considerations for visitors, and ignores the destination's attractiveness.

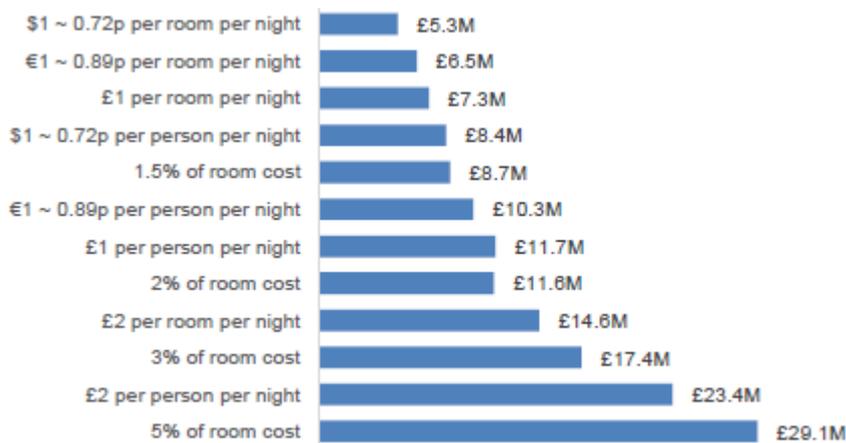
Edinburgh has a high amenity value rich in scenery; history & culture; architecture; attractions, and an international programme of events. Tourists consider a - destination's overall appeal, affordability, the overall quality of the tourist experience, events, cultural and other attractions. With its packed events and festivals calendar, historic city centre, free museums and art galleries and wealth of outdoor attractions, Edinburgh is extremely well placed in this regard.

These **pull factors** are not captured within a generic measure or within a price based analysis of competitiveness. Edinburgh is a global destination and its competitiveness relative to other destinations should not just be based on cost and stay costs and relative affordability but a more holistic assessment of all the relevant factors.

How could a transient visitor tax be used, and how can revenue be distributed fairly?

Potential Revenue

The introduction of either a small charge of 2% of the room cost or £2 per room per night could generate between £11.6 to 14.6 million per annum to invest within the City.



This estimate is based on new information gathered in 2018 as part of a commercial needs assessment on the accommodation sector in Edinburgh. It includes hotels, services and self-catering apartments, short term lets (from Airbnb) and guesthouses and B&B's and hostels within the City of Edinburgh geography. The analysis factors in the differences in prices and occupancy rates across the different accommodation types.

The analysis does not show the expected revenue to be raised from the 35 student accommodation units that are available to rent over the summer. There are an estimated 19,000 student bed spaces in the city, almost a third of student hall sites are rented out exclusively over the festival period in August. The analysis does not also reflect the possible differences that exist between the different hotel types and uses average variables of occupancy and room cost for that sector. We are aware that 4 and 5 star graded hotels make up around 40% of the supply of bedroom in that sector, with the budget sector making up 34% of bedrooms in the Edinburgh hotel market.

The estimates quoted in the chart could be higher than reported above, if seasonal factors in occupancy and price were to be incorporated into the analysis, using monthly average occupancy and average room rates. Edinburgh is a seasonal destination with typically higher prices and occupancy rates over the summer period, and relatively lower prices and occupancy early in the calendar year.

Use of the revenue

Within the results from the Edinburgh TVL consultation, there was strong consensus around the priorities for investing any revenue generated by TVL. 76% of all respondents cited street cleaning as their priority for spending. This was the number one ranked priority for all stakeholder groups and followed by transport (58%), which was also the second priority for all stakeholders.

During roundtable events stakeholders also pressed for fewer priorities that would have a significant impact on the city and could be visibly identifiable as a direct gain or achievement of the TVL. Stakeholders also raised the view that any TVL must count as “additional” rather than displacing Scottish Government core funding. This means in practice it should not be subtracted from the total estimated expenditure, like the council tax, or centralised and redistributed from the Scottish Government like non-domestic rates or indeed centralised into a pot.

The revenues raised from international cities with a similar TVL arrangement are typically reinvested into services that support tourism. Lisbon raised around 15 million a year and that is targeted at reinforcing revenues for mobility and transportation, urban hygiene and new skills protocols in addition to issues of security that are of concern to the city.

It is clear that in an environment of reducing public funding and declining National Lottery funding, something needs to be done to ensure that the Council and our partners can continue to invest in, and benefit from, tourism to the city. The current levels of investment and support for those things that make a city attractive – from clean streets to historic and cultural activities – will be more challenging into the future.

Edinburgh welcomes around 64% of the total volume of international visitors of Scotland and 22% of the total volume of domestic visitors, not investing adequately in improving the quality of offer of the City may, as a consequence, adversely impact on tourism in Edinburgh and across Scotland.

Establish Administration, Enforcement

In the Edinburgh TVL consultation, the Council asked for views on a number of issues in relation to how any TVL should be administered. 49% of all respondents favoured a monthly collection mechanism rather than an annual collection.

Almost a third (30%) of all respondents felt there should be an industry-led team to design the collection and administration of the scheme with the council. This figure did not substantially vary by stakeholder group, with 31% of accommodation providers supporting this. By contrast, 56% of all respondents agreed there should be a forum of stakeholders to help oversee TVL with a role to make spending recommendations and review investments and monitor the effects of TVL on the local economy.

If a visitor levy were progressed in Edinburgh, then it is possible that accommodation providers would be required to register with the Council and would be responsible for

collecting the levy and transferring it to the Council. Depending on the model used they would be required to maintain appropriate records of rooms occupied, or number of eligible people staying overnight, room rate charged and the amount of levy paid. This would include short-term lets.

Keeping the visitor levy simple would reduce the burden of information required from accommodation providers. For example, a charge per room is more straightforward than a charge per person, as the latter would require the accommodation providers to collect details on all visitors who stay.

Method of collection

Accommodation providers would be required to make their tourism levy payment to certain agreed timescales. Simplicity would suggest that this should be done electronically into a tourism levy body account. If this were to be the case then to ensure compliance, the following information would be required:

- the accommodation providers that are liable for the tourism levy
- the number of rooms occupied during the period for payment or revenue raised from rooms sales
- number of rooms or revenue amount under any exemption

Overseeing the implementation

For the Council to effectively perform its role of overseeing the implementation it will need to have access to necessary information to validate returns. This would include information on current and historic hotel and other accommodation providers, this would be ascertained by the registration process.

Amsterdam request businesses to register online every year to keep their records up to date. Other cities like Lisbon, Porto and Budapest requested information to be submitted by providers every month, using before the end of the 15th of the month for the month previous.

Based on other examples internationally and in the case of discrepancies, the accommodation provider would have a duty to provide a reason to the authority. Further, the visitor levy administering body, the local authority, would reserve the right to conduct financial audits of the returns in the same way as assessors have access to this when assessing rateable values of hotels. This would be done on the basis of risk and not as a matter of course.

These provisions should be included in any legal process and the control of this would be set by central government during the formation of the legislation to implement the TVL or tourist tax.

The Council has given several assurances that it would work closely with industry to establish the best and most efficient administrative and collection process for a TVL.

Conclusion

Edinburgh has a strong and growing tourism industry that is continuing to build and

invest in the city. In light of public funding pressures there is a need to secure a mechanism to raise additional income into the future to continue to sustainably invest in tourism and manage the consequences of a thriving tourism industry on the city and its people.

The City of Edinburgh Council has taken a political position to progress an Edinburgh TVL. In taking this commitment forward the Council conducted several months of informal engagement and consultation. The input from industry stakeholders was used to develop the details of a draft scheme which could then be subject to further formal consultation.

A full and detailed public consultation which was heavily promoted amongst stakeholders and in the press concluded on 10 December. The consultation received over 2,500 responses across the city and showed that there is overwhelming support from all stakeholders for the TVL.

A final proposal for an Edinburgh TVL Scheme will now be considered by the Council in February 2019.

Evidence Number	0.73
Name	South Lanarkshire Council
Permission to Publish	Yes
<p>What would be the reasons for introducing a transient visitor tax?</p> <p>I. What are the tourism priorities that we need to meet at local and national levels?</p> <p>Tourism Scotland 2020 clearly lays out the national tourism strategy and the priorities within the sector to ensure sustainable growth. At a local level our Lanarkshire tourism strategy aligns to the national document and by 2020 we aim to be recognised as a destination offering authentic, quality, value for money experiences for visitors and be accessible for all.</p> <p>The local priorities that flow from this are making it easier for the visitors to come to the area, and visit a wider range of tourism assets in the area through better visitor dispersal and, in turn, increase their dwell time, enjoyment and experiences and visitor expenditure while they are here.</p> <p>II. What are the global, local and national trends that will influence these?</p> <p>Global and national trends are well documented by the Scottish Tourism Alliance and Visit Scotland.</p> <p>The biggest current influences on local trends are:</p> <ul style="list-style-type: none"> • Uncertainty from impact of Brexit on sector • Exchange rates impact v trend for staycation within UK • Cost base for local businesses and erosion of margin 	

- Lack of ability to increase prices
- Lack of investment in product/ asset
- Positive attitude to collaboration to bring more visitors to the wider area
- Relatively low perception of sector as a career choice
- Pipeline of major events bringing publicity on wider national scale
- Impact of new business models such as Airbnb

III. What are the challenges posed by Brexit for the tourism sector?

- Relative competitiveness of Lanarkshire /Scotland depending on exchange rate fluctuation
- Impact on national / regional / local disposable income.
- Perception of UK as destination of choice for international visitors.
- Marketing position of Scotland given outcome of referendum vote in Scotland and perceived “lack of control” over UK decision making process on Brexit.
- Continuity of labour source (directly and indirectly from sub-contractors) if reliant on labour from non UK citizens. Also potential impact on efficiency and productivity of labour
- Impact on supply of food and drink supplies

Of course depending on the outcome of Brexit negotiations, these may in fact become positive opportunities in opening up more trade channels with the wider world.

IV. What is needed to support tourism and the visitor experience at Scotland level, and in different parts of Scotland?

- Fresh initiatives/ campaign / resources/ funding for destination organisations to encourage and ensure the individual businesses to work together to ensure cross referrals and an authentic visitor experience “living like a local.”
- Identify “honey pots” or largest footfall and economic impact drivers in each destination at a local/ regional level and support reinvestment / reinvention of their product and creation of clear visitor dispersal channels and connections throughout area. For example in South Lanarkshire this would include New Lanark World Heritage Site.
- Ensure fresh products and assets for visitors by offering new funding opportunities for tourism businesses to invest in upgrading their offering (could be initiative as part of Scottish Growth Scheme.)
- Campaigns championing the sector as a career choice to encourage new entrants.
- Superfast Broadband rollout to rural areas to ensure maximum coverage for tourism businesses.
- Lack of digital connectivity and experience, particularly in independent businesses

V. What are the positives and negatives of the general principle of a Tourism Tax?

Visitors bring new additional expenditure to any area and spend directly in tourism businesses and indirectly in taxis, restaurants, and travel and retail shops. But visitors can also have negative impacts on residents and businesses including congestion, crowding or pollution, but these impacts are not reflected in the prices

that visitors pay. Visitors also make use of public parks, utilities, waste collection services and museums with the latter often free to enter. In principle, a TVT could then generate revenue from the visitors that could be reinvested to cover maintenance and renewal and mitigate the cost of the impacts.

However, TVT adds further costs and administration to the individual businesses and the collection agent/ local authority potentially undermining the business' competitiveness when comparing with other areas that do not have a TVT. There is also a potential concern over the ability to pass this on through rising prices to the visitors. Digital comparison means it is very easy for a visitor to compare accommodation costs and a small saving can be a key driver in the purchase decision. Businesses are already experiencing an erosion of their margin through a number of rising business costs including non-domestic rates, utilities, and National Living Wage.

What would a well-designed and operated transient visitor tax look like?

VI. What countries have adopted tourism taxes, and what models have they adopted?

This is covered well in this discussion document and we do not have anything further to add here.

VII. What are the characteristics of a successfully designed and implemented model of Tourism Tax?

For the visitor, a TVT should be very simple to understand and be clearly costed to ensure their decision making process takes this into account and there are no surprises. They should also be able to understand what they are contributing to when they spend this additional money.

For the local accommodation businesses, the TVT should again be simple to understand and easy to collect and pass over to the collecting agent with minimal additional administration requirement. They should also be clear and fully understand how the money will then be spent and how it will benefit their business. Ideally this connection should be evident.

For the collection authority the TVT should be cost effective to collect. Be easily collectable and on time ensure no arrears and follow up is required. The reporting of the expenditure should also be clear and understandable.

VIII. If implemented, how would a Tourism Tax be administered, collected and enforced, and what requirements would this place on Local Authorities, the Scottish Government and the tourism sector?

We intend to submit a revised version of this document and await more input to complete this response.

IX. If a Tourism Tax were to be implemented, what should a Tourism Tax be expected to do and fund, and how would this be demonstrated?

If the application of the TVT is decided on locally, then the expenditure should also be determined locally.

It could be used to:

1. Directly address the impact of the visitors on the area as outlined above through industry consultation locally, and / or
2. Invest in new tourism product/ events or added value projects as determined by the industry.

What positive and negative impacts could a transient visitor tax have?

X. What are the current cost bases and challenges for the tourism sector across Scotland?

The businesses are currently experiencing an erosion of their margin through a number of rising business costs including non-domestic rates, utilities, and National Living Wage.

Challenges are mainly around uncertainty, ability to forecast income while cost base increasing, ability to maintain competitive rates and attract customers as new accommodation also opens in the area, risk averse attitude to investment as a result of all the foregoing matters.

XI. What taxes, charges and other costs are currently levied on the tourism sector, and how do these compare internationally

The discussion paper outlines this well and we have no additional points here.

XII. How would tourism businesses and visitors respond to the introduction of a Tourism Tax, over the short and longer term?

Whilst we have no direct feedback within the timescale of this discussion document, anecdotally, the local tourism businesses do not welcome the introduction of this new TVT.

To date, we understand they feel that the levy will be detrimental to individual tourism businesses and their future sustainability and growth. This is mainly due to the price-sensitivity of domestic visitors, and the rising costs that they currently face. The additional administration is also a negative factor.

The sector and visitors will expect transparency in where the revenues collected are spent.

XIII. What the impact of tourism taxes has been on the tourism sector in countries that have adopted them?

The discussion paper outlines this well and we have no additional points here.

XIV. What are the potential impacts of a tourism tax on the competitiveness of the tourism sector, both at regional and national level?

Whilst the intention of the tax may be to invest and grow the key sector, the actual impact at a local and regional level may be very different. It could mean that these local areas are competing even more for visitor stays and this does not fit well with the Regional agenda and also the Scottish marketing efforts to make it easy for visitors to come and enjoy Scotland. It may become very complicated for a visitor to navigate around potentially 32 different areas and taxes in a small country like Scotland. Some form of consistent structure would be appreciated by the touring visitor and operators trading in many different Scottish local authority areas.

XV. What are the potential impacts of a Tourism Tax on visitor numbers, visitor expenditure and the wider Scottish economy?

Outwith the cities, where there is more of a focus on day visitors and the overnight stays are more flexible, it could mean that more visitor expenditure is skewed to the areas with less or no taxes in place causing more challenges for the sector.

How could a transient visitor tax be used, and how can revenue be distributed fairly?

XVI. What are the potential revenues from a Tourism Tax, and what factors might influence the scale of these?

We intend to submit a revised version of this document and await more input to complete this response.

XVII. How might receipts from locally determined tourist taxes relate to wider local government revenues and expenditure?

We intend to submit a revised version of this document and await more input to complete this response.

XVIII. Would those local authorities where tourism is less developed be disadvantaged by not being able to raise revenues in this way?

Perhaps but this would mean it would be unlikely for an area to collect the TVT in a cost effective way. It may be the opposite and this would actually be an opportunity to stimulate development of more overnight accommodation in the future and attract more visitors.

XIX. What would a local authority need to do to establish, administer and enforce a locally determined tourist tax?

We intend to submit a revised version of this document and await more input to complete this response.

XX. Should each local authority determine how receipts raised locally are spent or should local expenditure align with and contribute to national priorities?

We would agree that the decision to allocate funds raised is taken locally and with the involvement of industry that owns the assets that generate the tax through

attracting the visitor.

We intend to submit a revised version of this document and await more input to complete this response.

XXI. How could a local authority manage any revenue risks arising from receipts being impacted by wider events?

We intend to submit a revised version of this document and await more input to complete this response.

Evidence Number	0.77
Name	Scottish Borders Council
Permission to Publish	Yes
<p>Transient Visitor Taxes in Scotland: a National Discussion 29th January 2019 The following submission was agreed by the Executive of Scottish Borders Council at a meeting on 29th January 2019</p> <p>Scottish Borders Council's comments are:</p> <ol style="list-style-type: none">1. Any discussion about empowering local authorities to raise taxes locally, including transient visitor tax (TVT), is a strand of a wider discussion about the adequacy of the resources available to councils in undertaking the broad range of functions for which they are responsible. Progress on a TVT would not alter this fundamental, especially in circumstances where use of TVT may be limited.2. The lack of fiscal powers at local level is severely limiting choices at a local level. Local people and institutions should decide on levels of local taxation in relation to local services. It is inconsistent with a strong local democracy for this to be determined or enforced almost exclusively at a national level (minor variations in the level of council tax excepted). A national discussion is needed in relation to the general competence of local government to set and raise new taxes (on the proviso that these do not duplicate taxes set elsewhere).3. The Council has concerns about a narrow discussion about TVT outwith a wider dialogue about the adequacy of local government resources and the lack of fiscal powers at the local level. Potential local authority beneficiaries of such a tax are likely to be very limited in number and the tax risks intensifying differences between the most and least visited areas of the country.4. As the document notes, the national discussion takes place within the context of a number of wider engagements, particularly the upcoming Local Governance Review. That Review is premised on the notion of place-based solutions to combinations of challenges. SBC's perspective, in common with other local authorities, is that strengthening local democracy means having the same freedom to make local decisions about (some elements) of tax and spend that already exist in other modern democracies.5. The discussion document sets out the significant part Tourism plays in Scotland's economy, in terms of its size, economic contribution, and its distribution	

across Scotland. What is true for Scotland is also true of the Scottish Borders with a greater percentage of the workforce employed in tourism related activity than the Scottish average. Please see Chart 4 of the Discussion Document.

6. Despite this, the Council has no plans to pursue a TVT within the Scottish Borders Council area. The principal reason for this is concern that price sensitivity among visitors/potential visitors risks reducing the number of visitors, the length of their visits and their spend within the local economy.

7. As the Council does not wish to pursue a TVT, it does not offer any comments on the merits and demerits of the different approaches to tourist taxes described in the Discussion Document. The Council simply repeats its concerns, referred to above in point 3: a transient visitor tax may exacerbate the existing concentration of visitors and spend in Scotland. Such an approach would appear to run counter to the principles of inclusive economic growth, and be self-defeating in providing new and improved facilities to draw yet more visitors to those areas with the greatest concentrations of visitors and spend already.

Evidence Number	0.78
Names	Falkirk Council
Permission to Publish	Yes
<p>Falkirk Council recognize the fact that certain areas within Scotland are facing issues around 'over tourism' putting a strain on both the infrastructure and accommodation offering in these locations.</p> <p>We acknowledge the need for these areas to investigate a funding option such as Tourism Tax but only after a full public consultation with all the key industry bodies has been undertaken. In addition to this it is imperative that detailed research is carried out in relation to the costs and methodology of collection prior to the introduction of any such tax.</p> <p>Tourism within the Falkirk area is a relatively new and growing industry sector and Falkirk Council view the introduction of a tax as potentially damaging in terms of bringing additional new businesses in to the area and to reduce our competitiveness.</p> <p>Falkirk Council is currently developing investment into our tourism infrastructure to ensure we can meet our area's demand which is now being experienced and we need to be careful not to jeopardise any prospective investors at this time (e.g. the Falkirk Gateway site adjacent to The Helix Park/Kelpies and our town-centre regeneration objectives). Additionally, current private investment and growth in tourism facilities/accommodation could be impacted by TVT uncertainties as well as current Brexit uncertainties which are becoming apparent.</p> <p>Falkirk Council will be investigating the sustainability of a Tourism Business Improvement District model during 2019/20 given we have seed-corn funding to progress this to establish feasibility. We are of the view that this could potentially be a better model to generate income for this sector. Implementation of TVT at this early stage could stifle the growing of the sector to be more self-reliant.</p>	

Falkirk Council would also like to seek clarification as to how this tax would be collected. COSLA recognize the need for each authority to look at this tax separately – therefore there is ambiguity as to whether Local Authorities would be tasked with setting up a system for collection or if it would be Scottish Government managed with a recharge to authorities.

Falkirk Council are happy have a further discussion or input further as and when required regarding the potential Tourism Tax.

I trust this outlines the Councils position on Transient Tourism tax for the purposes of this initial exercise. If you require anything else from us in relation to this please let me know.

Evidence Number	1.26
Name	Comhairle nan Eilean Siar
Permission to Publish	Yes

TRANSIENT VISITOR TAXES IN SCOTLAND: SUPPORTING A NATIONAL DISCUSSION

RESPONSE FROM COMHAIRLE NAN EILEAN SIAR

1. At this stage Comhairle nan Eilean Siar has not taken a formal position on Transient Visitor Tax (TVT).
2. The Comhairle, however subscribes to the principle that Local Authorities should have the power to levy charges and / or taxes in their own localities as appropriate to local circumstances in order to meet local needs.
3. Tourism is one of the biggest contributors to the local economy of the Outer Hebrides and the largest employer outside the public sector.
4. In 2017, 218,000 people visited the Outer Hebrides.
5. The tourism sector employs in the region of 1200 FTEs.
6. Outer Hebrides Tourism (OHT - the industry tourism representative body in the Outer Hebrides) is fundamentally opposed to any form of TVT.
7. Despite being opposed to TVT, the OHT recognises that on-going cuts to local government capital and revenue budgets are impacting on the level of sustained investment in local infrastructure. OHT are therefore considering methodologies to provide voluntary industry contributions for investment in infrastructure and related activities.
8. The Scottish Government's Rural Tourism Infrastructure Fund (RTIF) is presently being deployed on a number of projects in the Outer Hebrides. The establishment of RTIF would suggest that the Government recognises the impact on local infrastructure arising from the welcome growth in tourism.
9. The UK presently places a high tax burden on tourism. Only one other European country has a higher VAT rate than the UK. The UK is only one of three EU countries that does not have a reduced VAT rate for hotel and tourism services.
10. If a TVT was to be introduced locally it would most likely involve new expenditure to implement, together with an on-going administrative burden associated with collection and enforcement. With over 700 accommodation providers in the Outer Hebrides, there would be a corresponding administrative burden to them.
11. 100% relief on Small Business Rates currently applies to a large proportion of tourism businesses in the Outer Hebrides due to their size (rateable value). Flexibility to adjust

this 'relief' would enable Local Authorities to generate income. This would be less problematic to collect as the mechanisms are already in place. The increase in rates could be passed on to visitors through pricing, rather than as a distinct fee or tax.

12. Factors that the Comhairle considers should be considered before reaching a decision on implementing such a scheme would include whether TVT would have a negative impact on visitor numbers, bearing in mind that the majority of tourists are from within Scotland, and whether TVT would impact on the viability and economic output of the industry in the Outer Hebrides (e.g. their spend on services and staff), considering its seasonal nature.
13. "The Impact of Taxes on the Competitiveness of European Tourism" written by PricewaterhouseCoopers LLP in October 2017 for the European Commission concludes that: "Overall, our qualitative and empirical analysis suggests a strong case for reduced taxes on tourists in order to improve the competitiveness of tourist destinations and support the local tourism sector." The Report also states that "... the sector is particularly price sensitive (and evidence would suggest it is increasingly so) so it is important that the tax regime does not hamper its competitiveness. Therefore there is an argument for keeping taxes on the sector low".
14. No detailed analysis has been undertaken into the potential quantum that could be delivered by an Outer Hebrides TVT. No detailed analysis has been undertaken into the overall economic effects. The precautionary principle suggests that TVT should only be contemplated after detailed and appropriate analysis.

Evidence Number	1.27
Name	Orkney Islands Council
Permission to Publish	Yes

Dear Sir/Madam:

Tourism Tax Discussion

Thank you for the opportunity to contribute to the national discussion on transient tourism tax (TVT). Please note that given the timeframes for this process, the views expressed in this letter have not had the benefit of a formal report through our Committee process. I would also flag up that anecdotally we believe there is difference of opinion, and no clear majority view amongst the tourist/business community regarding the principle of introducing a levy.

The observations presented in this letter are therefore not a formal Council position or Council policy. Nor should they be considered as an indication of policy support (or lack of support) for the principle of introducing a levy at this stage. Rather they are intended as observations from the professional officer team on issues which we would recommend have the benefit of onward consideration through this process:

- A 'one size fits all' approach to the application of TVT across Scotland would not be appropriate. In this consideration, Islands are particularly different and require Islands specific solutions (not least reference to the Islands (Scotland) Act 2018). For example, for Orkney, day visitors account for half of the Islands' tourist numbers. An accommodation based, or per night tariff, would therefore not be fair or effective. One alternative which would benefit from further exploration may be the feasibility of introducing an entry levy via transport providers rather than a bed occupancy tax.

- Orkney’s tourism market is price-sensitive. This is especially characteristic of the day visitor market (including cruise) which accounts for 50% of all visitors to Orkney and is the segment that has seen the greatest growth in recent years. However, if TVT were levied on external ferry and/or cruise passengers, it would be imperative to do so in a manner which would not undermine the competitiveness of individual ports or of Scotland as a cruise destination. It should also be ensured that the method of collection respects the terms of the Harbours Act. The setting of any tax levels and management of this would therefore be best placed at the local level.
- The revenue generated in Orkney through TVT may be insufficient on its own to relieve pressures. Therefore, TVT should not be considered as a substitute for other extant or future tourism support measures.
- While we recognise that the introduction of TVT could potentially provide revenue to alleviate the potentially challenging impacts of tourism or to improve infrastructure, we are unable to take a definitive position either in favour or against TVT without comprehensive consultation with our tourism industry and local communities. We would expect the outcome of such a consultation to form the basis of the design and implementation of a TVT scheme specific to Orkney’s requirements. In short, a blanket policy would be unacceptable and any policy must be considerate of Islands challenges and opportunities.

We appreciate the opportunity to participate in the tourism tax discussion and look forward to viewing your report in due course. For avoidance of doubt this letter is not intended to provide an indication of support or no support for the principle of introduction of a TVT and we look forward to further dialogue with the Scottish Government on these issues before we consider making formal recommendations to our Council on these issues.

Evidence Number	1.28
Name	Aberdeen City Council
Permission to Publish	Yes

What would be the reasons for introducing a transient visitor tax?

Tourism is an important contributor to the Aberdeen 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.

Aberdeen City Council’s 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.

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.

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.

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.

Aberdeen City 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. To ensure that Aberdeen remains a great destination with a distinct cultural offer, national events and other tourism related services, alternative funding methods need to be pursued. The Council has been considering the potential of a tourism levy since 2015 through the negotiation of the Aberdeen City Region Deal. 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.

- A transient visitor tax would reflect the “user pays” principle. Currently, tourists use cultural facilities such as ‘free to enter’ museums, national sporting events, where costs are paid for by local residents.
- Tourism businesses benefit from wider marketing activities undertaken by the local authority and Visit Aberdeenshire and funded from taxation.
- The cost of maintaining the local environment and public services, which attract tourists, is borne by local taxpayers. Tourism has wider costs such as pollution or congestion that can impact on people that live there. The costs of mitigating against these are borne by local taxpayers.
- Tourists make use of ‘public goods’ (local amenities and public services, such as parks, utilities and waste collection) which are paid for through local or national funding, rather than by tourists themselves.

What would a well-designed and operated transient visitor tax look like?

- Tourism differs across Scotland's regions, in terms of scale, levels of activity, and the markets visitors come from. Aberdeen City Council think that the local authority should decide on where a tax should be applied, its design, and any exemptions.
- There are a number of options for models of a transient visitor tax. Internationally, the most common are a flat rate per night, a percentage of overall stay costs and a flat rate per night varying by bands. It would be up to the local authority in consultation with the tourism industry to design a suitable model ensuring it is as simple, fair and cost effective as possible and ensures that 'freeloading' by non-participating businesses is avoided with a fully inclusive scheme.
- A tourism tax would be administered, collected and enforced in as light a touch as possible. Accommodation providers would be required to register with the Council and would be responsible for collecting the levy and transferring it to the Council. They would be required to maintain appropriate records of rooms occupied and the amount of levy paid. At a certain frequency, accommodation providers would be required to make their tourism levy payment, and for simplicity this would be done electronically into a tourism levy body account. The Council would have information on the following with which to validate the returns:
 - information on current and historic hotel occupancy rates within the City.
 - current bookings information within the City and from the website of accommodation providers.
 - historic return data from accommodation providers.
 - returns from other accommodation providers within the City.

Aberdeen City Council estimate it would cost 0.75 FTE (around £18,000 per annum) of an employee to administer the tourism levy for Aberdeen.

What positive and negative impacts could a transient visitor tax have?

- International tourism demand is influenced by a range of different factors including: population, income, prices in the host country, substitute prices in competing destination, tastes and habits, marketing, and one-off events. At its simplest, a tourism levy would be expected to increase the price of visitor accommodation and therefore at the margin reduce demand, other things being equal. The sensitivity of demand to changes in price, commonly referred to as the price elasticity of demand, is therefore a key factor in the decision whether to introduce a tourism levy. There is little available evidence on Aberdeen-specific price elasticities of demand for tourism.
- Demand for hotel rooms in Aberdeen has historically been driven by business from the oil and gas industry. This demand is likely to be price insensitive and

resilient. Leisure tourism is more likely to be sensitive to price increases but we envisage even for this group only a very small if any decrease in demand as a result of a modest £1 tourism levy for example.

How could a transient visitor tax be used, and how can revenue be distributed fairly?

- The revenue benefits of a scheme depend on application by accommodation type and the resulting charge. If implemented in Aberdeen, and based on assumptions on accommodation type and occupancy, a flat rate levy of £1 a night on hotels, guest houses, serviced accommodation and B&Bs could generate around £1.8m a year of revenue.
- The levy would generate a sustainable revenue stream that would be 100% ring-fenced for investment in the development of the tourism sector, to be used for:
 - Destination promotion and marketing;
 - Specific marketing campaigns;
 - Supporting the delivery of international and national events; and/or cultural development
 - Supporting the delivery of new tourism infrastructure to attract more visitors
- All activities funded through the fund would have to demonstrate an additional impact on overnight stays.
- The tourism industry is able to influence how revenue is spent.

Evidence Number	1.33
Name	East Dunbartonshire Council
Permission to Publish	Yes
<p>East Dunbartonshire’s Local Authority area is equilateral distance from Glasgow and Stirling. Our biggest tourist trade is from the domestic market i.e. day and weekend visitors who stay in either Glasgow and Stirling but travel into East Dunbartonshire to enjoy the rural benefits of walking, cycling, fishing and canal cruises.</p> <p>At this early stage of discussion we'd consider a local tax might not support or enhance tourism (nor apply) in East Dunbartonshire due to our visitor profile.</p> <p>A taxation that helps mitigate against negative externalises that impact a place locally, would need to be considered against the numbers and types of visitor numbers.</p> <p>If this initiative is developed then further information is required to show how such a tax would be administered and how it could benefit smaller areas with less international tourists such as East Dunbartonshire.</p> <p>If tourism tax was introduced clarification is required in the following:-</p>	

- How will the levy be administered?
- Is there a further resource implication ? It may cost LAs more to administer than generate funds which will further impact LA finances, particularly as our visitors tend to be day and weekend.
- How will levy be redistributed? Will levy from tax be used to boost business or tourism regionally?
- Will it be ring fenced for Tourism related projects e.g. tourism careers/skills progression?
- Consultation requires to take place with tourism sector as a collective to determine views.
- Will it discourage visitors and offer negative customer experience?
- What type of business would the tax be applied to? EDC has a higher proportion of domestic and day visitors? would the tax only be applied to overnight visitors at hotels?
- Could a tax be designed/bespoke to align to specific visitor profiles or types? for example long distance walks and mitigation on the local environment.
- Can detailed case studies be made available as part of this process where a tax of this nature has been successfully applied elsewhere, including information on financial and administrative models?

National agencies such as Visit Scotland and Scottish Tourism Alliance have raised concerns that such a tax will detrimentally impact on the long campaigns to promote Scotland as a welcoming nation ? EDC would like to see what further advice and information these agencies produce as part of this process.

Conclusion

Tourism tax may not be a benefit for tourism industry locally.

EDC is interested in further advice and information from national tourism agencies as part of this process.

If further work on Tourism Tax continues, answers to the questions in relation to gathering and administering of the tax are required

EDC would welcome further opportunities to engage in the discussion.

Evidence Number	1.34
Name	North Ayrshire Council
Permission to Publish	Yes

NAC RESPONSE TO SCOTTISH GOVERNMENT TOURISM TAX DISCUSSION

JANUARY 2019

North Ayrshire Council have been working closely with tourism industry partners to develop Marine and Coastal Tourism in the region. We are developing a vision for Marine and Coastal Tourism, identifying investment needs and an action plan for implementation. Our 'Making Waves: Tourism Action Plan 2018-2022' highlights the significant economic impact of the tourism industry in North Ayrshire. North Ayrshire and Arran tourism performance in 2016 saw over 1.7m visits and spend of over £186m (up by over 6% on 2015).

We are developing a number of innovative coastal economy proposals for our region through the Ayrshire Growth Deal bid – including for Irvine Harbourside, Ardrossan and significantly enhancing our marine infrastructure. These projects would create a significant number of new jobs as well as enhancing visitor numbers. We have also recently welcomed the announcement of funding from the Scottish Government for a new tourism innovative for Ayrshire, Firth of Clyde and Clyde Islands – the Coig: 'Five Routes – One Great Adventure'.

Our Action Plan illustrates a growing coastal economy in North Ayrshire and also points to potential future growth which will bring enhanced demands on infrastructure. Particularly at a time when unprotected budgets such as economic development are under significant pressure, a potential tourism tax could provide much needed additionality and provide revenue that could be re-invested into tourism related support and infrastructure.

We are generally supportive of the introduction of the tourism tax however are aware of national and local industry concerns. We recognise demands on tourism businesses and acknowledge concerns regarding competitiveness, particularly in a challenge external economic environment including the continued uncertainty around Brexit. It will be important the potential tax is not a further burden to business and is easy to administer.

We are, however, supportive of the COSLA position that the tax, if introduced locally, would generate revenue to contribute to the cost of maintaining public services vital to tourism; as well as enhancing the tourist experience. It would also provide an opportunity to strengthen local areas and in turn, Scotland's ability to compete in global tourism. We also note that tourism taxes are increasingly common around the globe and we must ensure that locally, regionally, and nationally we are able to compete on the global stage.

A key principle is that the design of the tourist tax should not exacerbate existing regional inequalities.

Consultation Questions:

- I. What would be the reasons for introducing a transient visitor tax?**
 - To raise funding for local tourism projects/infrastructure.
 - To stay competitive with other regions that may implement the tax.

- Inability of the public sector to maintain the local environment within current financial constraints.
- The wider costs of tourism infrastructure (congestion, pollution, maintenance) are currently being entirely funded via local taxpayers.

II. What would a well-designed and operated transient visitor tax look like?

- Would require an administrative structure that was easy to implement re collection and not place an undue burden at the point of sale.
- Would comprise of a local tourism industry board that would decide on how to allocate funds – possibly administered by the local authority. Lessons could be learned from the BID model might help here.
- Will require a programme of engagement and open consultation with industry to make any decision regarding national implementation, Scottish Government have already made this commitment.

III. What positive and negative impacts could a transient visitor tax have?

- In terms of positive impacts, the tax could allow investment in tourism infrastructure, particularly in a time of budget cuts for unprotected services. That investment could be matched with other funds.
- In terms of negative impacts, the tax could be perceived externally as negative in a time of uncertainty regarding Brexit. It might be pragmatic to undertake visitor research on how a tax would impact visitor perception of visiting Scotland and the likelihood to book, stay longer, etc. This research could include international, UK and home markets. The administrative burden on tourism operators would need considered. Potential for a tax to have a negative impact if the tax was not within local control. Could also be seen as negative if it replaced local authority funding - areas with low levels of visitors could be disadvantaged - compared to the cities. Consumers might respond negatively to price rises. If Edinburgh implemented it and benefitted from the funding, then the gap between the 'best' and the rest could theoretically get worse, harming local visitor economies and undermining local economic development.

IV. How could a transient visitor tax be used, and how can revenue be distributed fairly?

- To support national tourism strategy 2020 at a local level, supported through an industry mechanism.
- To drive step change projects like the Coig, focussing on failing infrastructure in key locations.
- Possibly be used to upskill employees within tourism businesses - particularly around the digital agenda and in global industry skills.

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