



Welsh Government

Consultation Document: Consultation on proposals for a discretionary Visitor Levy for local authorities

Partial Regulatory Impact Assessment (PRIA)

Date of issue: 20 September 2022

Action required: Responses by 13 December 2022

Title of proposal

A proposal on powers for a local levy on tourism (“visitor levy”).

Overview

This consultation seeks your views on the Welsh Government’s proposals to provide discretionary powers for local authorities to apply a visitor levy in their areas. Specifically, the consultation seeks your feedback on the possible design options for a visitor levy. This legislation will enable local authorities to introduce a levy in their areas if they choose.

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Executive summary

One of the key commitments of the Welsh Government's Programme for Government¹ is to 'introduce legislation permitting local authorities to raise a levy on tourism'. This is also one of the areas referenced within the Co-operation Agreement with Plaid Cymru. The Welsh Government and Plaid Cymru entered into a Co-operation Agreement to introduce policy commitments aligned to common interests². The visitor levy work has been progressed through this agreement.

The Welsh Government is consulting to inform proposals for discretionary powers enabling local authorities to apply a visitor levy. The type of levy we are consulting on would apply to overnight stays in commercially let visitor accommodation. A 'visitor levy' or 'tourism tax' is an idea which has been repeatedly proposed over the years to address the costs on local authorities of hosting visitors using local services and infrastructure.

The suggestions for a 'tourism tax' have been developed into proposals presented in this consultation for a local tax based on a discretionary local visitor levy for local authorities to apply in Wales. We have termed this new local tax a 'visitor levy' as we recognise that the term 'tourism' may be interpreted narrowly as recreational holidaymakers whereas 'visitor' is a broader term. This is to recognise that there are a wide range of reasons for a visit into a local area beyond the purpose of a 'holiday' and therefore potential application of a levy for these wider stays are explored in this consultation.

The consultation will shape the development of the levy's design and help the Welsh Government explore the potential positive and negative impacts in greater detail. It will enable a range of responses to be considered before any final decisions are taken about the design and operation of the proposed levy.

A compendium of data related to the tourism industry in Wales has been published alongside these documents to provide further context.

¹ [Welsh Government - Programme for Government - Update](#)

² [The Co-Operation Agreement \(gov.wales\)](#)

Terminology and Definitions

Levy - The terms 'levy' and 'tax' are used interchangeably throughout this document. We are proposing to introduce a new local tax which we are referring to as a 'visitor levy'. The term levy is defined by Cambridge Dictionary as:

'an amount of money, such as a tax, that you have to pay to a government or organization.'³

Definitions

This partial regulatory impact assessment uses the same definitions as the consultation and please refer to the definitions section in the consultation in this respect.

Intended benefits

- A levy would mean visitors from Wales and elsewhere would be making a small contribution to help sustain local services and infrastructure, encouraging equity between residents and visitors in how these are funded. Local services and infrastructure are important not only to those visiting, but also residents and businesses alike.
- A levy is being proposed to support the future of tourist locations by promoting a more sustainable approach to tourism⁴. Local areas and regions need funds to keep infrastructure and services working for local communities and visitors. Visitor levies can support innovative and sustainable destination management.
- Visitor perceptions may be positively impacted through demonstrable benefits of use of revenues. Public goods and services are intrinsic to the visitor experience – the revenue from a levy could contribute to their continued funding. A levy could support and enhance visitor destinations to encourage repeat visits.
- A levy would empower local authorities to make their own decisions according to the needs of their communities. A levy would support greater local delivery and autonomy. Use of funds raised through the levy would be a matter for the relevant local authority.

International visitor levies

Tourism in Wales is a significant contributor to the economy. There were over 90 million visits to Wales in 2019 representing a combined spend of over £5.9 billion. Ten million of these visits were overnight stays representing a spend of over £2 billion ^{5,6}.

³ [LEVY | meaning in the Cambridge English Dictionary](#)

⁴ 'Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities.' World Tourism Organisation [Sustainable development | UNWTO](#)

⁵ More recent data on the volume and value of tourism is unavailable as official statistics on domestic tourism are currently suspended. It is important to note that current tourism performance will be different to these figures but will be available for the final RIA.

⁶ [Wales Tourism Performance, January to December 2019 \(gov.wales\)](#)

Visitor levies are used by many counties worldwide and their use is growing. Visitor levies are far from new with many popular tourist destinations across Europe charging a levy. Currently, the top three visited countries in Europe (France, Spain and Italy) have all introduced a range of charges⁷. Additionally, the Scottish Government has set out its intention to recommence engagement regarding their discretionary 'transient visitor levy' proposals which would allow local councils in Scotland the discretion to charge a levy on visitors.

Each country designs its tourist tax in a different way, but city and local taxes are generally levied on overnight stays. In addition, charges can vary by season, accommodation star ratings, and areas within a destination. The main types of charge are:

- A per room/accommodation per night rate
- A per person per night rate
- A percentage of the accommodation charge.
- A blended version of the above options.

Potential financial impacts

Preliminary estimates suggest a visitor levy of £1 per person per night levied on commercially let visitor accommodation in Wales might raise around £30 million per annum, with similar revenues anticipated from a levy set at around 3 to 4 per cent of the accommodation charge⁸.

A levy on overnight stays in commercially let visitor accommodation may only have a relatively small impact on a tourist's spending. A £1 per night room charge for the average stay of a European visitor to the UK would equate to a 1 per cent increase in their average spend (the average stay is five nights and the average spend level of spending while on the trip is £451 – noting this average covers the period from 2017 to 2021)⁹. To put this in context, it is the equivalent of the value of the pound relative to the euro strengthening by just over 1 per cent (not an uncommon fluctuation), and so reducing the European visitor's purchasing power¹⁰.

Developing our understanding

There are also a number of potential unintended consequences that need to be considered in developing a visitor levy.

Through the development of this initial impact assessment, we hope to draw on local knowledge and experience from the sector, local authorities, and the public to help us gather the evidence needed to develop our understanding.

Key considerations

The following are the key considerations for the design of a visitor levy:

⁷ [ETOA's 2019 review of European tourism taxes calls for destinations to recognise the value of the visitor economy and risk to competitiveness - ETOA - European tourism association | 1,200+ members : ETOA – European tourism association | 1,200+ members](#)

⁸ 'Preliminary estimates of potential 'tourism tax' revenues in Wales', Final Report to the Welsh Government by London Economics (LE) Wales, April 2021. (Due to a lack of data on rooms of various categories in Wales, a tax per room/accommodation per night was not investigated by LE Wales).

⁹ [5.86 Tourism tax briefing_02.pdf \(local.gov.uk\)](#)

¹⁰ [Travel trends estimates: overseas residents in the UK - Office for National Statistics \(ons.gov.uk\)](#)

- The economics of a visitor levy. Introducing a levy increases the price of a visit. Price changes can affect the spending behaviour of a visitor, but the extent and magnitude of these behavioural changes are unknown and depend on factors including the amount charged for the levy.
- Practical implementation of a visitor levy e.g. how visitors will pay the levy, how businesses will manage the levy, and which organisation will collect the levy.
- The administration of a levy. One administrative challenge is the growth of the sharing economy – such as Airbnb – which has disrupted the market for tourist accommodation. It would be unfair to levy a charge on more traditional accommodation and not on recent market entrants, as this would distort competition. But there is a question about how to make the new market entrants comply.¹¹
- It is expected the visitor levy we propose through the consultation would be similar in operation to a VAT-based model. There would be a requirement for visitor accommodation providers to charge and collect the levy from visitors, but this is not likely to be a cumbersome task given that it is a relatively simple calculation to make. There would then be a self-assessment process through which a provider would determine their liability and make a payment to the tax authority.

Approach and next steps

This is the first iteration of an impact assessment and has been prepared to accompany the consultation document. It presents our initial view, based on the available evidence, of the potential impacts to various groups arising from local authorities choosing to implement and operate a visitor levy. The assessment will be revised in a further iteration as proposals progress.

Outputs from more detailed research have been commissioned by the Welsh Government and consider the economic impacts of a visitor levy and price and income elasticities, the findings of which have been reflected in this impact assessment, with the independent report published separately¹². We recognise that other areas that operate a visitor levy have different levels of tax, and we have therefore also procured an independent comparative analysis of taxation systems between the UK and other areas that operate a visitor levy and an assessment of the demographics of the accommodation sector in Wales, to aid understanding on this matter. This research will be published in due course¹³ and provides further context to taxation systems in other areas operating visitor levies.

This partial regulatory impact assessment does not assume a final model but compares a fully autonomous local model with a fully centralised model to illustrate the impacts of the two different policy approaches. In practice, a final model may strike a balance between these two approaches.

¹¹ A live example of how to respond to this issue is in Paris which has addressed this problem by requiring platforms such as Airbnb to collect and remit tourist taxes on behalf of accommodation providers

¹² This research is available via [Statistics and research | GOV.WALES](#)

¹³ This research will be made available via [Statistics and research | GOV.WALES](#).

However, there are key policy questions that require further testing as part of the consultation in relation to the framework (rules) for this levy. For example, significant local autonomy could lead to inconsistencies in approach however there may be circumstances where this is appropriate. For example, price elasticities (sensitivities) are likely variable across local authorities and therefore there may be a rationale for different rates depending on the local authority area. This is explored further through the consultation.

Operational delivery of the levy can be considered separately to the question of what framework the levy would operate in (and options are considered through Table 6 on page 50). From an administration perspective we will need to consider the requirements for and develop an operational model considering processes, people, organisation, technology, and information. Consideration will also need to be given about the potential cost of delivery and how to design and deliver the tax in a cost-effective manner. This will need assessing against the revenue potential for local authorities wishing to implement the tax.

The consultation asks many questions relating to how a visitor levy should be designed. This iteration of the partial regulatory impact assessment does not present a formal recommendation to endorse any of those options in the consultation.

We would like to thank everyone in advance for taking the time to respond to the consultation, we hope that it provides an opportunity to engage in the design of the levy in collaboration with those that will be implementing it in the years to come.

Visitor Levy Context

Objectives

The Welsh Government is consulting to help inform policy proposals for discretionary powers enabling local authorities to apply a visitor levy on overnight stays in commercially let¹⁴ visitor accommodation. Overnight stays with family and friends (i.e. in their own accommodation) are not within scope of this policy. However, any free or discounted nights offered as part of a stay in a commercially let visitor accommodation, where there is consideration for any element, would be considered in scope. It is proposed that all visitors staying within visitor accommodation (i.e. for holidays, visiting family and friends and business travel) be considered within scope of the tax unless otherwise exempted.

The consultation will shape the development of the levy's design and help us explore further the potential positive and negative impacts of a levy. The consultation will allow a range of responses to be considered before any decisions are taken about the design and operation of the tax¹⁵.

It is intended that a successfully implemented visitor levy will meet the following objectives, which provide the foundation for measuring the impact of the levy:

- Ensure a more even share of costs to fund local services and infrastructure between local residents and visitors;
- Provide local authorities with the ability to generate additional revenue that can be invested back into local services and infrastructure that can support tourism;
- Support our ambitions for sustainable tourism¹⁶.

These objectives are aligned to our wider Welsh Government tax policy principles.

Background

Tourism is a significant contributor to the economy in Wales. There were over 90 million visits to Wales in 2019 representing a combined spend of over £5.9 billion. Ten million of these visits were overnight stays representing a spend of over £2 billion^{17, 18}. These visits represent a significant contribution to local economies, with tourism and hospitality employing 151,000 people in Wales in 2019, a total of 11.3% of the workforce.

However, there is a cost associated for those local communities who host our visitors. Visitors can generate additional pressure on local services and infrastructure which are shared with residents.

¹⁴ See consultation document for definitions

¹⁵ Welsh Government, Releases of official statistics and research on Wales, available at: [This research is available via Statistics and research | GOV.WALES](#)

¹⁶ [Welcome to Wales: priorities for the visitor economy 2020 to 2025 \(gov.wales\)](#)

¹⁷ More recent data on the volume and value of tourism is unavailable as official statistics on domestic tourism are currently suspended. It is important to note that current tourism performance will be different to these figures but will be available for the final RIA.

¹⁸ [Wales Tourism Performance, January to December 2019 \(gov.wales\)](#)

A 'visitor levy' or 'tourism tax' has been repeatedly proposed over the years to address these pressures. The concept of a visitor levy has received a mixed response, with advocates supporting targeted revenue generation and allocation, that is, the money could be used to improve the tourism offer. Opponents suggest a visitor levy could make areas that implement a levy less competitive in the tourism market, especially considering reduced European Union (EU) tourist numbers after the United Kingdom left the EU¹⁹. Nonetheless, over 150 countries including 25 European countries have tourist taxes²⁰. Many visitor accommodation providers argue that the sector is already highly taxed, highlighting that those other European countries²¹ that apply visitor levies also apply a reduced rate of VAT for hospitality. VAT is standard rated at 20% for visitor accommodation in the UK and is set by the UK Government. However, we also have the highest VAT threshold compared to other European countries, benefiting many smaller visitor accommodation providers.

Tax systems are complex in nature, and it is important to understand the whole system when introducing a new tax. Some countries have higher direct taxes (such as taxes on income, profits or property) compared to indirect taxes (such as VAT) and vice versa. Therefore, looking at one element of a tax system in isolation does not provide a holistic assessment of the impacts of a new tax. Reduced competitiveness is a possibility, however there is a limited evidence base to suggest that this is the case with destinations continuing to follow the same growth trends upon introducing a levy²². A specific concern for a Welsh visitor levy may be that Wales is in direct tourism competition with other parts of the UK which currently do not have a tax on overnight stays.

Another important point to establish is that other countries also provide differing levels of public services (for example we have an NHS free at the point of use whereas other countries require social insurance and/or some form of up-front payment). Therefore, generally taxation systems will have to account for costs of public services provided and this will naturally look different across the world. However, visitor levies are commonly used as a basis to ensure revenues are received directly by local authorities to reflect higher associated public costs of hosting visitors at popular destinations.

The consultation provides an opportunity for the Welsh Government to further develop our understanding of the issues and concerns around proposals for a visitor levy.

Consultation and Engagement

Ahead of the consultation, we have engaged a wide range of stakeholders. Engagement activity commenced at the start of 2022 and has helped us to develop the consultation and understand some of the potential impacts in more detail.

Welsh Treasury officials have met with representatives from the tourism and hospitality industries, local government, Welsh Revenue Authority, National Parks,

¹⁹ [Consequences of Brexit for Europe's Tourist Industry | ETIAS.info](https://www.etias.info)

²⁰ [ETOA's 2019 review of European tourism taxes calls for destinations to recognise the value of the visitor economy and risk to competitiveness - ETOA - European tourism association | 1,200+ members : ETOA – European tourism association | 1,200+ members](https://www.etoa.europa.eu/en/etoa-2019-review-of-european-tourism-taxes-calls-for-destinations-to-recognise-the-value-of-the-visitor-economy-and-risk-to-competitiveness)

²¹ [Welcome to 2020, the year of the tourist tax \(telegraph.co.uk\)](https://www.telegraph.co.uk)

²² [untitled \(europa.eu\)](https://www.europa.eu)

online booking platforms, jurisdictions overseas and third sector organisations. Continued engagement with these groups and organisations will help to inform the design and scope of how a levy would work in Wales. Appendix B provides a full list of those we have engaged.

Through this engagement we have noted some key impact themes, these include:

- Costs associated with administering a levy. These include additional costs both to the relevant local/central tax authority and the visitor accommodation provider as potential taxpayer. Likely costs would include systems development and maintenance, staff recruitment and training, data collection, management and security, and ongoing additional administrative tasks that compliance with a levy will require.
- Changes in visitor numbers due to a reduction in demand or displacement from a change in price (price elasticity). Visitors may choose to visit different local authority areas i.e., those without the levy, or another country entirely, to avoid the additional cost of the levy. Research on behavioural impacts relevant to a visitor levy for Wales are limited. Price elasticities are considered in further detail later in this document. An initial assessment has been presented in this document informed by independent research into the topic of price elasticities. The extent of the impact on behaviour will largely be influenced by the rate at which the levy is set. A rate which is set too high may adversely alter visitor behaviour.
- Changes in visitor spend. To accommodate the additional cost of the levy on overnight accommodation, visitors may spend less in other areas (for example, on meals or entertainment). This may impact the revenues of wider businesses in the local area who benefit from visitor expenditure.
- It is likely that levels of acceptance to the levy will rely on how the revenue is spent. For those living in Wales, especially in tourist hotspots, the introduction of the levy could bring positive impacts. This is because local authorities that raise additional revenues could spend the additional funding on making improvements to their local area and/or public services. For example: in offering more sustainable public transport options, support funding and improvements to public facilities such as visitor centres and toilets, footpath maintenance, preservation and improvements to green spaces and beaches etc.

Current economic context

The challenges of the current economic situation and recovery from the pandemic have been highlighted by visitor accommodation providers, who raised the following issues in our discussions with them:

- The rising costs of energy bills as businesses are not subject to the energy price cap and are reporting a variety of rising costs²³.
- Many businesses have also reported wider input price inflation as a concern²⁴.

23 3 in 4 Firms Raising Prices as Chancellor warned of 'Cost of Doing Business Crisis' ([britishchambers.org.uk](https://www.britishchambers.org.uk))

24 Business insights and impact on the UK economy - Office for National Statistics (ons.gov.uk)

- 22% of businesses reported ongoing global supply chain disruption issues²⁵
- Hospitality businesses are reporting ongoing challenges with recruitment. Data from the end of 2021 demonstrated that hospitality businesses were the most likely to be under pressure to fill vacancies²⁶. This is likely a continuing trend with record high numbers of vacancies²⁷ including 171,000 vacancies for accommodation and food services across the UK reported²⁸.
- There were general concerns that a new tax would add to these pressures.
- There was a level of misunderstanding for timescales for developing and implementing a visitor levy, with some perceiving this would happen imminently, post consultation.

The proposals under consideration would require legislation and for any proposals taken forward, timescales would be communicated through an implementation plan once finalised.

Sectors and groups affected by a visitor levy

Based on evidence gathered during informal engagement with stakeholders, the following groups and sectors are identified as key groups which will be impacted if a local authority introduced a visitor levy:

- The local authority
- The tax authority (which may be a local or central authority) which has a role in the implementation and administration of the levy
- Visitor accommodation providers
- The wider business community
- Visitors
- Employees of visitor accommodation providers and other tourism businesses
- Residents of local authorities
- Welsh Government.

Quantification of costs and benefits

In accordance with Welsh Government guidance, this partial regulatory impact assessment evaluates three options for implementing a visitor levy and the potential costs and benefits arising to each of the identified groups impacted by the levy. This assessment been prepared using data available to us at this stage and is based on a range of assumptions (set out below). Both the options set out below and the assumptions detailed are made only for the purposes of preparing this partial regulatory impact assessment. There is an opportunity as part of this consultation exercise to gather evidence to inform our understanding of the policy's potential impact on key groups affected by the levy to inform future policy development.

²⁵ *Ibid.*

²⁶ *Hospitality businesses are most likely to be struggling to fill vacancies - Office for National Statistics (ons.gov.uk)*

²⁷ *Vacancies and jobs in the UK - Office for National Statistics (ons.gov.uk)*

²⁸ *VACS02: Vacancies by industry - Office for National Statistics (ons.gov.uk)*

Key assumptions

An initial explanation of the assumptions upon which the costs and benefits are based is provided below. Sensitivity analysis will be undertaken to test the impact of changing any of the key assumptions used in the calculations, and it is intended that a summary of the sensitivity analysis will be presented in a further iteration of this partial regulatory impact assessment as proposals progress.

Assumption Theme	Description of Assumption
Taxable event	That the levy would be payable by a visitor on an overnight stay in visitor accommodation
Liability	That the legal taxpayer would be the visitor accommodation provider
Local Authority implementation	A certain number of local authorities out of the 22 unitary authorities (county and county borough councils) in Wales may choose to implement the levy
Impact on visitor accommodation providers by size	<p>That the impacts will vary across visitor accommodation providers based on their size. The visitor economy is characterised by many small and micro-sized businesses, likely more so in Wales given its smaller economy compared to global counterparts²⁹. The contextual compendium published alongside the impact assessment provides information on visitor numbers, nights stayed, visitor spend, and accommodation supply figures for different types of establishments (Serviced, Self Catering, Camping/Caravan, Hostels, and Alternative), number of establishments, and total bedspaces.</p> <p>Also included is data from the Inter Departmental Business Register (IDBR) showing the number of establishments by accommodation category.</p> <p>Also included for comparison is numbers of self-catering establishments as measured by Transparent Intelligence, a 3rd party data supplier that provides data on short term lets 'scraped' from four booking channels AirBnB, Vrbo, Tripadvisor, Booking.com</p> <p>These smaller businesses operate at low profit margins and often lack significant capital buffers, meaning small changes in the tax system can mean that they may be less able to</p>

²⁹ [Tourism \(senedd.wales\)](#)

	<p>absorb the impact of any price changes and additional administrative costs</p> <p>These businesses, particularly in the accommodation sector, have also faced significant disruption through the rise of the sharing economy³⁰, which has introduced a greater degree of competition. These smaller businesses also often use the sharing economy platforms³¹ to their advantage through using them as marketing/booking channels.</p> <p>There are opportunities through the design of the tax (as set out at Table 6) to minimise any burden, and additionally, a carefully phased introduction may help to resolve these challenges. For example, a “soft landing” exercise for visitor accommodation providers could be rolled out setting out information on requirements. Also, sessions could be held with accountants and individual proprietors to demonstrate the “how to” with opportunities for questions and answers.</p> <p>Table 1 in the Compendium shows the number of self-catering establishments reported via the Bedstock Report compared to data provided by Transparent Intelligence. The data collected for the Bedstock Report was gathered by Local Authorities over a 5-year time period, and as such there may be inconsistencies in the data reported.</p> <p>The table shows that the Bedstock Report broadly underestimates the number of self-catering establishments available in Wales.</p>
Type of rate	That the type of rate utilised will result in varied costs and benefits with a more complicated rate type resulting in higher cost to deliver.
Chargeable rate	<p>That the level a rate is charged will determine a range of behavioural responses. There is uncertainty about the level of economic impact a levy may have on occupancy rates, however businesses expect that visitors will adjust their behaviour according to the level of the rate. Levels of disposable income will also influence behaviour alongside the cost of visitor accommodation. It is probable that visitors’ price responsiveness will be variable at a regional level across Wales.</p> <p>However, there is limited evidence that introducing a visitor levy at a relatively low rate – one that would be a small</p>

³⁰ [What is sharing economy? - Definition from WhatIs.com \(techtarget.com\)](http://www.techtarget.com/what-is/sharing-economy/)

³¹ **It should be noted that AirBnB etc. are classed by ONS as ‘hybrid platforms’ rather than being included in statistical definitions of the sharing economy due to the evolution of the platform including business to consumer transactions alongside consumer to consumer³¹. However, the terminology commonly used (and historically) to connote these types of platforms is ‘sharing economy’.*

	percentage of the typical tourist spend –would cause economic harm ³² .
Price and income sensitivity levels	That the economic impact of the levy will depend on: <ul style="list-style-type: none"> • the price and income elasticities of demand for tourism goods and services (i.e., the responsiveness of demand to a change in prices and incomes) • the elasticity of supply of tourism goods and services (the responsiveness of supply to a change in prices).
VAT	<p>1) That VAT rates will remain standard rated for visitor accommodation. VAT is chargeable on holiday accommodation at the standard rate (20%) following a temporary reduction in rates during the pandemic³³. In EU countries where similar levies operate, the levy usually forms part of the total cost that it subject to VAT (i.e. VAT would be payable on the base price plus the levy amount). VAT rates and rules are set by UK government, and we will continue discussions with UK government officials to understand the potential VAT treatment of the proposed levy based on any finalised proposals.</p> <p>2) That most visitor accommodation providers in Wales do not meet the VAT threshold (the point at which VAT must be charged and collected). The Inter-Departmental Business Register (IDBR) indicate there are around 1,615 (Figure 6 in the Compendium) visitor accommodation providers in Wales who are registered for VAT or PAYE. Those below the VAT threshold are not included (unless they have registered voluntarily). Bedstock data published 18 August 2022 shows there are 16,600 accommodation establishments in Wales (Figure 4 in the Compendium). Further data collected from Transparent Intelligence on self-catering accommodation in Wales suggests that the Bedstock report is likely to be underestimating the number of self-catering providers in Wales, with the Bedstock report detailing 12,145 self- catering accommodation providers, whereas the Transparent Intelligence report details 26,686 self-catering accommodation providers (Table 1 in the compendium)³⁴. As both the 12,145</p>

³² [5.86 Tourism tax briefing_02.pdf \(local.gov.uk\)](#)

³³ *Hotels and holiday accommodation (VAT Notice 709/3)*, [<https://www.gov.uk/guidance/hotels-holiday-accommodation-and-vat-notice-7093>]

○ ³⁴ it's not possible to de-duplicate these figures so there may be double counting, as such sources need to be used with caution

	and 26,686 figures are higher than the 1,615 identified in the IDBR we can assume that most visitor accommodation providers in Wales do not meet the VAT threshold so are not required to add it to their services. We recognise however that the Transparent Intelligence report likely includes a large portion of infrequent/casual accommodation offerings that operate on a different basis to serviced/business offerings.
Local vs. central administration	Impacts will vary depending how a levy is administered. There will be range of impacts across the local and central administrative elements of the tax, while noting that this will be a local tax to fund local authority expenditure. This assessment evaluates impacts based on fully local and fully central delivery models.
Self-assessed tax	The levy will be a self-assessed tax. This means that visitor accommodation providers would be required to keep certain records and submit tax returns to the relevant tax authority i.e. either locally with local authorities or centrally. It would be for each visitor accommodation provider to decide if they are within scope of the levy and, if so, they would then need to file self-assessed tax returns with the relevant tax authority. The relevant tax authority has a role in policing the system (i.e. making sure everyone within scope of the levy who should be filing returns is doing so).

Evidence review of elasticities relevant to a visitor levy in Wales³⁵

To help inform the formal consultation, and support the design and development of the levy, we commissioned Alma Economics to undertake an evidence review of elasticities relevant to a visitor levy in Wales (i.e. how the demand or supply in tourism goods and services, particularly accommodation, change in response to changes in prices or income).

Definitions:

Price elasticity of demand (PED) measures the responsiveness of the demand for a good or service when its price changes. It is calculated as the percentage change in quantity demanded divided by the percentage change in price. A negative value for PED denotes a decrease in quantity demanded when price increases, and vice versa. When the absolute value of the PED is larger than 1, the percentage change in demand is larger than the percentage change in price. Therefore, the demand is said to be elastic. An absolute value smaller than 1 denotes an inelastic demand.

Income elasticity of demand (YED) measures the responsiveness of (outbound or inbound) tourism demand to the changes in tourists' income. It is calculated as the percentage change in quantity demanded divided by the percentage change in

³⁵ Note – this research is available online via [Statistics and research | GOV.WALES](#)

income. A positive YED exists for goods that are called “normal” meaning the demand would increase when the income increases. Normal goods can be either “necessities” or “luxury goods”. Necessities have an inelastic demand and YED values between 0 and 1, while luxury goods exhibit elastic demand and YED values larger than 1.

Summary:

Methodology

The review took the form of a rapid evidence assessment, which provided a structured, transparent, replicable means of searching and quality assessing the available evidence on this topic.

An initial search using the agreed set of search terms identified 777 papers, reports, and books retrieved and recorded.

Key Findings

Price elasticities of demand (PED)

None of the 560 studies on the long-list provided Wales specific estimates, and only a small number provided the UK estimates. Thirty-three studies were reviewed in full following initial screening and sifting stages based on the criteria of credibility, appropriate methodology and relevance.

None of the studies examined used the introduction or variation of a tourism tax or levy as the source of variation in price.

The evidence broadly suggests that the PED for tourism (in general terms not just accommodation) is about unitary (i.e., a one percent increase (decrease) in the price of tourism goods and services is associated with a one percent decrease (increase) in demand for tourism goods and services.) Some studies suggested that the PED for tourism was less than -1 (i.e. demand is elastic) while other studies suggested that the PED for tourism was between 0 and -1 (i.e. demand is inelastic).

Variation in estimates would be expected given the challenges and limitations of the studies, including for example the difficulties in consistently defining and measuring tourism supply and demand, income and prices; and controlling for all the other factors that influence demand and supply (wider socio-economic and political factors etc.)

The review also found the PED appears to vary according to:

- the visitors' country of origin
- the destination
- the time period of travel
- the method used to estimate the elasticity
- whether the short run vs long run is considered, and
- the data used (frequency and sample size)

The PED for accommodation (as opposed to tourism goods and services as a whole) was found to be around -0.7 on average, making demand for accommodation relatively price inelastic.

Income elasticities of demand (YED)

Estimates for YED were typically found to be positive, implying that demand for tourism increases as income of visitors increases. However, the evidence was mixed on whether tourism was found to be either a necessity ($YED < 1$ i.e., inelastic demand) or a luxury ($YED > 1$ i.e., elastic demand).

Demand for accommodation (as opposed to tourism in general terms) was found generally to be less responsive to changes in income than other tourist goods and services.

Cross-price elasticities of demand

There were relatively few estimates of cross-price elasticities for tourist goods and services (i.e. change in demand for one good or service in response to a change in price of another). These studies typically examined the impact on demand for different categories of tourist goods and services (including accommodation, transportation, and shopping) following a change in relative prices.

There is some evidence of negative cross-price elasticity of demand between different goods and services consumed by tourists, implying complementarity in consumption preferences (e.g. demand for food and drink decreases if accommodation price increases).

Price elasticities of supply

No studies, which met the sift criteria provided estimates on the price elasticity of supply of tourist goods and services. Intuition would suggest that accommodation would have an inelastic supply, particularly in short-run, but no credible empirical evidence was found.

Additional research

There was generally very little evidence addressing the additional research questions, including:

- insight into the drivers of visitor behaviour beyond prices;
- differences between elasticities at national and local level which might be particularly relevant in the Welsh context where local authorities will make the decisions on the operation of the levy;
- whether taxes and levies have a different impact to other sources of price changes e.g. because of their visibility in visitors' invoices.

Interaction with other UK taxes

Tourism is a significant contributor to the UK Exchequer. Revenues are derived directly from tourist expenditure via taxes such as Air Passenger Duty and VAT, and

indirectly from the effects of tourist expenditure on taxes such as corporation tax and income tax³⁶.

As mentioned above, if VAT applies to the overall cost of a stay inclusive of the levy, as is the practice in other countries where similar levies operate, a visitor levy could result in a small increase in UK VAT revenues (as it would increase the prices upon which VAT is paid). This would represent a benefit to the UK Exchequer. On the other hand, the introduction of a levy could lead to a reduction in economic activity (e.g. due to reduced nights spent in commercially let visitor accommodation or reduced visitor spend on accommodation). This effect would work in the opposite direction. These VAT impacts will likely be marginal in either case.

Policy Options for the purposes of this partial regulatory impact assessment

This partial regulatory impact assessment sets out two broad options for a visitor levy which are described below. The impact assessment also evaluates the impact of a 'do nothing' or business as usual option (Option 1) where no local authority has the power to introduce a visitor levy.

The difference between the broad options considered in this document reflect a key theme of the consultation document: the appropriate balance between local autonomy and consistency in approach across local authorities.

Considering this, the broad options outlined are intentionally portrayed to highlight the differences between an approach that maximises central consistency and an approach that maximises local autonomy. The framework in which a levy would operate will be subject to full consideration of the responses to the consultation (more detail below).

This partial regulatory impact assessment, therefore, does not assume a final model, but compares a fully autonomous local model against a fully centralised model to illustrate the impacts of the two different approaches.

Framework options

The visitor levy proposed would be similar in operation to a VAT based model. There would be a requirement for visitor accommodation providers to charge and collect the levy from visitors. There would then be a self-assessment process through which a provider would determine their liability and make a payment to the tax authority. This is the basis for the type of levy we are considering.

A significant amount of local autonomy could lead to inconsistencies in approach, however there may be circumstances where this is appropriate. For example, price elasticities (sensitivities) are likely variable across local authorities, therefore there may be rationale for local rate setting and intra-local setting of rates. But as mentioned above, this would lead to a lack of consistency, and increased complexity for businesses and the tax authority in administering the tax. Similarly, there may be unique local circumstances that may require discretionary powers for exempting groups or accommodation types. However, engagement to date has yet to identify a rationale for discretionary exemption powers.

³⁶ [Tourism Jobs and Growth 2013.pdf \(visitbritain.org\)](#)

Operational Delivery - Implementation

Operational delivery (implementation and administration) of the levy can be considered separately to the question of what framework the levy would operate in.

From an implementation perspective, we will consider the requirements for and develop an operational model, including:

- Processes
 - Operations and functions
 - Providing support and answering queries
 - Tax return processes
 - Managing payments and repayments
 - Identification of taxpayers
 - Forms and guidance
 - Reporting
 - Managing and accounting for revenue
- Compliance and enforcement
 - Tax risk identification
 - Tools and powers to address instances of non-compliance
 - Debt enforcement
 - Management of disputes and litigation
 - Appeals and redress
- People
 - Recruitment
 - Training needs, building capability
- Organisation
 - Roles and responsibilities
 - Resourcing
 - Accommodation
 - Governance and Accountability
- Technology
 - Digital services
 - ICT systems
- Information
 - Data management, storage and analytical requirements
 - Information security
 - Public information

Operational Delivery - Administration

The ongoing administrative functions refers to delivery of the operational model which is brought into existence through implementation. The main ongoing costs associated will be any resource (staff) requirements by the tax authority in administering the levy, which will vary depending on how a levy is administered. For example, activity may be absorbed within existing roles or new staff may be required to support administration. Resource levels will also be determined by the level of digitalisation. For example, a more automated, digital approach may involve higher implementation and maintenance costs but lower ongoing resource costs and vice versa.

The implementation of the levy may or may not involve a central authority such as the Welsh Revenue Authority or a hosting local authority. Similarly, the day-to-day administrative functions undertaken by the tax authority may or may not involve a central authority in its undertaking. This is explored further in the consultation.

There are merits for a blended approach that combines both central and local knowledge and expertise in the creation of a hybrid operational delivery model (ODM) covering implementation and administration of the levy. For example, it makes sense to design consistent and widely applicable digital services for the operation of this tax rather than having multiple, bespoke versions across local authorities. However, local knowledge may provide a better experience for the taxpayer when fielding queries and providing support given local authorities will have a better understanding of the area and be better equipped to factor this knowledge into the operation of the tax. Greater understanding of local circumstances and businesses could enable more appropriate taxpayer treatment. What an optimum delivery model will look like will depend on the final policy design and could involve more or less of a role for a central authority in either the implementation or administration.

Options for the tax framework

For the purposes of this impact assessment, the rationale adopted for framing the options has been to deal with each option and their associated potential impacts separately (to provide clarity on the differing impacts). The three models considered are a 'do nothing' option, an option of a levy with full local autonomy, and an option of a centrally determined levy applied locally with no local discretion on the rules.

A range of delivery options are also available, ranging from a fully centralised to a fully local ODM. A further option that has been referenced in the consultation is a hybrid ODM. However, this option has not been modelled in this impact assessment because there are key policy questions that require further testing as part of the consultation before understanding what an optimum delivery model for this levy would be. Once a preferred ODM is identified, following analysis of the evidence received in response to the consultation exercise, a more detailed cost/benefit analysis will be provided and subject to further stakeholder input.

Table 1: Description of options presented within the PRIA

Table 1 summarises the main features of each option and sub-options.

Option	Option description	Rate type Sub-options
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Option 1	Business as usual – no local authority has the power to introduce a visitor levy.	N/A
Option 2	<p>Greater consistency</p> <p>Local determination on introduction of a levy</p> <p>Determined centrally:</p> <ul style="list-style-type: none"> - Conditions of introduction - Type of rate - Level of rate - Geographical extent in local authority area - Exemptions - Use of revenue - Reporting 	<ul style="list-style-type: none"> a. Per room/accommodation per night b. Per person per night c. A percentage of the accommodation charge d. A blended model of the above. <p><i>Where:</i></p> <ul style="list-style-type: none"> • Rates are determined centrally. • There will be some limited exemptions set out in legislation, but no other exemptions would be applied.
Option 3	<p>Greater local autonomy</p> <p>Local determination on introduction of a levy</p> <p>Determined locally:</p> <ul style="list-style-type: none"> - Conditions of introduction - Type of rate - Level of rate - Geographical extent in local authority area - Exemptions - Use of revenue - Reporting 	<ul style="list-style-type: none"> • LA chooses the basis of the rate from one of the four listed in the box above. • Rates determined locally (charge) within a set bandwidth. • Some exemptions set nationally, with discretion to add others locally (within parameters).

Options Analysis

Option 1: Do nothing – “Business as usual” – no local authority has the power to introduce a visitor levy.

Under Option 1, a business-as-usual case is examined in which primary legislation to introduce a discretionary power for local authorities to implement a visitor levy is not introduced, and therefore, no local authority is able to implement a visitor levy.

This section sets out the Welsh Government’s initial assessment of the costs and benefits arising for different groups and sectors if a power to create a locally determined levy is not introduced, with no local authority able to raise revenue through taxation of overnight visitors to their area.

Table 2: Summary of current position

This table summarises the costs, benefits and disbenefits to key groups including visitor accommodation providers, visitors, local authorities, the business community, and residents. of the current position i.e. there is no discretionary power for local authorities to implement a visitor levy. .

Group	Costs	Benefits	Disbenefits
Visitor accommodation providers	<p>Visitor accommodation providers would not be required to incur any additional administration costs associated with collecting and remitting a levy.</p> <p>Visitor accommodation providers would not be affected by any impacts on trade.</p>	<p>Would not have to charge and collect a visitor levy therefore avoiding any associated costs in the administration of a levy.</p> <p>Revenues will not be negatively affected if there was an impact on demand from introduction of a levy.</p>	<p>Visitor accommodation providers would not see the benefits of the money raised and spent in the local area to improve the services offered to visitors.</p> <p>Should these improvements help to maintain or draw in more visitors, visitor accommodation providers would not see the benefits.</p>
Visitors	<p>Visitor would not have to pay an additional levy to stay overnight in visitor accommodation – no potential negative impact on visitor spending or behaviour.</p>	<p>There will also be no confusion to visitors who may face a visitor levy in one local authority area and not in another.</p>	<p>Visitors would not however, see the benefits of the money raised and spent to improve the services offered to visitors and residents.</p> <p>No partial offset of the costs of visitor impacts through a levy.</p>
Local authority	<p>Local authorities would not incur additional costs arising from consultation and engagement on a</p>		<p>Some local authorities may continue to face challenges to maintain funding to respond to pressures arising from visitors</p>

	levy, start-up costs, and operational costs.		No additional revenue stream to re-invest locally to support communities and the visitor economy
Business community (excluding visitor accommodation providers).	Businesses would not incur any potential knock-on impacts on trade from the introduction of a levy. For example, any reduction in demand due to use of a levy.	No negative response in visitor behaviour, the wider business community would be largely unaffected.	As seen in international examples where a “visitor levy” of some form is utilised, businesses would not see the benefits of how the revenues from the tax are spent, where in some cases the money could be used to improve the local amenities and attract more visitors and improve business conditions.
Residents	Pressure on provision of funding in some local authorities could lead to challenges in maintaining the quality and provision of public amenities.	No negative response in visitor behaviour, residents would be largely unaffected.	Does not help ease any tensions between resident communities and visitors. Loss of revenue which can provide benefit to residents and visitors.

Option 2: Greater consistency

Option 2 would require primary legislation to grant local authorities a power to implement a visitor levy on overnight stays in commercially let visitor accommodation, the parameters of which would be set out within a central framework that ensures a substantial level of consistency across Wales.

Under this option the rate type will be the same across all areas (one of the four sub-options set out below in Table 4), the rate will be set out in legislation and would be the same across all local authorities implementing the levy. There will be some limited exemptions set out in legislation, but no other exemptions would be applied, nor would a local authority be enabled to exempt a particular type of stay. If a local authority chose to implement a visitor levy, there would be specific requirements to report on what revenue has been raised and where it has been spent. Local authorities would have less determination as to how revenues would be utilised through ring-fencing of revenues for specific purposes.

The central framework would ensure consistency in the visitor levies applied by local authorities, particularly in the following respects:

- The taxable activity for the purposes of a visitor levy is limited to overnight stays in commercially let visitor accommodation. and the liable party for the visitor levy will be the visitor accommodation provider
- A common rate type. The consultation paper sets out the rate type could be one of four models. This impact assessment explores the potential merits and impacts of the identified options below in more detail at **Table 4**.
- The rate(s) of a visitor levy would be the same across all local authorities.
- The rate(s) applied would be the same across the local authority as a geographical unit (no hyper local variation).
- Exemptions would be set out in legislation. Under this option, local authorities would not have any flexibility to introduce further exemptions.
- Revenues would be ring-fenced towards specific purposes.
- The tax authority (which could also be the local authority or a central authority hosting the service) would be accountable for the collection, distribution and administration of the levy. This option lends itself to a more centralised model of delivery with a central tax authority undertaking functions on behalf of other local authorities.
- The local authority must publicly account for how revenue raised will be allocated.

Table 3: Costs and benefits for option 2, greater consistency (less local autonomy)

This table summarises the costs, benefits, and dis-benefits to key groups including visitor accommodation providers, visitors, local authorities, the business community and residents of granting local authorities a power to implement a visitor levy, the parameters of which are set out centrally.

Group	Costs	Benefits	Dis-benefits
<p>Visitor Accommodation providers</p>	<p>New costs arising for visitor accommodation providers in areas where a visitor levy is introduced, in three main areas:</p> <ol style="list-style-type: none"> 1. Set-up costs required to comply with a new visitor levy. 2. Ongoing administrative and compliance costs, including making visitors aware of levy requirements. 3. Costs related to potential changes in visitor behaviour which could potentially negatively impact profitability and competitiveness. 	<ul style="list-style-type: none"> • Indirectly benefit from the decisions of local authorities to invest in the public amenities. • Visitor perceptions may be positively impacted through demonstrable benefits of use of revenues. • Visitor accommodation providers operating in different local authority areas would benefit from the consistency of approach provided through a central framework. • The self-assessment process and calculation would be simpler in this scenario compared to multiple types of rates, level of rates and exemptions. 	<ul style="list-style-type: none"> • Visitor accommodation providers may adjust investment and recruitment plans if they perceive the costs of doing additional tasks related to the need to comply with the levy are too high. • There is a risk that visitor accommodation providers may choose to exit the market when considering the additional requirements in totality with wider regulatory changes (statutory licensing, changes to non-domestic rate thresholds, changes to planning requirements). • A levy may dis-incentivise start-ups and inwards investment into regions of Wales that apply a levy if it is easier to do business in non-levy competitor destinations.

Group	Costs	Benefits	Dis-benefits
			<ul style="list-style-type: none"> • All destinations would be subject to the same rate however price sensitives may vary by region and therefore impacts will be variable. Whereas a locally determined rate can be aligned to local pricing and price sensitivity. • Investment of revenue may vary from area to area despite the approach to revenue collection being the same.
Visitors	<ul style="list-style-type: none"> • May increase the price paid for visitor accommodation if visitor accommodation providers choose to pass on costs. Noting that visitor accommodation providers may decide to reduce the cost of the accommodation itself to offset the levy, but the levy itself would still be paid by the visitor. 	<ul style="list-style-type: none"> • Could benefit directly from local authority investment in maintenance and improvements to the public area. • Use of revenues may encourage visits (and returning visitors) and improve the visitor experience. • Improve awareness of visitor impact and encourage more sustainable tourism. • Transparency in how the money is spent for the visitor and having a uniform experience of paying the levy 	<ul style="list-style-type: none"> • Potential behavioural change from visitors reacting to higher prices due to the addition of a visitor levy. For example, visitors may choose alternative destinations or spend less when visiting the areas of Wales that have introduced a levy.

Group	Costs	Benefits	Dis-benefits
		across different areas of Wales.	
Tax authority (*more detail below)	<ul style="list-style-type: none"> • The method of collecting the visitor levy would require costs set out below which would be necessary whichever framework model were used (local, national or a hybrid of both), but would vary depending on the model adopted. It is worth noting on this point that some of the infrastructure, capability and methods may already exist in local authorities – so there may be cases where the machinery would not need to be developed from scratch. Also, if this is the case, then investment would still likely be needed but maybe at a lower cost. <ul style="list-style-type: none"> - upfront set-up costs - Ongoing costs such as staff costs and general operation costs (more detail below). - Monitoring and enforcement costs - implementing new procedures for collection and forecasting of revenue. 	<ul style="list-style-type: none"> • A central framework could reduce some of these set-up and administration costs through standardisation in the administration of visitor levies. 	

Group	Costs	Benefits	Dis-benefits
	<ul style="list-style-type: none"> - communicating the requirements of a visitor levy to visitor accommodation providers. 		
Local authorities (*more detail below)	<ul style="list-style-type: none"> • Prior to deciding to implement a visitor levy, local authorities will be required to consult with local businesses, residents and stakeholders and comply with conditions articulated through the central framework. Costs associated with consultation, engagement, and decision-making. 	<ul style="list-style-type: none"> • Would generate revenues from an additional funding source, which would be directly allocated to local priorities. • Conditions clear as to what local authorities are required to do before deciding to implement. This provides consistency and fairness in approach. 	<ul style="list-style-type: none"> • The single rate set in legislation may be imperfectly aligned with what a particular local authority would choose to set, and local conditions. • Revenue potential may be lower through not being able to determine the type and level of a rate and geographical area of application. • There may be local circumstances where discretionary exemptions are appropriate. Without the powers to do so there may be unforeseen impacts from scenarios not anticipated where an exemption should apply. • Lack of flexibility in spending revenue could lead to sub-optimal outcomes locally if any ring-fencing were too rigid.

Group	Costs	Benefits	Dis-benefits
			<ul style="list-style-type: none"> Limited local flexibility could result in local authorities not being accountable for decisions.
Business community (excluding visitor accommodation providers)	<ul style="list-style-type: none"> Compliance costs. 	<ul style="list-style-type: none"> Directly and indirectly benefit from the decisions of local authorities to invest in services and infrastructure which supports tourism. 	<ul style="list-style-type: none"> The wider business community could be negatively affected through reduced levels of turnover and profit, should the visitor levy result in reduced ancillary spending by visitors or reduced visitor numbers.
Residents	<ul style="list-style-type: none"> No direct costs (but see benefits and dis-benefits columns for potential indirect impacts). 	<ul style="list-style-type: none"> Directly benefit from investment to maintain and improve the local area through increased local authority revenue and spend. 	<ul style="list-style-type: none"> Residents, especially in areas with a high dependence on visitors for employment could also be negatively affected if falls in visitor spend fed through to less employment locally, leading to less local spend and lower economic activity. Potential behavioural change from visitors reacting to higher prices due to the addition of a visitor levy. For example, individuals may excuse their own socially unacceptable behaviour which impacts public goods and services whilst on holiday

Group	Costs	Benefits	Dis-benefits
			through justification that they have paid a levy.

Option 3: Greater local autonomy

Option 3 would require primary legislation to grant local authorities a power to implement a visitor levy on overnight stays in commercially let visitor accommodation, the parameters of which are mainly determined locally. Were local authorities to make use of this power, design features such as the rate type, rate of charge, and exemptions operated could vary between participating local authorities. Whilst there will be an expectation that local authorities will use revenue to fund tourism related infrastructure and services, and on accounting for use of revenues, this option may result in less consistency in this regard compared to a more nationally determined framework in which a levy would operate.

More specifically, the main features of this option are:

- The taxable activity for the purposes of a visitor levy is limited to overnight stays in commercially let visitor accommodation and the liable party for a visitor levy will be the visitor accommodation provider (same as option 2).
- Local authorities determine the governance process to introduce the visitor levy applying existing statutory and other requirements.
- As outlined in the consultation document, the Welsh Government believe a common rate type should be set out nationally. However, under option 3 local authorities could choose any of the options set out in the consultation.
- The rate of a visitor levy would be determined locally.
- The rate of a visitor levy may vary within the local authority area (for example charging higher or lower rates for certain locations).
- Whilst there will be an expectation that local authorities will use revenue raised through a visitor levy to fund activity which is to the benefit of visitor experience and that local stakeholders are consulted in this process, there will be no formal requirements set out in a national framework. This could lead to different practices emerging in different local authority areas in this regard, subject to the general requirement that any revenue raised would have to fund local authority expenditure.
- Reporting practices on revenues raised and spent for the levy would be determined locally.
- As outlined in the consultation document, the Welsh Government believe that some exemptions should be set out nationally. However, under Option 3 local authorities would have the flexibility to introduce further exemptions over and above those specified nationally.
- This option lends itself to more localised delivery by local authorities (collection, enforcement, and ongoing administration) due to there being greater local autonomy in setting the rules.

Table 4: costs and benefits for option 3, greater local autonomy

This table summarises the costs, benefits, and dis-benefits to key groups including visitor accommodation providers, visitors, local authorities, the business community and residents of granting local authorities a power to implement a visitor levy, the parameters of which are set out locally.

Group	Costs	Benefits	Dis-benefits
<p>Visitor accommodation providers</p>	<ul style="list-style-type: none"> • As with option 2, new costs arising in 3 areas: <ol style="list-style-type: none"> 1. Set-up costs required to comply with a new visitor levy. 2. Ongoing administrative and compliance costs, including making visitors aware of levy requirements. 3. Costs related to potential changes in visitor behaviour which could potentially negatively impact profitability and competitiveness • Compared to option 2, increased local decisions on higher rates could impose higher costs on visitor accommodation providers (if they choose to absorb costs in their pricing). • Compared to option 2, there is the potential for increased costs 	<ul style="list-style-type: none"> • Compared to option 2, local authorities have a greater understanding of local circumstances and businesses which would enable a type and level of rate that may be more suitable for the local area. 	<ul style="list-style-type: none"> • Additional work to ensure property management systems can process and remit tax payments for multiple different schemes. • Visitor accommodation providers with properties in different local authority areas would face potentially different tax systems and requirements in comparison to option 2. • Compared to option 2, there is the greater potential for market distortions than a single, nationally agreed approach to the levy. Higher rates could also reduce visitor spending and visitor numbers. Noting that some LAs could chose lower rates to appear more competitive than neighbouring LAs.

Group	Costs	Benefits	Dis-benefits
	<p>should different visitor levies emerge in different local authority areas i.e for those visitor accommodation providers that operate in more than one area due to increased complexity of calculating and filing the tax returns.</p> <ul style="list-style-type: none"> • For those that outsource accounting functions to a third-party there is a potential for higher costs resulting from different levies in operation across different local authority areas. This is because it would potentially increase complexity and therefore time billed from those third parties in undertaking this function. 		
Visitors	<ul style="list-style-type: none"> • Potential increase or decrease to costs should different visitor levies emerge in different local authority areas. 	<ul style="list-style-type: none"> • Rates could be variable by area with visitors paying a rate that may be more aligned to wider costs of their visit. 	<ul style="list-style-type: none"> • Increased confusion for visitors who might face different visitor levies in different areas. • Potential behavioural change from visitors reacting to higher prices due to the addition of a visitor levy. For examples, visitors may choose alternative destinations or spend less

Group	Costs	Benefits	Dis-benefits
			<p>if and when visiting areas of Wales subject to the levy.</p> <ul style="list-style-type: none"> Potentially decreased levels of transparency around how revenues raised is spent and inconsistency in how this information is provided.
Local Authorities		<ul style="list-style-type: none"> Autonomy to set out rates more relevant to local area, accounting for regional price variations and price sensitivities, enabling more effective service delivery. Ability to spend revenues according to local priorities and needs rather than being restricted by legislation. Enabling more effective service delivery. Potentially higher levels of revenue generation enabled through increased autonomy. Decision making on local levy made closer to affected businesses and communities. 	<ul style="list-style-type: none"> Potential inconsistency in how the use of revenue raised is reported if not standardised (compared to Option 2). If local authorities were to introduce additional exemptions, then there will potentially be greater compliance costs and higher administration costs.
Tax Authorities <small>*this model assumes delivery would more logically sit with the local authority</small>	<ul style="list-style-type: none"> As with option 2, the method of collecting the visitor levy would require the costs set out below - these costs would be necessary whichever option 	<ul style="list-style-type: none"> Local tax collection machinery exists in every local authority and includes knowledge of local businesses which can support 	

Group	Costs	Benefits	Dis-benefits
introducing the levy rather than a centrally hosted service.	<p>was chosen and it would be where they fall and the scale of costs that will vary:</p> <ul style="list-style-type: none"> - upfront set-up costs - ongoing costs such as staff costs and general operation costs (more detail below). - monitoring and enforcement costs. - implementing new procedures for collection and forecasting of revenue. <ul style="list-style-type: none"> • communicating the requirements of a visitor levy to visitor accommodation providers 	local decision making regarding the levy	
Business community	<ul style="list-style-type: none"> • No direct costs. 	<ul style="list-style-type: none"> • Increases to revenue to indirectly affect business community through improvements to local services. 	<ul style="list-style-type: none"> • Potential to increase chances of business turnover (for visitor accommodation providers and the wider business community) being negatively affected by less visitor spending (for those areas with higher rates).
Residents	<ul style="list-style-type: none"> • No direct costs 	<ul style="list-style-type: none"> • Option 3 could lead to enhanced benefits for residents compared to Option 2 because local authorities 	<ul style="list-style-type: none"> • Local employment may be impacted if there is a significant fall in demand or

Group	Costs	Benefits	Dis-benefits
		<p>would not be restricted in the rate they choose to set.</p> <ul style="list-style-type: none"> • Potential for more revenue to be raised if rate set higher – more money spent on local services. While noting there is no guarantee that a higher rate would equal higher revenues (due to diminishing returns and potential for change of visitor behaviour). • Direct accountability to residents for setting and collecting a levy and how the revenue is used. 	<p>local expenditure by visitors and businesses.</p>

Options comparison

Following on the high-level analysis of the costs and benefits provided at Table 3 and 4 above, a comparative summary is provided here based on the costs, benefits and disbenefits identified for the various groups.

Visitor accommodation providers:

Under both options visitor accommodation providers will face set-up costs and on-going administrative costs due the introduction of a visitor levy. Set-up costs could include:

- changes to property management systems/booking systems (software changes) to process visitor levy payments
- costs in relation to collecting new data and record keeping above that already in place
- costs associated with new processes to remit taxes,
- costs associated with training staff in new processes and
- ongoing administration costs that may also be borne in relation to regular processing of payments such as the additional processing time required.

It is worth noting that small businesses are unlikely to be VAT registered so this will be new data and for many it may be the first time they have had to collect and record this information, therefore, some visitor accommodation providers may not have robust data collection in place, or the necessary and robust information security, which would be another additional cost to them.

The significance of these costs will likely vary by size and type of visitor accommodation provider: for instance, they may represent a more significant burden to smaller hotels, self-caterers or B&Bs than to larger hotel chains. This is likely to impact on two areas, firstly the associated time for billing, receiving, and processing payments is likely to increase (although this should not be substantial). Secondly, the larger impact will be on filing of a tax return to the tax authority and making any associated payments. There would likely be less of a direct impact for providers that already have a third-party agent to manage their tax affairs or employ someone in this capacity (i.e. accountant or bookkeeper), however there may be higher associated costs where this is outsourced (such as additional billed time/hours worked). Alternatively, where accounting functions are undertaken by the proprietor, there will be a direct impact on time/workload undertaking this administrative activity.

Visitor accommodation providers could be subject to either a higher or lower rate in either option. For example, a centrally determined rate may be higher or lower than a rate that was set locally. A higher rate could impose higher costs on visitor accommodation providers who may choose to absorb or pass on costs to visitors, affecting competitiveness and profitability in the sector.

An additional increased source of cost for visitor accommodation providers may arise around commissions that hotel operators pay third parties such as Online Travel Agents (OTAs) which are typically based on a proportion of the room rate inclusive of taxes. Most OTA's operate on a global basis and therefore have existing functionality on their platforms to incorporate requirements of a visitor levy as they already do so for other jurisdictions.

Under option 2 the processes for introduction would be the same ensuring fairness of approach across local authorities. Option 3 could result in differing processes to introduce, for example some areas may choose to consult locally through a formal consultation, and others may not. Local authorities already follow a rigorous, well-established process for effective decision making which would ensure appropriate engagement and debate ahead of making any decision to implement. Option 2 may place additional requirements as part of this decision-making process that may not be required at a local level. Local authorities are well placed to understand the needs of their local communities and therefore Option 3 enables existing processes and established engagement mechanisms to support decision making.

Option 2 (greater consistency) may enable greater ease of messaging to visitors as they would be subject to the same type and level of rate. This could potentially reduce confusion amongst visitor accommodation providers as requirements would be the same across Local Authorities.

However, Option 3 (greater local autonomy) could enable higher levels of local engagement and input into the design of a more localised levy. This could result in a rate that is more appropriate for a local authority area. Visitor accommodation providers could therefore benefit from greater local decision making for a levy as the rate could be more aligned to local pricing and local priorities. This would not be possible under Option 2 as local rate setting would not be enabled.

Option 2 could lead to reduced complexity for third-party agents, booking platforms and information systems, potentially reducing any pass-through costs resulting from a levy. Whereas Option 3 could lead to higher associated costs in these areas if there was significant variation across each local authority who choose to introduce a levy.

It should be noted that the fact that the rate type will be consistent across different areas under Option 2 potentially reduces scope for confusion and administrative complexity arising from the emergence of different visitor levy designs. For example, where a visitor accommodation provider operates across multiple local authority jurisdictions operating a more autonomous levy, this increases the potential number of variations of the levy that the visitor accommodation provider would have to administer. Higher complexity may lead to higher rates of error and administrative burden resolving these issues.

The possibility of different visitor levies emerging in different local authority areas (under option 3) also potentially presents higher costs for visitor accommodation providers who operate in more than one area. For example, visitor accommodation providers could potentially have to ensure that their property management systems are able to process and remit tax payments for multiple different schemes. A local model could mean different local authorities collecting different information to inform analysis or exemptions. This could be an additional burden on the visitor accommodation provider if they have properties in more than one LA area.

Visitors:

Visitors staying in visitor accommodation in local authorities where a levy is implemented, would pay the amount of levy due for their stay. Visitors could face increased costs should visitor accommodation providers choose to increase the cost of the stay to account for any additional costs posed by the visitor levy. Alternatively, businesses may opt to reduce their rates to account for a visitor levy charge,

therefore minimising the cost impact to visitors through absorbing the cost into the business.

Higher prices for visitors could lead to changes in visitor behaviour, such as less visitor spending in the local economy, reductions in the number of nights visitors choose to stay in the local authority and, in extreme cases, a sufficiently high rate of visitor levy could lead to visitors choosing alternative destinations to visit. As highlighted earlier in this impact assessment, the estimated price elasticity of demand for tourism accommodation in Wales is -0.7. A rise of 1% in price could lead to a fall of 0.7% in demand. However, the wider use and benefit from revenues raised could off-set this impact. The degree to which visitors will be affected by a visitor levy will depend on the level of the rate set. Depending on ease of payment and transparency of a visitor levy, visitors may face increased inconvenience as well, however, this is likely to be mitigated due to a level of central consistency in the application of visitor levies by local authorities under Option 2.

Option 2 could be less confusing for visitors as they would be subject to the same type and rate of levy regardless of local authority area/destination. Visitors would not notice a difference by destination. This prevents any confusion in messaging and aides comprehension of how much the levy is and the rationale for it.

Under Option 3 the benefits for visitors would depend upon how local authorities choose to invest the revenues raised. Option 2 indicates a ring-fenced levy; this would mean that any revenues raised would have to be spent on activity specifically linked to a spend area. This can improve understanding of how a levy is used although ring-fencing does not necessarily lead to higher levels of spend in that particular area and can curtail local decision making. Visitors may benefit from either option although it could be argued that there is a clearer link if funds were hypothecated.

Through Option 3, there will potentially be less national consistency in how such revenues should be allocated and how local authorities account publicly for how revenues raised would be allocated. Reporting under Option 2 would ensure standardisation of how visitors receive information on how revenues have been raised and where these have been spent. This would provide consistency for visitors accessing this information in understanding how the levy has benefited the area.

Tax authority:

Under both options the tax authority would incur initial set up costs and ongoing service delivery costs associated with the operation of a visitor levy. However, if there was a centrally hosted service then some of these costs could be shared across local authorities. These would include ongoing staff costs associated with the collection of revenues, providing ongoing support and guidance to taxpayers through engagement and assistance and maintaining a record of taxpayers³⁷, revenue forecasting activity, monitoring revenue outturns, reporting on use of revenues, and ongoing costs associated with communicating any changes in operation of the visitor levy, and associated levy liabilities, exemption, and remittance requirements, with visitor accommodation providers and visitors, while making sure to comply with relevant data protection legislation. There would also be ongoing costs to provide

³⁷ A separate consultation on a statutory licensing scheme is due to be published in the autumn, where an initial impact assessment of potential costs and benefits will also be provided.

and maintain any digital systems, whether this be developed in house or by engaging third parties.

There would be monitoring and enforcement costs. For example, the tax authority may need to inspect occupancy records and other data held by visitor accommodation providers. There will also be costs associated with establishment and operation of appeals processes, and debt management/enforcement costs to pursue any non-payment of liabilities.

Option 2 lends itself to a central authority providing services on behalf of other local authorities in the delivery of a visitor levy (such as a local authority or the Welsh Revenue Authority for example). This is because greater consistency of approach could lend itself to a more operationally efficient tax system as there would be less variables to account for in the design of systems and processes. This could potentially reduce the costs of administration and implementation.

For example, the same system and processes could be utilised across all local authority areas rather than having to design and implement separate variations of these. This type of model lends itself to having a centrally hosted service (for example a local authority or the Welsh Revenue Authority providing a service on behalf of a local authority).

Option 3 lends itself to greater delivery from the local authority choosing to introduce the levy. While local authorities will have set up and administration costs under both options, local authorities would not have to comply with the requirements of a central framework under option 3 and may therefore be able to tailor a levy for more cost-effective delivery at a local level.

Local authorities:

Through both options local authorities that choose to introduce a visitor levy are likely to access additional funding from revenues raised by a visitor levy, providing an opportunity to fund new tourism related expenditure and improvements to the public area. Option 2 would curtail local decision making through any element of ring fencing of funds. Option 3 enables greater autonomy regarding spend from revenues raised, this could lead to more optimal outcomes and greater local decision making.

Reporting under Option 2 would be standardised this could be administratively time consuming and less suited to local circumstances. For example, a more tailored report could be provided through Option 3 that is proportionate to the size of the local visitor economy. Under Option 3 local authorities would still follow existing practices and the levy would be reported through these routes (such as the annual statement of accounts). However, it could lead to inconsistency if some areas adopt a separate report and others did not.

The design and implementation of a visitor levy may be more closely aligned with local preferences through greater local decision making through option 3. This could deliver greater local empowerment for local authorities and allow greater flexibility for local authorities in terms of allocating additional funding. There would also be the option for hyper-local variation of rates within the local authority area. Under Option 3, local authorities can set their own rate for the levy, which may be higher or lower than the rates set in a national framework under Option 2. This could lead to more revenue being raised and, with less constraints on how revenue raised should be allocated locally, provide greater flexibility for local authorities to meet local priorities.

Local authorities are well placed to understand what rate may be appropriate for their area and there may be local circumstances that require greater degrees of autonomy. The principles of local autonomy and decision making are important in relation to local taxes.

Costs incurred may be higher or lower depending on how the tax is designed and delivered under either option. However, option 2 presents an opportunity for greater central delivery potentially providing operational efficiencies and therefore costs to be shared across local authorities choosing to implement a levy. Option 3 however could lead to lower costs to the local authority through a more appropriate type of rate being designed and delivered. Opportunities for any cost efficiencies through a centrally provided service are lower through Option 3 however overall cost of delivery may be lower through this option for the local authority.

Wider business community:

The wider business community may benefit from greater levels of investment into local services and infrastructure. These revenues could help develop local offerings for visitors and sustain and improve the integral services and infrastructure that are vital to the local economy, and which encourage visitors to an area. The wider business community could therefore benefit directly or indirectly depending on how revenues are used.

However, these groups may face costs due to potential behavioural change from visitors reacting to higher prices due to the addition of a visitor levy. The wider business community could be negatively affected through reduced levels of turnover, should the visitor levy result in reduced ancillary spending by visitors or reduced visitor numbers. Visitor spending behaviour in relation to a visitor levy is a relatively under-researched topic with no definitive evidence found about wider behavioural impacts from this type of tax. Rates may be higher or lower for a local area in either option therefore behavioural impacts could be variable.

Residents

Residents may directly or indirectly benefit from use of a visitor levy depending on how the additional revenue is utilised. For example, additional revenues could fund local transport initiatives, improving links between communities that would benefit residents and visitors. Or, for example, revenues could be used for development of visitor information centres which could offer new employment opportunities, or to develop and protect local visitor sites. There are many opportunities for use of the revenue in a way that may benefit residents, visitors and businesses.

However, residents, especially in areas with a high dependence on tourism for employment could be negatively affected if falls in visitor spend or demand fed through to less employment locally.

Table 5: Overview of the impact of rate type sub-options

As highlighted in the consultation document, a key parameter in the design of a visitor levy is the basis of the tax charge. As discussed, Option 2 would see a single rate type with a central framework which would allow a level of consistency in the design of a visitor levy across local authorities which choose to implement one. Table 4 below summarises our initial view on some of the advantages and disadvantages of each sub-option in terms of their likely impact on visitor accommodation providers, the central authority, local authorities, and visitors.

Impacts	A rate per room/accommodation per night	A rate per person, per night	A % of the accommodation charge (on base rate of room charge, not services included)	Blended model e.g. a rate charged per person per night alongside a percentage of the accommodation cost.
Visitor accommodation providers	<ul style="list-style-type: none"> • Simpler to operate i.e. less information required to be collected by businesses when taking bookings. • Challenge in defining a room in some sectors (hostels, homes, self-catering, campsites). 	<ul style="list-style-type: none"> • More complex than a rate per night levy - requirement for businesses to gather additional information from visitors (if they do not already do so). • Engagement with businesses to date has suggested that in many cases this may not be feasible as this information is not known due to self-check in processes, e.g. in the self-catering sector. 	<ul style="list-style-type: none"> • A percentage rate accounts for any seasonal variation in the cost of accommodation (reflecting changes in demand). • Some providers may provide additional services linked to a stay such as food, drink, and leisure packages - a percentage charge may therefore disadvantage these types of providers if applied to the entire bill rather than just the accommodation costs. 	<ul style="list-style-type: none"> • The disadvantage is that it would be more complex to operate for visitor accommodation providers.

Impacts	A rate per room/accommodation per night	A rate per person, per night	A % of the accommodation charge (on base rate of room charge, not services included)	Blended model e.g. a rate charged per person per night alongside a percentage of the accommodation cost.
			<ul style="list-style-type: none"> • Visitor accommodation providers with higher prices face higher tax burdens in cash terms. Those in the sector operating under the VAT threshold may find this harder to administer. 	
Visitors	<ul style="list-style-type: none"> • Regressive tax – as not linked to overall cost of accommodation. • Cost bandings off-sets this to some degree however increases complexity of administration. Could mean relatively higher bill for users of lower cost accommodation. • Multiple occupancy of single room (e.g. families with children) potentially better off. 	<ul style="list-style-type: none"> • Regressive tax, as not linked to overall cost of visitor accommodation. • Likely be more straightforward for visitors to understand. • Self-declaration: Visitors would have to declare number in party where lack of formal check-in or out processes exist. • Multiple occupancy of single room (e.g. families with children) would pay more compared to other 	<ul style="list-style-type: none"> • Provides the basis for a progressive tax that is linked to ability to pay. Visitors booking budget visitor accommodation such as hostels will pay less than those opting for higher end hotels. • Reflects seasonality in accommodation sector. Visitors in low season pay less in cash terms for businesses that operate this pricing model. 	<ul style="list-style-type: none"> • The advantage of this option is that a percentage element included alongside a rate would provide the basis for a more progressive rate. • Visitors would likely find this option confusing.

Impacts	A rate per room/accommodation per night	A rate per person, per night	A % of the accommodation charge (on base rate of room charge, not services included)	Blended model e.g. a rate charged per person per night alongside a percentage of the accommodation cost.
	<ul style="list-style-type: none"> Little additional information required when booking. 	<p>models (unless complex exemptions applied).</p> <ul style="list-style-type: none"> More information required when booking compared to current practice. 		
Tax authority	<ul style="list-style-type: none"> Simpler to administer i.e. single rate would apply regardless of the number of individuals staying in the room or property. 	<ul style="list-style-type: none"> Enables greater targeting of the tax if there is a requirement to apply exemptions or reliefs. More complex than a rate per night levy and any returns submitted to the tax authority subject to checks against records of number of visitors staying in the visitor accommodation per night. 	<ul style="list-style-type: none"> Administration may be complex, as requiring identification of revenue from accommodation use, and potential reconciliation activities between forecast and outturn. Easier to establish compliance by inspecting revenue from room sales. However, as room prices are varied by providers across the year, this would 	<ul style="list-style-type: none"> Would be more complex to operate for authorities.

Impacts	A rate per room/accommodation per night	A rate per person, per night	A % of the accommodation charge (on base rate of room charge, not services included)	Blended model e.g. a rate charged per person per night alongside a percentage of the accommodation cost.
		<ul style="list-style-type: none"> • Reliance in some scenarios on self-declaration by visitors of numbers staying in the visitor accommodation. • Hard to enforce effectively in some scenarios. 	increase the complexity of enforcement action and understanding where levy has been over or under paid.	
Local authorities		<ul style="list-style-type: none"> • Revenue potential per local authority area more easily modelled. 	<ul style="list-style-type: none"> • Revenue subject to higher volatility due to movements both in occupancy and price level. 	

Operational Delivery Model (ODM): Operational delivery options – local and centralised models (indicative)

The operational considerations for how the levy will work in practice are set out below, exploring different potential models available for delivery of the levy, from fully local delivery to fully centralised.

There are further delivery models available, for example, a hybrid delivery model (i.e. a combination of local and centralised elements). However, the precise nature of a hybrid model will need to be explored further with stakeholders before we are able to make a more detailed proposal.

As the policy design is progressed using the outputs from the consultation and engagement with stakeholders, a clearer preferential operational delivery model will emerge.

Fundamentally, all taxes feature the same set of design building blocks which can be summarised as:

- Establishing the liability (who and what is taxable including who may be exempt or should pay a reduced rate)
- Calculation and payment of the liability (basis for calculation, rate setting, who calculates liability, when the tax is due, how often returns are required to the tax authority)
- Compliance, enforcement and record keeping (how enforcement/compliance should be undertaken, what legal requirements are placed on the taxpayer, record keeping requirements, audit and inspection powers for the tax authority etc.)
- Appeals and arbitration

Table 6 is based on these building blocks. It is illustrative in nature and there are further sub-options within each element for the design and operation of the tax. Options presented are non-exhaustive and are indicative of key design and policy choices.

Table 6: Operational delivery options – local and centralised models (indicative)

	Greater Local Model of Delivery	Centralised Model of Delivery
Establishing liability	<ul style="list-style-type: none"> - Tax registration/filing of self-assessment returns from visitor accommodation providers to a local authority 	<ul style="list-style-type: none"> - Tax registration/filing of self-assessment returns from visitor accommodation providers to a central authority. - More centralised approach, limited local support.
Calculation and payment of liability	<ul style="list-style-type: none"> - Queries fielded locally by the local authority. 	<ul style="list-style-type: none"> - Queries fielded centrally by central authority.
	<ul style="list-style-type: none"> - Separate tax account for each local authority the business is operating in. 	<ul style="list-style-type: none"> - Single tax account for the business held centrally. Holistic view of all payments and debts relating to a visitor levy.
	<ul style="list-style-type: none"> - Returns filed for multiple properties within local authority area. - Could be combined approach with non-domestic rates/council tax operations (local tax accounting). - Separate filing returned for each local authority area. 	<ul style="list-style-type: none"> - Returns filed for multiple properties across multiple local authorities (one return).
	<ul style="list-style-type: none"> - Potentially separate IT systems and processes being developed/used. - Existing payment mechanisms in place locally could be drawn on. 	<ul style="list-style-type: none"> - Use of a single IT system and processes.
	<ul style="list-style-type: none"> - Records held and maintained by local authorities (local tax accounting). 	<ul style="list-style-type: none"> - Records held and maintained centrally.

	Greater Local Model of Delivery	Centralised Model of Delivery
Record keeping	- Compliance and enforcement records kept locally.	- Compliance and enforcement records kept centrally.
Compliance and enforcement	- Compliance and enforcement undertaken locally. - Fines/penalties levied locally and local authorities maintain record keeping on debts and actions taken.	- Compliance and enforcement undertaken by a central authority - Fines/penalties levied centrally.
	- Information-sharing arrangements needed between local authorities to highlight common risks/taxpayers of note.	- Information-sharing arrangements needed between local authorities and central authority to highlight common risks/taxpayers of note.
	- Existing approaches to managing and enforcing debt available in each local authority (such as through use of civil penalties and debt recovery powers)	- Existing approaches to managing and enforcing debt centrally (such as through use of civil penalties and debt recovery powers)
	- Decisions and priorities over debt management undertaken locally.	- Decisions and priorities over debt management undertaken centrally.
Appeals and arbitration	- Local authorities operate an appeals process in the first instance ahead of any court proceedings.	- Centrally operated appeals process in the first instance ahead of any court proceedings.

	Greater Local Model of Delivery	Centralised Model of Delivery
Financial management	<ul style="list-style-type: none"> - Arrangements for allocating revenue collected can be directly integrated into financial systems and budget processes. - Local authorities bear risk of non-collection. 	<ul style="list-style-type: none"> - Mechanisms for managing the flow of revenues to local authorities and providing estimates for budget purposes would need to be established. - Central authority bears risk of non-collection.

Wider Impacts

Competition assessment

The impact of a visitor levy on visitor accommodation providers' competitiveness and profitability depends firstly on whether businesses pass on the cost to visitors, and secondly on the behavioural response of visitors to a change in accommodation price. The extent to which visitor accommodation providers would or could pass tax increases to consumers would depend on the degree and intensity of competition among visitor accommodation providers; their ability to adjust capacity quickly; and the extent to which visitor accommodation providers and locations can differentiate themselves, and therefore charge higher prices. The extent to which cost increases can be passed through can also change over time.

A more detailed impact assessment will be developed as the policy progresses and this will consider market structure/shares, whether there is any differential impact on SMEs etc., any risk of creating barriers to entry and the extent of costs incurred from introduction and use of a levy. Some of these points are touched upon elsewhere in this partial regulatory impact assessment. This assessment will also be informed by the research we have commissioned. This includes the report on price elasticity of demand which has been summarised earlier in this document and the comparative analysis of taxation systems facing hospitality sectors in areas which apply visitor levies, which will be published later in September.

Other impacts

Many of the positive impacts of the levy may come through the generation of revenue, which local authorities may choose (depending on the outcome of the consultation) to spend on improvements to Wales' tourism offer. These benefits may apply to multiple areas such as rural proofing, cultural and economic wellbeing, or the environment³⁸, depending on how local authorities allocate the revenue. The question of how revenue from the levy will be spent will be explored through the consultation, as will the matter of whether funds should be hypothecated.

Mitigations

Various potential impacts are identified below. These discussions are ongoing, and officials intend to explore the lived experience of people in these situations further as the policy develops. Identified impacts are being considered within policy design, but final decisions around mitigations will be taken following the consultation, so that officials are able to consider anything raised through the consultation. These may include exemptions or rebates among other measures.

It should be noted that the use of revenues could off-set any potential negative impacts and bring wider benefits to an area. Areas that utilise this type of levy can re-invest the revenue into local services and infrastructure that can result in a positive impact for the visitor economy and residents.

Social wellbeing

Officials have considered the impacts on the wellbeing of certain groups. Key groups which may be disproportionately impacted by the visitor levy include Gypsies and Travellers, and those seeking temporary overnight accommodation for reasons

38 Keep Wales Tidy (2022). 'Tourism Litter – Challenges and Solutions Executive Summary' https://keepwalestidy.cymru/wp-content/uploads/2022/08/Tourism-Litter-Challenges-and-Solutions-Summary_ENGLISH.pdf

unrelated to tourism and business travel (including but not limited to asylum seekers, the homeless, or those fleeing emergency situations such as domestic abuse).

For Gypsies and Travellers, officials have engaged with third sector organisations to understand potential impact in more detail. It is understood that Gypsies and Travellers predominantly use sites which are non-commercial and distinct from other forms of park home or static caravan sites. These therefore could be exempted by design. Additionally, the levy will only apply to overnight stays which are chargeable (commercially let). For Gypsies and Travellers, only two sites in Wales are chargeable, and again could be exempted by design. It is therefore expected that impacts on Gypsies and Travellers will be minimal.

Officials have conducted policy engagement to understand the impacts on individuals seeking temporary overnight accommodation for reasons unrelated to tourism or business travel. For example, those who are homeless, fleeing domestic violence or abuse or those seeking asylum or refuge. Engagement to date has focused on understanding the mechanisms through which these stays are paid for, and this will feed in to thinking about mitigations and exemptions.

Another key group where there is the potential for adverse impacts include asylum seekers and refugees. This is an area which is reserved for UK government. The UK government arranges emergency accommodation for those claiming asylum whilst they are awaiting a decision or on a temporary basis for those who have been refused asylum and are waiting to leave the country. This is undertaken in tandem with local consortia and/or contracts with private sector visitor accommodation providers. Emergency or temporary accommodation arranged in these circumstances can sometimes be within visitor accommodation such as hostels and bed and breakfasts.³⁹ Given asylum seekers will have limited recourse to funds, application of a levy could have a substantial negative impact. In these scenarios, we would want to ensure that there is a clear exemption.

Similarly, those who may be experiencing homelessness can receive support from the local authority. The local authority, in undertaking their statutory functions under the Housing (Wales) Act 2014, may provide interim accommodation such as within bed and breakfasts, hostels or refuges⁴⁰. Again, as these individuals will have limited or no recourse to funds, we would want to ensure that there is no application of a levy in these scenarios. Therefore, we would propose an exemption for those being housed by local authorities in the undertaking of their statutory functions under the Housing (Wales) Act 2014.

Rural proofing

The introduction of the levy may have adverse impacts on some more rural areas of Wales. Tourism represents an important diversification sector for the farming industry and represents a significant contribution to the economies of rural areas. For example, 16.7% of employees are in tourism-related industries in Conwy⁴¹, higher than the all-Wales figure of 11.3%⁴². However, the introduction of the levy may have

³⁹ [Asylum support: What you'll get - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

⁴⁰ [Homelessness | Law Wales \(gov.wales\)](https://gov.wales)

⁴¹ https://business.senedd.wales/documents/s500003159/AAB_12_Wales_Tourism_Alliance.html?CT=2

⁴² : [Wales Visitor Economy Profile: 2021 | GOV.WALES](https://gov.wales)

adverse impacts on some rural visitor accommodation providers, which are more likely to be small, or even micro-businesses. The administration of the levy may be burdensome for these businesses, especially those with less sophisticated accounting systems – this may even constitute a risk that businesses would exit the market. To mitigate this impact, training sessions and guidance would be provided to support visitor accommodation providers to administer the levy. Research is mixed on the impact of introducing a levy on visitor numbers, as discussed earlier. If the levy were to reduce visitor numbers, this may reduce occupancy rates, negatively affecting the viability of the smallest businesses.

Additionally, discussions with the sector have highlighted the disproportionate impacts of current rising inflation on rural business' costs, including the wider impacts such as recruitment challenges given the rurality of these types of businesses, in addition to the extra costs for travel. This is particularly stark for those reliant on liquefied petroleum gas and oil which is not subject to the Ofgem price cap. For example, 75% of properties in Ceredigion are off-grid⁴³. Those in rural communities often experience higher daily costs than those in non-rural areas⁴⁴. This may mean that the levy constitutes an additional financial burden for these businesses who already experience higher input costs due to their rural nature. Furthermore, as discussed elsewhere throughout this document, there may be displacement effects which may increase pressures on rural areas which do not apply the levy. Though the wider economic conditions when the levy is introduced are unpredictable, the full impact assessment will take economic factors into account, and we encourage additional concerns to be raised through the consultation.

Health impacts

Officials have also considered the health impacts of the introduction of legislation permitting local authorities to introduce a visitor levy. Though the intention of the policy is not to impact health, it is likely that the policy may have several secondary impacts on health determinants.

The World Health Organisation reports that employment and working conditions determine 7% of self-reported health conditions and 10% of life satisfaction⁴⁵. Therefore, there may be health impacts where the introduction of the levy impacts work. In the short term, if a levy caused reductions in visitor numbers, this may impact the viability of some tourism businesses and decrease the stability of employment in this sector. This would negatively impact employment and working conditions, with secondary consequences for health. However, in the longer-term, reinvestment of revenue into the tourism industry may increase its resilience, in turn increasing employment opportunities or improve working conditions.

Changes in visitor behaviour may also impact health determinants. For example, if visitors are discouraged from staying overnight, there may be an increase in day trips, which may increase levels of pollution – adversely impacting the health of those living in tourist hotspots.

⁴³ [How are cost of living pressures affecting rural communities? \(senedd.wales\)](https://www.senedd.wales)

⁴⁴ *Ibid.*

⁴⁵ [WHO/Europe | Publications - Healthy, prosperous lives for all: the European Health Equity Status Report \(2019\)](#)

Additionally, if the levy were to limit access to temporary overnight accommodation, there may be adverse health consequences on those seeking it. If, for instance, individuals had to sleep rough consequently, there could be physical health impacts such as injury⁴⁶, and the experience could negatively impact mental health.

Equalities

Initial searches of the literature have been conducted to examine the impacts on those with characteristics outlined in the Equality Act (2010). Generally, existing research on the impacts of introducing a visitor levy on those with protected characteristics is limited. For those where some evidence could be identified, results are summarised below. We invite views on this through the consultation, and will undertake a further review of the literature, as well as primary engagement with individuals, before the publication of the full impact assessment.

- **Age:** willingness to pay is directly associated with a visitor's income and budget, which then interacts with their age⁴⁷. It may be that those at ages typically associated with lower incomes (for instance, younger people), are less able to afford the extra cost of accommodation associated with the levy.
- **Gender:** willingness to pay is directly associated with a visitor's income and budget, which then interacts with their gender⁴⁸. The study reports that men were more amenable to paying a visitor levy – this may be due to the interaction of gender and income, where females have lower incomes on average than men⁴⁹.
- **Race:** migrants, asylum seekers and refugees, who may be housed in temporary accommodation, may be negatively impacted if accommodation is subject to the levy. Officials have also considered the potential for the policy to adversely impact Gypsies and Travellers, as discussed above.
- **Religion:** There may be an adverse impact on those who do not engage with digital processes as part of their faith.

Children's rights

In May 2022, policy officials engaged with children and young people (CYP) between 12 and 17 years old, seeking their opinions on the visitor levy through discussions and a role-play exercise. CYP raised the need for the levy to consider exemptions and draw on best practice from other countries. There was concern about visitors less able to afford the levy, such as those from low-income households. CYP were also keen that the money was spent transparently and that it was reinvested into local communities.

We anticipate a positive impact on CYP living in communities affected by the impacts of tourism. This is due to the generation of additional revenues, which local authorities can use to improve the tourism offer in their area. However, there is the potential for negative impacts on CYP. The introduction of the levy could increase

⁴⁶ [Health matters: rough sleeping - GOV.UK \(www.gov.uk\)](#)

⁴⁷ Durán-Román, J. L., Cárdenas-García, P. J., & Pulido-Fernández, J. I. (2021). Tourists' willingness to pay to improve sustainability and experience at destination. *Journal of Destination Marketing & Management*, 19, 100540.

⁴⁸ Ibid.

⁴⁹ [How much less were women paid in 2019? \(parliament.uk\)](#)

the cost incurred for overnight stays – including educational or sports trips within Wales if not exempted. This may have a disproportionate impact on CYP from lower socioeconomic backgrounds, whose families may already find it more challenging to finance such trips.

Engagement is ongoing, and officials will undertake further engagement with CYP, including those identified as having the potential for disproportionate impacts – such as those experiencing socioeconomic disadvantage or young carers.

Cultural wellbeing and the Welsh language

There is potential that the introduction of the levy impacts the total amount that visitors spend in Wales. For example, visitors may offset the extra cost of accommodation by spending less on food or attractions. Many of Wales' cultural attractions are free of charge. For instance, 101 of the 130 heritage sites managed by Cadw (Welsh Government's historic environment service), as well as all seven National Museum Wales sites are free to enter. Therefore, individuals may opt to undertake more 'free' activities or substitute a paid for activity for a free one however behavioural responses are uncertain and will vary by individual.

The increased cost for visitors could see them spend less on the wider tourism offer, which may reduce engagement with paid-for attractions. This may be especially prevalent for those in low-income households, who already report that cost is a barrier to engagement with culture⁵⁰. There may also be impacts on educational trips, for example visits to Eisteddfodau. We intend to mitigate these impacts by ensuring that the levy is proportionate in its design, meaning that many visitors are unlikely to see a large fiscal impact. One potential mitigatory model used in certain towns in Germany enables free access to certain public attractions which would normally have a cost for access/entry.

As above, positive impacts of the levy are expected to result from the generation of revenue, which local authorities may choose to spend (dependent on the outcome of the consultation) on improvements to Wales's tourism offer. For the Welsh language, introduction of the levy links to Theme 3 of *Cymraeg 2050* as revenues could support the creation and maintenance of favourable conditions for the Welsh language. As Welsh language is central to the Welsh brand, the revenue raised by the levy could be used to support the benefits offered to Welsh culture by tourism. For example, the visitor economy offers Welsh-speaking young people the opportunity to work in their communities, and visitors the opportunity to learn about and enjoy Welsh culture, music, and the Welsh language. The levy could therefore support the tourism industry and employment opportunities or initiatives amongst Welsh language speaking communities.

However, as above, there is the potential for adverse impacts if the additional cost associated with a levy discourages visitors from conducting educational visits through the medium of Welsh. This is something that is being explored further within policy design, though there is also the potential for positive impacts on these visits if money were used by local authorities to support these establishments.

⁵⁰ [Exploring the relationship between culture and wellbeing | GOV.WALES](#)

Economic wellbeing

Tourism is a crucial industry that enables the Welsh economy to thrive, representing over 10% of jobs in some areas of Wales⁵¹. Reinvestment of the money generated by the levy by local authorities has the potential to support this industry, for example by improving Wales's tourism offer or the quality of our existing attractions. In the longer term, this may strengthen Wales's offer and support the continuing trend of growth in visitor numbers.

However, it is recognised that there may be some adverse impacts on the tourism industry, especially in the shorter term. Welsh Government has engaged with the representatives from the sector, including providers of different accommodation types, to understand these impacts. Key impacts are likely to include administration costs, and impacts related to changes in visitor behaviour (such as altered visitor numbers or spending).

The behavioural impacts of the introduction of the visitor levy are poorly understood, with sparse secondary literature, and further research is required to better understand them. Individual motivators of behaviour are complex, and price is only one element in a wider range of factors for individual decision making. However, it is generally recognised that demand for international tourism is responsive to price changes. Elasticities of domestic tourism markets are under-researched especially at a UK level and determining the behavioural impact of a levy is therefore challenging to model. Our initial assessment of price elasticity of demand based on independent research has been presented earlier in this document.

For the public sector, the benefits of additional revenue-raising powers will be balanced against the cost of administration of the levy for local authorities – both to implement and to administer. Welsh Government are currently exploring these costs, alongside the guidance that will be provided to local authorities.

Additionally, impacts experienced by local authorities may differ as powers will be discretionary. For example, if neighbouring local authorities make different choices about whether to introduce the levy, tourists may choose to visit a different location to account for any changes to the cost of the stay. This may increase demand for overnight accommodation in local authorities with lower cost accommodation who are not operating a levy and reduce demand for those areas operating a levy. Given that the levy will be designed in a proportionate manner, behavioural change may be more nuanced. Individuals may still visit the same destination but may book lower cost accommodation or change their spending habits (to account for a lower budget due to an increase in accommodation costs).

Welsh Government has engaged with the third sector, through the Partnership Board as well as individual organisations. Engagement will continue as the policy is developed further. Potential impacts for third sector organisations will depend on how local authorities elect to spend additional revenue, but there are potential benefits for third sector organisations, who may receive investment. Conversely, there is the potential for the levy to have negative impacts on accommodation owned by third-sector organisations. For example, the charitable organisation Youth Hostels Association (YHA) owns and provides youth hostel accommodation across Wales,

⁵¹ [Wales Visitor Economy Profile: 2021 | GOV.WALES](#)

offering paid overnight stays. As discussed, introduction of the levy may have impacts on visitor behaviour, which may impact the revenues generated by such third-sector organisations.

Environmental wellbeing

There may be positive environmental impacts associated with the introduction of a visitor levy depending on the spending priorities of the local authority levying the charge. Environmental groups such as Keep Wales Tidy have recognised the opportunities provided by a visitor levy⁵². Additionally, although unintended, if visitor numbers decreased in some areas this may have a positive environmental impact, reducing pollution and other negative externalities of tourism. However, our intent, as established, is not to have a levy that dissuades visitors to Wales therefore any environmental benefit would be incidental rather than deliberate.

There may be negative behavioural impacts arising out of the introduction of a levy. The literature suggests that the introduction of a levy may be perceived by visitors as a form of moral licensing. Though there is little direct evidence for this⁵³, paying a levy may make visitors feel 'licensed' to engage in environmentally harmful behaviours such as pollution and littering – which may increase the prevalence of these behaviours. Moreover, if the introduction of the levy leads to visitors opting for day visits, these may exacerbate the negative environmental impacts associated with day tourism.

Discussions around activities to mitigate the impacts identified are ongoing and the Welsh Government is currently considering the guidance that will be provided to local authorities when implementing the levy. Local authorities will be encouraged to consider section 6 of the Environment (Wales) Act 2016, which requires public authorities to seek to maintain and enhance biodiversity through their decision-making and exercise of functions. Additionally, the Well-being of Future Generations (Wales) Act 2015 (WFG Act) makes local authorities think more about the long-term, work better with people and communities and each other, look to prevent problems, such as climate change and take a more joined-up approach.

Socioeconomic disadvantage

There is potential for the introduction of the levy to disproportionately impact low-income households, for whom the levy will represent a greater proportion of their income. This impact will be more acute if the levy is designed regressively (for example a tax that does not account for the accommodation cost or lacks proportionality).

Willingness to pay a visitor levy is associated with an individual's income level⁵⁴, and so these impacts may lead to behaviour change. For example, low-income visitors may choose cheaper competitor destinations, or decrease their associated spend to absorb the cost of the levy. Discussions around activities to mitigate the impacts

52 Keep Wales Tidy (2022). 'Tourism Litter – Challenges and Solutions Executive Summary' https://keepwalestidy.cymru/wp-content/uploads/2022/08/Tourism-Litter-Challenges-and-Solutions-Summary_ENGLISH.pdf

53 *ibid.*

54 Durán-Román, J. L., Cárdenas-García, P. J., & Pulido-Fernández, J. I. (2021). Tourists' willingness to pay to improve sustainability and experience at destination. *Journal of Destination Marketing & Management*, 19, 100540.

identified are ongoing and will consider commissioning further research, and engagement with those with lived experience of socioeconomic disadvantage.

Additionally, as above, the WFG Act makes local authorities more about the long-term, work better with people and communities and each other, look to prevent problems such as poverty and health inequalities and take a more joined-up approach.

Summary

The consultation asks several questions relating to how a visitor levy should be designed. This iteration of the partial regulatory impact assessment does not present a formal recommendation to endorse any of the options presented and presents options at two extremes. In practice, a final model will likely take elements from both options presented in this impact assessment.

An updated impact assessment will present more detailed consideration of the options upon which a recommendation could be made - these options will reflect feedback gathered through the consultation.

Appendix A – Table of International Comparators

The table below summarises the occupancy tax rates across EU member states with examples of some city taxes within member states. The table is based on information provided by the European Tourism Association (ETOA) in 2019 and published as part of the Scottish Government consultation on their proposals for a Transient Visitor Levy. All information provided is intended for illustrative purposes only⁵⁵.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
Austria	Per person, per night in most cases; % of room rate.	€0.15 - €3.80	10%	Varies by province. Exemptions vary by province and age of child. e.g. Salzburg: under 15s, business visitors to events; Tyrol: under 15s, under 18s staying in youth hostels.
Austria, e.g. Vienna	% of room rate (excluding 10% VAT, breakfast, 11% flat deduction)	3.2%	10%	Exemptions for minors, students at Vienna's Universities of technical schools; and stays for more than 3 months. Youth hostels.
Belgium	Typically per person, per night	€0.53 – c. €4.24	6%	Varies by city. Exemptions vary: e.g. Antwerp: Children under 12; Ghent: Children under 18 and Youth Hostels.
Belgium, e.g. Brussels Tourism Tax	Per unit/room per night	€3.00 - €4.24	6%	
Bulgaria	Per person per night, based on star rating and location of	€0.10 - €1.53 [€approx]	9%	Varies by municipality. Rate set locally within a band set by the national Government. If

⁵⁵ <https://www.gov.scot/publications/consultation-principles-local-discretionary-transient-visitor-levy-tourist-tax/pages/9/>

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
	accommodation.			accommodation is in a tourist resort, tax only applied to the first night. Money raised is used for tourism investment.
Croatia	Per person, per night, based on grade/category of accommodation, and season.	€0.27 - €1.35 [€approx]	13%	Varies by municipality; seasonal variations. Revenues are retained by local tourist boards to fund their activities. 50% discount for 12-18 year olds, youth hostels for adults up to 29 years of age, or members of international youth organisations. Exemptions for under 12s, school trips, disabled persons & carer.
Czechia	Per person, per night	Up to €1	15%	Varies by location.
Czechia, e.g. Prague	Per person, per day (excluding day of arrival)	€0.58 [€approx]	15%	Exemptions: Under 18s, over 70s, business travellers, disabled persons, youth hostels.
France	Per person, per night, based on hotel star rating	€0.20 - €4.00 excluding the additional 10% departmental council tax (and in Paris the 15% Regional Tax).	10%	Varies by municipality which may decide to apply the tax on the basis of actual visitor nights or to apply a flat rate due by the visitor accommodation providers on the basis of capacity. Revenues are hypothecated to be used for expenses related to tourism.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
France, e.g. Paris Occupancy Tax	Per person per night based on hotel star rating	€1 (1 star) €1.13 (2 star) €1.88 (3 star) €2.88 (4 star) €3.75 (5 star) ("Palace" 5-star hotels rate is €5 per night.)	10%	Includes 10% departmental tax, and 15% Paris Regional tax. Exemptions for under 18s, those in emergency or temporary accommodation, seasonal workers, those in premises with rent below a rate determined by the municipality.
Germany	Either per person, per night; or based on the room rate.	€0.25 - €5.00 or 5 - 7.5% of the room rate	7%	Varies by city. Baden Baden varies within city zones. In some cities VAT is applied on top of this rate. In some spa towns this allows access to certain facilities (spas, attractions, transportation). Munich does not charge a tourist tax.
Germany, e.g. Berlin City Tax	% of room rate (net cost excluding 7% VAT and breakfast); max 21 nights.	5% of room rate	7%	Exemptions: Business travellers.
Germany, e.g. Hamburg Culture and	Per person per night based on net payment for the stay in €bands. For every additional €50	€0 (up to €10) €0.5 (€10.01 - €25)	7%	Business travellers are exempt. Revenue to be invested in tourist, cultural and sporting projects.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
Tourism Tax	the rate increases by one Euro each time.	€1 (€25.01 - €50) €2 (€50.01 - €100) €3 (€100.01 - €150) €4 (€150.01 - €200)		
Greece	Per room, per night. Varies by hotel star rating.	€0.50 (1 star) €0.50 (2 stars) €1.50 (3 stars) €3.00 (4 stars) €4.00 (5 stars)	13%	Nationwide tax. Exemptions: youth hostels.
Hungary	Per person, per night; % of stay (net); % of stay (gross)	Up to max €1.57 per person, per night; or up to 4% of room rate. [€approx]	18%	Varies by city. Can vary by district within cities.
Hungary, e.g. Budapest	Per person, per night; % of stay (net); % of stay (gross)	4% of room rate (net), 4% or room rate		Exemptions: under 18s; and in some districts over 70s.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
		(gross), or Per person €0.88 - €1.41 [€approx]		
Italy	Per person, per night; cost of stay per person, per night.	Maximum of €5, except Venice and Rome which are allowed to charge up to €10. Current max charged €7 (Rome). 'Cost of stay' charges fall into 3 price bands.	10%	Varies by city. Varies by hotel star rating. Varies by maximum number of consecutive nights (e.g. Matera 2 nights; Milan 14 nights). Varies by season.
Italy, e.g. Rome City Tax	Per person, per night up to a max of 10 nights, based on star rating; max 5 nights at camping grounds.	€3 - €7	10%	Exemptions for hostels, residents of Rome, children under 10, anyone accompanying someone for health reasons, police and armed forces, 1 coach driver & 1 tour leader for groups of 23 members.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
Italy, e.g. Venice City Tax	Per person, per night up to a max of 5 consecutive nights, based on accommodation type, star rating and area of city.	€0.70 - €5	10%	Reductions for January, young people aged 10-16 (50%); islands (20%, or 10% if 5-star), mainland (30%). Exemptions for under 10s, disabled persons, 1 coach driver & 1 tour leader for groups of 25 members.
Italy, e.g. Bologna	Per person, per night; including breakfast, net of 10% VAT	€3 (total €1-€70.99) €4 (total €71-€120.99) €5 (total €121+)	10%	
Lithuania	Per person, per night	€0.30-€1.00	9%	Varies by city.
Lithuania, e.g. Palanga	Per person, per night	€1	9%	Hypothecated to fund improvements of city's infrastructure and marketing of tourism.
Lithuania, e.g. Vilnius	Per person, per night	€1	9%	Exemptions: Under 18s, students, disabled persons.
Malta	Per person, per night, for a max of 10 nights.	€0.50	7%	No regional variations. Proceeds used for maintenance of touristic zones.
Netherlands	Per person, per night; % of room rate. Based on grade and type of accommodation.	€0.55 - €5.75 or up to 7% of room rate.	9%	Varies by municipality.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
Netherlands, e.g. Amsterdam City Tax	% of room rate	7% of room rate (excluding breakfast)	9%	Payable by non-residents of Amsterdam. Also charges €8 per day, per person for sea and river cruise passengers; and an Entertainment Tax of €0.66 per passenger on canal boat or sightseeing tour. Exemptions: carers.
Poland	Per person, per each day started (if stay over 24 hours); charged as either a local fee or spa fee.	Up to €0.52 (Local fee) Up to €1.03 (Spa fee) [€approx]	8%	Varies by city. Some exemptions include school trips, blind people and their guides. No local fee charged if visitor pays the municipalities spa fee. Municipalities decide the local rate but rates are capped at a national level.
Portugal	Per person, per night; max nights vary, e.g. Porto and Lisbon 7 nights, Sintra 3 nights.	€1 - €2	6%	Varies by municipality. Reductions: e.g. in Cascais the visitor receives museum entrance or transportation free in return.
Portugal, e.g. Lisbon Municipal Tourist Tax	Per person, per night, up to a max 7 nights.	€2	6%	Exemptions for children under 13 and those whose trip is for medical reasons plus one extra night (and that of an accompanying party).
Romania	% of room rate (including breakfast but	1%	5%	Varies by municipality. Money raised is used for tourism promotion.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
	excluding 5% VAT)			If accommodation is in a tourist resort, the tax is only charged for the first night. Exemptions: under 18s disabled persons, students, pensioners.
Slovakia	Per person, per night	€0.50 - €1.70	10%	Varies by municipality.
Slovakia, e.g. Bratislava	Per person, per night.	€1.70	10%	Exemptions: Under 18s, over 70s, F/T student under 26, disabled person & carer.
Slovenia	Per room, per night.	Up to €2.50, plus additional mandatory promotional tax of 25%.	9.5%	Varies by municipalities. 43 municipalities have decided not to charge a tourist tax.
Slovenia, e.g. Bled	Per person, per night	€3.13	9.5%	Reductions of 50 % for children aged 7-18, youth hostels, campsites. Exemptions for children under 7.
Spain (Catalonia) NB: A tourism tax in Spain only applies in Catalonia	Per person, per night for a max of 7 nights. Based on category of accommodation.	€0.45 - €2.25	10%	Varies between Barcelona and 'rest of Catalonia'. Money invested on tourism infrastructure and promotion. Exemptions for children under 17, IMSERSO holidays, Force Majeure.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
a and the Balearic Islands				
Spain (Balearic Islands)	Per person, per night, 50% reduction after 8 nights. Based on category of accommodation, and High-Low season.	€0.50 - €4.00	10%	Exemptions for children under 16. Known as the ITS (Ecotax), money raised is spent on sustainable tourism projects.

Appendix B - Visitor Levy Engagement

Welsh Government officials have engaged extensively over several months prior to the consultation process to understand differing views and inform the design and scope of a levy for Wales.

Please note: Meeting with Welsh Government officials or Ministers does not represent endorsement or agreement of the intended policy proposals. We are very grateful to those who have given their time and effort to provide feedback on our proposals.

External engagement activity has included the following organisations and groups:

Tourism industry:

- Over 20 accommodation providers in a Visitor Levy Business Reference Group.
- Regional Tourism Fora
- Visitor Economy Forum
- Other tourism and hospitality organisations such as British Holiday & Home Parks Association and Welsh Beer and Pub Association
- Wales Tourism Alliance
- UK Short Term Accommodation Association
- Fforwm Eryri

Local Authorities:

- Visitor Levy Design Workshops comprising local authority tourism, economic development, and finance officers
- CEOs of Local Authorities
- Welsh Local Government Association (WLGA)
- WLGA Housing
- Gwynedd County Council
- Isle of Anglesey County Council
- Neath Port Talbot County Council
- Conwy County Borough Council
- Cardiff County Council
- Pembrokeshire County Council
- South Wales Treasurers for Local Authorities
- Welsh National Parks

Government and tax authorities:

- Scottish Government
- Welsh Revenue Authority
- City of Amsterdam
- Government of Catalonia
- New Zealand Government
- Government of the Balearic Islands
- Government of Quebec
- City of Philadelphia

Academia:

- Alma Economics
- Bangor University Business School

Third Sector:

- Third Sector Partnership Group (with Minister for Finance and Local Government, comprising of representatives of voluntary organisations in Wales).
- Children in Wales
- Keep Wales Tidy
- TGP Cymru - Travelling Ahead: Wales Gypsy, Roma and Traveller Advice and Advocacy Service
- Cymorth Cymru (representative body for providers of homelessness, housing and support services in Wales)

Other:

- UK online booking platforms (including AirBnB, Expedia)
- Chartered Institute of Taxation

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