

# Transient Visitor Taxes in Scotland: Supporting a National Discussion

A Scottish Government Discussion Document

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## 1. Introduction

Tourism is a key sector of the Scottish economy. It employs 206,000 people in Scotland, and is a significant provider of economic opportunities across Scotland's cities, towns and rural areas. Scotland has seen significant increases in visitor numbers in recent years, particularly from overseas. The Scottish Government is committed to working with Scotland's tourism industry and other partners to support our common goal – the continued success of this key sector.

In recent months, a number of our Local Authority partners and the Convention of Scottish Local Authorities (CoSLA) have called for the Scottish Government to grant the powers to allow them to levy a transient visitor tax, or tourist tax, in their areas, should local circumstances be supportive. However, there has been significant opposition to these proposals from among the representatives of Scotland's tourism industry.

The Scottish Government believes that this issue requires careful consideration, particularly in light of the economic uncertainty created by Brexit. As Tourism is one of Scotland's key economic sectors, and powers for Local Authorities would require legislation by the Scottish Parliament it is important that these considerations have a national, as well as local, dimension.

In response to these issues, the Scottish Government is taking forward a national discussion around tourist taxes in Scotland. Through this discussion, we are engaging with a range of partners to:

- Seek views on the need for, and purpose of, a transient visitor tax in Scotland, in the context of current challenges and future opportunities for supporting sustainable and inclusive growth.
- Encourage debate on available options for addressing underlying challenges and opportunities within Scotland's tourism sector;
- Encourage partners and stakeholders to provide and share evidence of potential impacts of tourist taxes on the tourism sector, visitor economy and local government; and
- Encourage partners and stakeholders to articulate challenges and issues that would need to be addressed were devolution of a transient visitor tax power to the local authority level to be considered or taken forward.

The aim is to bring partners together to ensure a full range of voices are heard in this discussion, and to build a common and shared understanding among our partners of the issues, opportunities and challenges in this area, in the context of supporting the tourism sector's continued contribution to delivering sustainable and inclusive economic growth in Scotland. The Scottish Government is not seeking to test an existing, specific policy position on a transient visitor tax.

### **The Role of This Document**

To support the national discussion, the Scottish Government has prepared this discussion document. The purpose of this document is not to present a case 'for' or 'against' a transient visitor tax. Instead, the document aims to provide a range of

evidence around the importance of tourism across Scotland; the international experience of tourist taxes; and to highlight core issues that future discussions on this topic should seek to consider and engage with.

The structure of this document is as follows:

- **Section 2** summarises the Scottish Government's economic approach, and the principles that inform the Scottish Government's approach to tax policy;
- **Section 3** provides an overview of tourism activity across Scotland, and the importance of tourism to Scotland's economy;
- **Section 4** gives a brief overview of types of taxes levied on tourism businesses in Scotland, and the use made of occupancy taxes in other countries;
- **Section 5** draws out important facets of the evidence base around tourist taxes, which may be of relevance to the national discussion; and,
- **Section 6** sets out broad themes and questions for the national discussion.

## 2. Policy Context

This section sets out the broad policy context for underpinning the Scottish Government's thinking in this area, covering our approach to growing the economy, and to taxation.

Scotland's Economic Strategy<sup>1</sup>, published in 2015, sets out the Scottish Government's framework for increasing growth and tackling inequality. Four priority areas are identified within the Strategy to direct policy action: Investment, Innovation, Internationalisation and the overarching theme of Inclusive Growth.

More recently, the Economic Action Plan<sup>2</sup> was published in October 2018, which reinforces the vision set out in the Economic Strategy and sets out the steps that the Scottish Government is taking to lead to a more prosperous and fairer society.

Tourism is significant contributor to this agenda. The sector is an important player in raising Scotland's profile as an open, modern and internationally-facing economy, and has an important role to play in supporting inclusive growth, given its size and reach as an employer across Scotland.

The Scottish Government and our partners are taking forward a range of actions to support sustainable growth within the sector. We have supported the development of world-class visitor attractions, such as the iconic V&A Dundee, and established the Rural Tourism Infrastructure Fund to provide investment in infrastructure to support sustainable growth in rural tourism across Scotland. VisitScotland continues to undertake innovative approaches to marketing Scotland on the world stage, while our Enterprise Agencies provide a range of business support, including one to one support through account management. Through our mandatory Rural Rates Relief scheme, our Small Business Bonus Scheme, and our transitional relief for the hospitality sector, we have helped a number of small rural hotels to cope with increasing business costs. Along with our visitor economy agencies, we are supporting Digital Tourism Scotland, which will improve the digital skills and capabilities of tourism businesses. We are also continuing to make strategic investments in infrastructure, including through the Digital Superfast Broadband Programme and Mobile Infill Action Plan, to support the sector's continued growth and development.

In considering taxation policy, the Scottish Government is guided by Adam Smith's principles, which underpin the Scottish approach to taxation:

- **Certainty:** Certainty is important for households and businesses alike to ensure that financial decisions can be taken from an informed position on the path of future tax policy.
- **Convenience:** Decisions made on taxation should not needlessly impact on the convenience of the current system, and should seek to minimise the administrative impact and burden on taxpayers.

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<sup>1</sup> Scottish Government (2015), *Scotland's Economic Strategy*.  
<https://www.gov.scot/publications/scotlands-economic-strategy/>

<sup>2</sup> Scottish Government (2018), *Economic Action Plan*. <https://economicactionplan.mygov.scot/>

- **Efficiency:** As the administration, collection and enforcement of existing and new taxes involves costs for those involved, it is important that policy is designed efficiently to minimise the cost of implementation and operation.
- **Proportionality:** Proportionality to the ability to pay (often referred to as progressivity) in taxation is vital. Everyone benefits from public services and all those who can contribute are expected to do so, but those with the broadest shoulders should bear the greatest burden.

As well as Adam Smith's founding principles, the Scottish Government's approach to tax is based on a **firm approach to tax avoidance**; and a **commitment to engagement** with stakeholders. This national discussion forms part of our ongoing commitment to engage proactively with stakeholders on taxation issues.

This national discussion also takes place within the context of a number of wider engagements, particularly the upcoming Local Governance Review. The Local Governance Review reflects local and national government's shared commitment to subsidiarity and local democracy, and builds on joint agreement between COSLA and the Scottish Government to focus on and strengthen local and community decision-making and democratic governance in ways that improve outcomes in local communities, grow Scotland's economy for everyone's benefit, support communities to focus on their priorities, and help new ideas to flourish.

The Review will explore what might be achieved, and highlight opportunities for positive change. In doing so it brings a wide range of Scotland's public services into scope, takes cognisance of reforms where work is already progressing, and will include powers and functions held at national level.

With this context in mind, the Scottish Government is keen to explore the following broad issues within the national discussion:

- What would be the reasons for introducing a transient visitor tax?
- What would a well-designed and operated transient visitor tax look like?
- What positive and negative impacts could a transient visitor tax have?
- How could a transient visitor tax be used, and how can revenue be distributed fairly?

The remainder of this document sets out a range of evidence to help inform discussion of these issues.

### 3. Tourism in Scotland

Tourism is a significant part of Scotland's economy, in terms of its size, economic contribution, and its distribution across Scotland. This section provides overview of tourism activity in Scotland, including trends in visitor numbers, spend and distribution; accommodation; and economic contribution.

#### Overnight Visitors<sup>3</sup>

In 2017, there were almost 14.9 million overnight visits to Scotland, the majority of which were made by visitors from within Great Britain. Around 5.4 million (36 per cent) visits were made by people from Scotland, 6.3 million (42 per cent) came from elsewhere in Great Britain, and around 3.2 million (22 per cent) came from overseas.

Overall visitor numbers increased by 4.3 per cent between 2016 and 2017, with international visitors increasing by almost 17 per cent. However, since 2011, overall visitor numbers have fallen by over 5 per cent, with growth in visitors from overseas being offset by reductions in visitor numbers from the UK.

Visitor expenditure has increased in recent years. Overnight visitors spent almost £5.3 billion in 2017 – up over 9 per cent in real terms on 2016<sup>4</sup>. Within this, spending by overseas visitors was worth almost £2.3 billion – up almost 21 per cent in real terms on 2016. However, over the longer term, overall expenditure growth has been relatively stable: while expenditure by overseas visitors increased by almost 40 per cent in real terms between 2011 and 2017, overall overnight expenditure by tourists increased by 6.4 per cent in real terms over the same period.

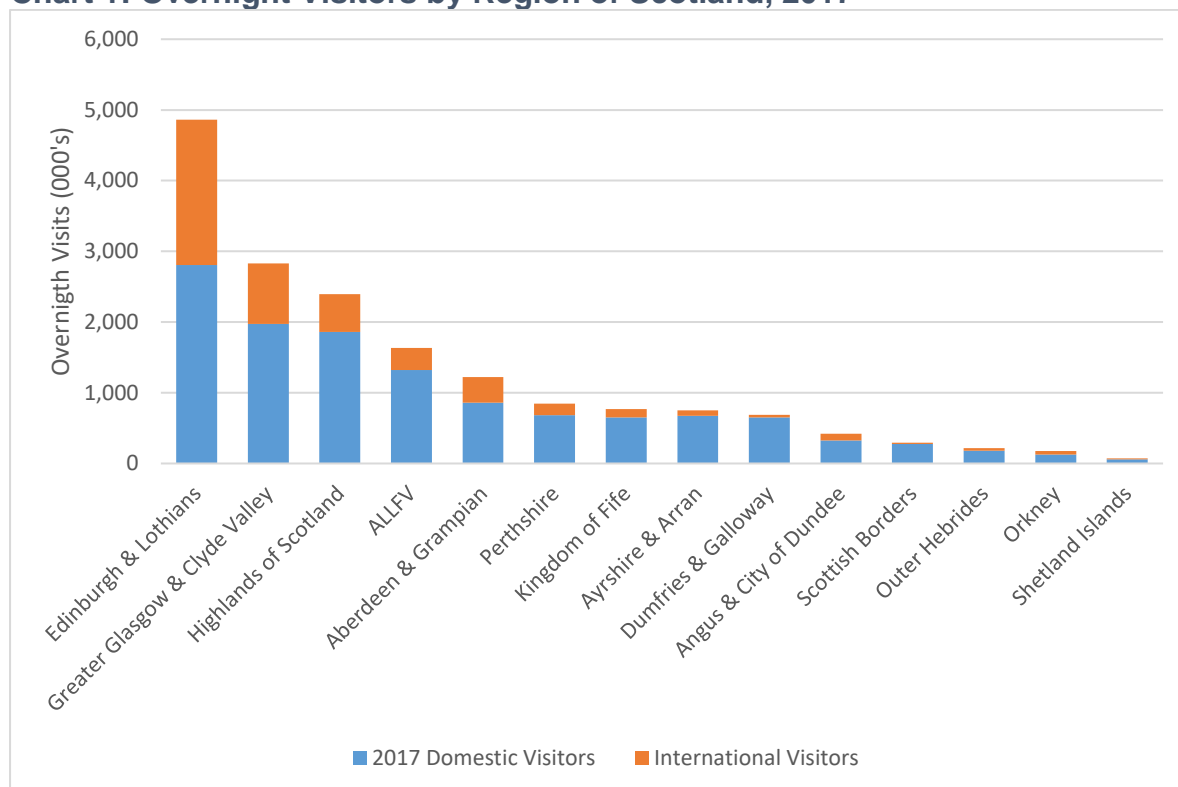
Chart 1 shows the distribution of overnight visits across Scotland in 2017, revealing significant regional concentrations of visitors.

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<sup>3</sup> ONS (2018) International Passenger Survey 2015-17, VisitEngland, VisitScotland and Visit Wales (2018) Great Britain Tourism Survey 2015-17.

<sup>4</sup> Real terms estimates are presented here in 2017 prices.

**Chart 1: Overnight Visitors by Region of Scotland, 2017**



Source: ONS (2018) International Passenger Survey 2015-17; VisitEngland, VisitScotland and Visit Wales (2018) Great Britain Tourism Survey 2015-17; VisitScotland (2017) Islands Visitor Survey 2017.

Edinburgh and the Lothians received almost 5 million overnight visitors in 2017, 29 per cent of total overnight visitors to Scotland, and also received around 44 per cent of Scotland's overseas overnight visitors. Greater Glasgow and the Highlands received 17 per cent and 11 per cent of Scotland's overnight visitors respectively.

Visitor expenditure across Scotland is similarly concentrated. Edinburgh received around £1.8 billion of expenditure by overnight visitors in 2017: 35 per cent of the Scottish total. Within this, Edinburgh accounted for over £1 billion of overseas visitor expenditure: 45 per cent of Scotland's total. Glasgow accounted for over £700 million of overnight visitor expenditure in 2017, around 13 per cent of Scotland's total.

### Day Visitors<sup>5</sup>

Day visitors also represent a significant source of tourism activity across Scotland. In 2017, there were over 151 million day visits within Scotland, accounting for around £6 billion of tourist expenditure. The vast majority of day visits (84 per cent) were by visitors from within Scotland.

Numbers of visits increased by 6.4 per cent between 2016 and 2017, but have fallen by 2.1 per cent since 2011. Expenditure by day visitors, while rising by almost 20

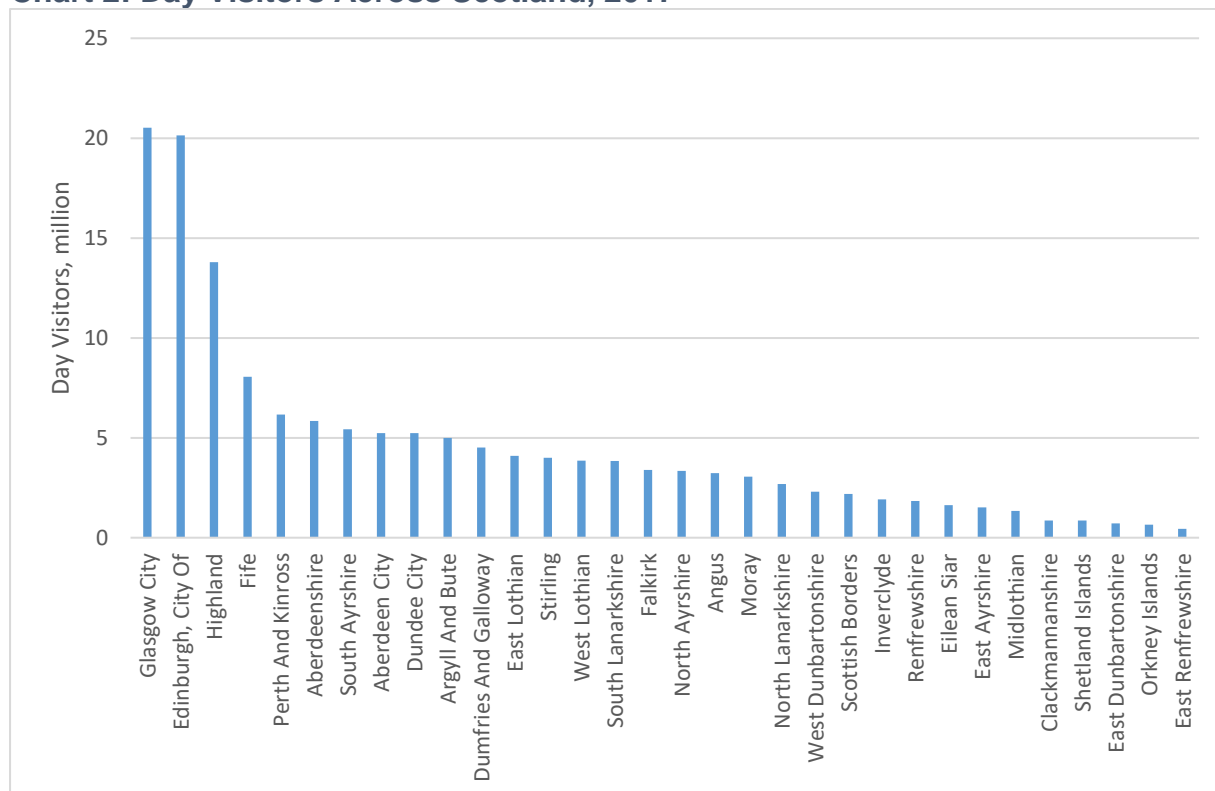
<sup>5</sup> VisitEngland, VisitScotland and Visit Wales (2018) Great Britain Day Visitor Survey.



per cent in real terms between 2016 and 2017, has also declined significantly since 2011, falling by 23 per cent in real terms between 2011 and 2017.

Chart 2 shows the distribution of day visitors across Scotland in 2017.

**Chart 2: Day Visitors Across Scotland, 2017**



Source: ONS (2017) Great Britain Day Visitor Survey

Glasgow and Edinburgh each received over 20 million visitors, or around 14 per cent of total day visitors each within Scotland. Glasgow also received over £1.1 billion (22 per cent) of day visitor expenditure, while Edinburgh received almost £960 million (18 per cent).

Scotland has a diverse range of visitor attractions. Data from the Moffat Centre also suggests that in 2017, visitor attractions in Scotland experienced a 7.0 per cent increase in visitor numbers between 2016 and 2017. Attractions in Greater Glasgow and the Clyde Valley and Edinburgh and the Lothians received the greatest number of visitors (almost 21 million and over 17 million respectively); while the National Museum of Scotland and Edinburgh Castle both exceeded 2 million visitors in 2017, making them the most visited attractions outside of London<sup>6</sup>.

Table 1 sets out the most visited paid and free attractions in Scotland in 2017. A number of these receive financial support from government in Scotland, either from the Scottish Government, or from Local Authorities.

<sup>6</sup> Association of Leading Visitor Attractions (2018), Latest Visitor Figures. <http://www.alva.org.uk/details.cfm?p=423>

**Table 1: Most Visited Attractions in Scotland, 2017**

Rank	Paid Attractions		Free Attractions	
	Attraction	Visitor Numbers	Attraction	Visitor Numbers
1	Edinburgh Castle	2,063,709	National Museum of Scotland	2,165,601
2	Edinburgh Bus Tours	690,082	Scottish National Gallery	1,600,761
3	Stirling Castle	567,259	Riverside Museum	1,355,359
4	Edinburgh Zoo	519,281	Kelvingrove Art Gallery & Museum	1,304,072
5	Urquhart Castle	488,136	St Giles' Cathedral	1,285,654
6	Glasgow Science Centre	425,961	Royal Botanic Garden Edinburgh	821,955
7	Glenfinnan Monument	396,448	Gretna Green Famous Blacksmith's Shop	812,177
8	Royal Yacht Britannia	390,482	National War Museum	764,079
9	The Scotch Whisky Experience	376,757	Regimental Museum of the Royal Scots Dragoon Guards	745,208
10	Loch Ness by Jacobite	298,000	Gallery of Modern Art	670,555

Source: Moffat Centre Glasgow Caledonian University (2018), *Scottish Visitor Attraction Monitor 2017*

## Accommodation in Scotland

There are a range of economic activities contained within the Sustainable Tourism Growth Sector, with provision of accommodation comprising a significant portion of the sector. Activities included within accommodation are:

- Hotels and similar accommodation;
- Holiday and other short-stay accommodation; and,
- Camping grounds, recreational vehicle parks and trailer parks

In 2018, there were over 3,000 registered business sites within the accommodation sector across Scotland. Table 2 sets out the distribution of these by size of business and accommodation type.

**Table 2: Accommodation, Registered Business Sites, by Employee Sizeband, 2018<sup>7</sup>**

	<b>0-4 Employees</b>	<b>5-9 Employees</b>	<b>10-14 Employees</b>	<b>15-49 Employees</b>	<b>50+ Employees</b>	<b>Total</b>
Hotels and similar accommodation	480	320	240	710	225	<b>1,980</b>
Holiday and other short-stay accommodation	635	125	35	35	5	<b>840</b>
Camping grounds, recreational vehicle parks and trailer parks	200	50	20	20	10	<b>300</b>
<b>Total</b>	<b>1,320</b>	<b>495</b>	<b>295</b>	<b>765</b>	<b>240</b>	<b>3,120</b>

Source: ONS (2018), Inter-Departmental Business Register.

Hotel accommodation forms the majority of registered accommodation enterprises, with the majority of these being small businesses.

Activity within the accommodation sector varies across Scotland, and across the year. In 2017, the average hotel room occupancy rate was over 72 per cent: however, this rate varied from a low of around 51 per cent in January 2017 to a high of 89 per cent in August<sup>8</sup>. Self-catering unit occupancy rates averaged at around 54 per cent in 2017, and varied between a low of 29 per cent in January to 85 per cent in August.

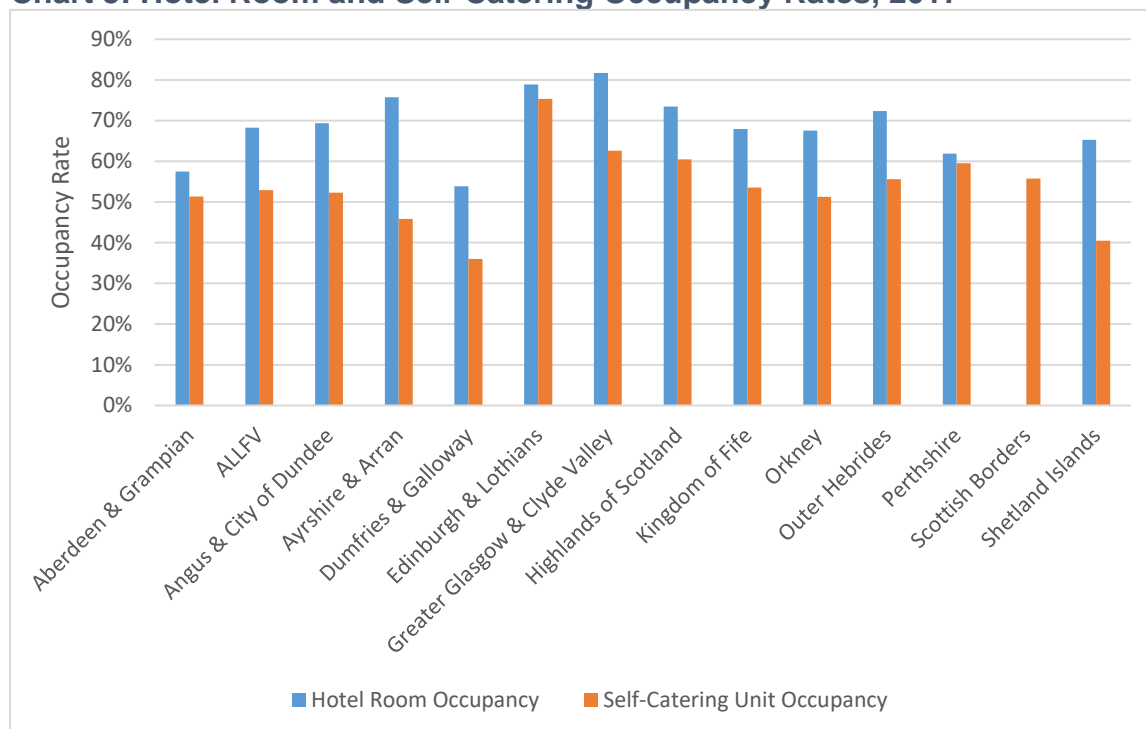
Occupancy rates also vary across Scotland's regions. Chart 3 sets out average occupancy rates for hotel rooms and self-catering units across Scotland.

<sup>7</sup> The Inter-Departmental Business Register (IDBR) is maintained by the Office for National Statistics (ONS) and is a database of all registered enterprises operating in the UK i.e. enterprises that are registered for VAT and/or PAYE. It covers 99% of economic activity in the UK. Those excluded are small sole traders or partnerships with no employees and an annual turnover of less than the VAT threshold (£83,000 in 2017).

<sup>8</sup> VisitScotland (2018), Scottish Accommodation Occupancy Survey.

<https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers-2/occupancy-annual-report-2017.pdf>

**Chart 3: Hotel Room and Self-Catering Occupancy Rates, 2017**



Source: VisitScotland (2017), Scottish Accommodation Occupancy Survey.

This shows both Edinburgh and the Lothians and Greater Glasgow and Clyde Valley achieving relatively high levels of occupancy across the year; however, occupancy rates were relatively low in both Aberdeen & Grampian and Dumfries and Galloway.

### Economic Contribution

The tourism sector makes an important economic contribution to Scotland, both at a national level, and across Scotland.

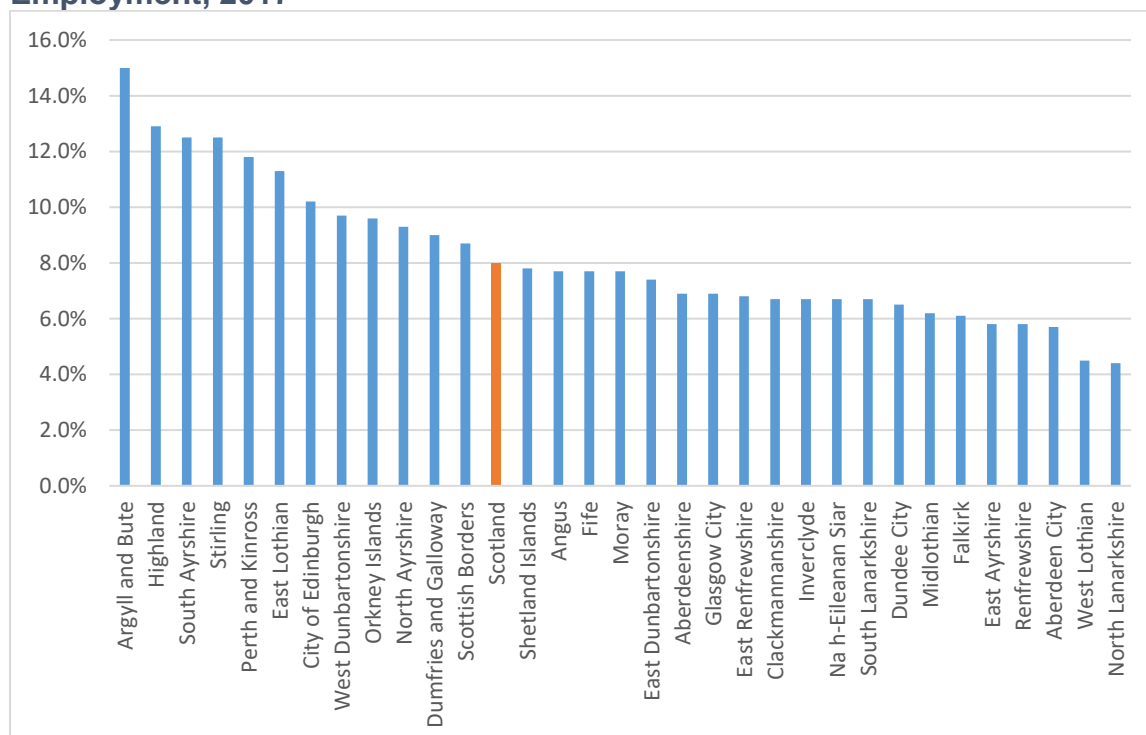
The Sustainable Tourism Growth sector employed 206,000 across Scotland in 2017<sup>9</sup>. This represented around 8 per cent of employment in Scotland as a whole. Within this, the accommodation sector employed 56,000: around 27 per cent of the total.

Tourism is a significant employer across Scotland. Around 31 per cent of the sector's employment is accounted for by Edinburgh and Glasgow, with 34,000 and 29,000 employees respectively. The sector is also a particularly important source of employment in areas like Argyll and Bute, Highlands, and Stirling, where it accounts for around 15 per cent, 13 per cent, and 12.5 per cent of employment respectively.

Chart 4 sets out the relative importance of tourism as an employer across Scotland's Local Authority areas.

<sup>9</sup> ONS (2018), Business Register and Employment Survey

**Chart 4: Sustainable Tourism Employment as Share of Local Authority Employment, 2017**



Source: ONS (2018), Business Register and Employment Survey

In addition to its contribution to employment, the sustainable tourism sector also supports activity in other sectors of the Scottish Economy.

In 2017, total expenditure by domestic and non-domestic tourists in Scotland, including overnight and day visitors, was around £11 billion<sup>10</sup>. Analysis using the Scottish Government’s Input-Output tables<sup>11</sup> indicates that, after adjusting for the imports purchased by the sector, and including an estimate of capital expenditure undertaken by the sector, this directly supported £5.2 billion of GDP (in basic prices) in the Scottish Economy, including around £3.6 billion in the hotels, distribution and catering sector.

However, this also supported activity in the wider Scottish Economy through the purchases made by the sector from the wider Scottish supply chain, and through the wages spent by those working in the sector. Purchases from the supply chain accounted for around £1.2 billion of GDP in the wider Scottish Economy, including around £422 million of GDP in Finance and Business Services. Wages spent by those working in the sector and the supply chain also supported around a further £1.4 billion of GDP.

Taken together, spending by tourists in Scotland generated around £14 billion of economic activity in the wider Scottish supply chain and contributed around £8 billion

<sup>10</sup> ONS (2018) International Passenger Survey 2015-17; VisitEngland, VisitScotland and Visit Wales (2018) Great Britain Tourism Survey 2015-17; VisitEngland, VisitScotland and Visit Wales (2018) Great Britain Day Visitor Survey.

<sup>11</sup> Scottish Government Input-Output Tables.  
<https://www2.gov.scot/Topics/Statistics/Browse/Economy/Input-Output>

to Scottish GDP (in basic prices). This represents about 6 per cent of total Scottish GDP.

## 4. Taxation on Tourism

This section provides a brief overview of current taxation on accommodation and tourism businesses in Scotland, and discusses international experience of use of occupancy (or ‘tourist’) taxes.

### Taxation on Tourism

Tourism businesses and accommodation providers are typically subject to a range of indirect or direct taxes which include:

- Corporation Tax (levied on a company’s profits);
- Employer National Insurance;
- Non-Domestic Rates (levied on ‘non-domestic’ premises, such as accommodation); and,
- Value-Added Tax (VAT) (levied on the value a business adds to goods or services during its particular stage of the production or distribution process).

In addition, most flights from Scottish airports are currently subject to Air Passenger Duty. Once this is replaced by Air Departure Tax, the Scottish Government is committed to reducing this, and abolishing when resources allow. There are currently no occupancy taxes in operation within Scotland.

### Non-Domestic Rates

Non-domestic rate bills are derived using the rateable value of a property multiplied by the tax rate (poundage) and adjusted for any exemptions, reliefs or supplements. The rateable value is determined by the independent Assessors, based upon a property’s notional market rental value if it were vacant and to let. There are around 253,000 properties on the current roll with a total value of around £7.4 billion.

Revaluations of all properties take place periodically to ensure market values are accurate. The most recent Revaluation took place in 2017; the next will take place in 2022 from which point the revaluation cycle will be every three years. Rates are set annually by Scottish Ministers and administered by Local Authorities. Councils retain the revenue collected in their area and apply any relief or supplements.

Details of the poundage for 2018-19 is presented in Table 3 below:

**Table 3: Non-Domestic Rates, 2018-19, Scotland**

Poundage	48.0p
Large Business Supplement (LBS)	2.6p
Rateable value above which LBS is paid	£51k

Scotland typically offers a generous package of non-domestic rates reliefs including the Small Business Bonus Scheme, empty property relief, charity relief and transitional relief. With regards to tourism, properties with a rateable value under £15,000, for example many smaller accommodation providers such as B&Bs may be eligible for 100% relief. Those properties with a rateable value from £15,001 - £18,000 may benefit from 25% relief although if a ratepayer had more than one

business property, with a combined rateable value of between £18,001 and £34,000, they will receive 25% relief on each individual property with a rateable value of under £18,000.

In recognition of the impact of the 2017 revaluation on the hospitality sector, in the financial year 2017-18 the Scottish Government introduced a transitional relief for the hospitality sector which capped rates increases at 12.5 per cent in real terms for all but the largest hospitality providers (and offices in the North East of Scotland). That relief was extended in 2018-19 and on 26 October 2018, the Minister for Public Finance and Digital Economy confirmed the relief would remain in place until the next revaluation in 2022.

Table 4 below presents the frequency and level of business rate relief for various accommodation types across Scotland<sup>12</sup>.

**Table 4: Visitor Accommodation Properties Subject to Non-Domestic Rates, 2018-19**

Property Type	No Relief	Partial Relief	Full Relief	Total Premises	Premises receiving Partial / Full Relief, % of Total
Self-Catering	2,170	520	12,220	14,910	85%
Hotel	1,690	180	540	2,410	30%
Guest House	200	50	1,170	1,420	86%
Caravan	290	30	980	1,300	78%
Time Share Units	190	40	900	1,130	84%
Hostel	150	120	500	770	80%
Caravan Site	280	40	360	680	59%
Other	130	40	840	1,000	87%
<b>Total</b>	<b>5,100</b>	<b>1,020</b>	<b>17,510</b>	<b>23,620</b>	<b>78%</b>

Source: Scottish Assessors' Valuation Roll and Local Authority non-domestic rates (2018)

## Value Added Tax

VAT is levied on transactions, and acts as a tax on final consumption. The VAT rate in the UK is set by the UK Government, and governed by EU directive 2006/112/EC<sup>13</sup>, which imposes a common system of VAT across EU member states. VAT is levied on a number of goods and services within the UK, including areas of expenditure related to tourism, such as:

- Renting of hotel accommodation;
- Admission to cultural services;
- Admission to amusement parks;

<sup>12</sup> Please note that when the data set out in Table 6 was collected a number of Local Authorities' IT systems were not in place to provide information on the transitional relief noted above. The number of properties in receipt of relief therefore is likely to be higher than the number suggested in Table 6.

<sup>13</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32006L0112>



- Restaurant and catering services; and,
- Admission to sporting events.

The standard rate of VAT within the UK is currently 20 per cent. This rate is around average in terms of standard rates of VAT in the EU, with 17 EU Member states having higher standard rates of VAT<sup>14</sup>. A number of EU countries also apply reduced rates of VAT on tourism-related areas of expenditure. However, the UK currently does not, and instead applies the standard rate to the items set out above. This means that the UK has amongst the highest VAT rates applied to accommodation among EU Member States, with only Denmark applying a higher rate. Table 5 and Chart 5 show EU Member States' rates of VAT applied to Renting of Hotel Accommodation and Standard Rates of VAT<sup>15</sup>.

**Table 5: Standard and Hotel Accommodation VAT Rates Across EU Member States, 2017**

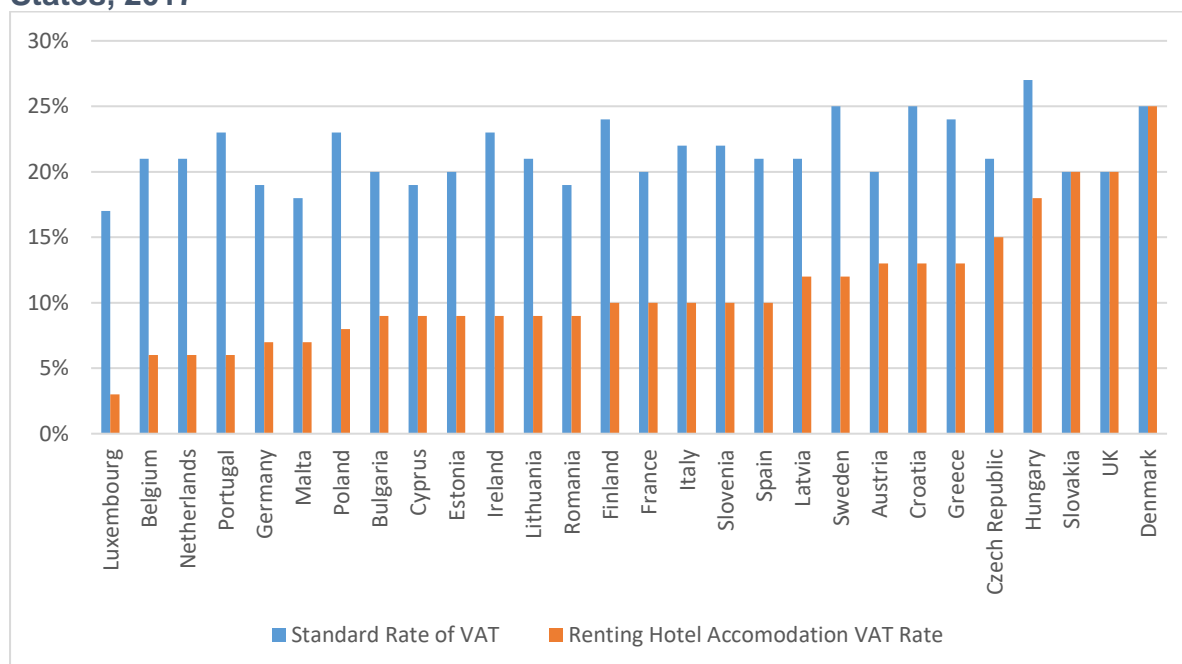
EU Member State	Standard VAT Rate	VAT Rate Applied to Accommodation
Austria	20%	13%
Belgium	21%	6%
Bulgaria	20%	9%
Croatia	25%	13%
Cyprus	19%	9%
Czech Republic	21%	15%
Denmark	25%	25%
Estonia	20%	9%
Finland	24%	10%
France	20%	10%
Germany	19%	7%
Greece	24%	13%
Hungary	27%	18%
Ireland	23%	9%
Italy	22%	10%
Latvia	21%	12%
Lithuania	21%	9%
Luxembourg	17%	3%
Malta	18%	7%
Netherlands	21%	6%
Poland	23%	8%
Portugal	23%	6%
Romania	19%	9%
Slovakia	20%	20%
Slovenia	22%	10%
Spain	21%	10%
Sweden	25%	12%
UK	20%	20%

Source: European Commission (2017a), Database of Key Taxes on the EU Tourism Sector, August 2017

<sup>14</sup> European Commission (2017a), Database of Key Taxes on the EU Tourism Sector, August 2017.

<sup>15</sup> Member States' VAT Rates on Hotel Accommodation are also included in **Annex A**, for reference.

**Chart 5: Standard and Hotel Accommodation VAT Rates Across EU Member States, 2017**



Source: European Commission (2017a), Database of Key Taxes on the EU Tourism Sector, August 2017

## Occupancy Taxes

Occupancy taxes (also referred to as bed, room, tourist or transient visitor taxes) are largely focused on tourism or accommodation providers, and are typically levied on short term residences in paid accommodation<sup>16</sup>. They are levied by eighteen<sup>17</sup> EU Member States, and by others including the USA, and Canada. Among EU Member States, over one-third (the UK, Ireland, Denmark, Sweden, Finland, Estonia, Latvia, Luxembourg and Cyprus) do not levy an occupancy tax. Among EU Member States that levy an occupancy tax, all with the exception of Malta do so at local government level – i.e. at city, municipality or region level.

Models of occupancy taxes vary across EU Member States, and across cities. They have been levied on a number of bases, including<sup>18</sup>:

- Per person, per night;
- Per room, per night;
- As a proportion of the room cost (in the case of cities like Amsterdam and Berlin).

Tax rates applied also vary widely. Some cities, such as Paris, Rome, Venice and Barcelona, vary the tax levied according to the quality rating of the accommodation,

<sup>16</sup> European Commission (2017b), The Impact of Taxes on the Competitiveness of European Tourism, 36.

<sup>17</sup> Greece is also scheduled to introduce an occupancy tax in 2018 (ibid, 37).

<sup>18</sup> Daley, M (2017), Options for a Tourism Levy for London: A publication for the London Finance Commission, GLA Economics, Working Paper 83, 20-28.

while others such as Lisbon operate a fixed charge per person, per night. Reduced rates or exemptions may also be applied, for instance for children, local residents, or business travellers<sup>19</sup>, while caps on tax levied may also be applied<sup>20</sup>. **Annex A** gives examples of models and rates operated across different EU Member States.

Approaches to collection may also vary across jurisdictions: they may be included in the price paid in advance for accommodation, or may be payable in person; they may be paid by the accommodation owner directly, or through intermediary platforms like AirBnB. In some instances, such as in Germany, VAT may also be applied on top of the tax<sup>21</sup>.

Use of revenues from occupancy taxes varies across areas that levy them. In a number of EU Member States, including Croatia, France, Malta and parts of Spain, revenues from occupancy taxes are hypothecated, with revenues directed towards supporting the tourism sector<sup>22</sup>. Activities supported include:

- Croatia: funding for local tourist boards and financing of promotional activities;
- Spain (Balearics): environmental protection and conservation, historical and cultural preservation and restoration, workforce training;
- Lithuania (Palanga): improvement of tourism marketing and city infrastructure;
- Germany: access to facilities in some spa towns.

The beneficiaries of occupancy taxes can also vary. In the case of Croatia, revenues are shared among different bodies, including cities, counties, the national tourist board, and the Red Cross, while Catalonia distributes revenues among municipalities, local tourist boards, and the regional tourist agency.

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<sup>19</sup> Ibid: 16-17.

<sup>20</sup> Ibid: 20-28.

<sup>21</sup> European Commission (2017b): 37.

<sup>22</sup> Ibid: 38

## 5. Issues for Consideration During the National Discussion

The Scottish Government believes that the issue of a transient visitor tax is a complex one, and one that requires careful consideration. In taking forward the national discussion, the Scottish Government is keen to explore these issues with partners in local government and the tourism sector, and in particular to consider:

- The reasons and rationale for introducing a transient visitor tax;
- How such a tax would be designed and operated;
- What the potential impacts of such a tax could be; and,
- How potential revenues from such a tax could be used.

The Scottish Government also recognises the importance of considering these questions with the Adam Smith principles of taxation – Certainty, Convenience, Efficiency, and Proportionality – in mind, and the vital need to balance questions of revenue need by different areas of government across Scotland with those of maintaining the tourism sector’s competitiveness, and supporting its contribution to delivering sustainable economic growth across Scotland. This section sets out some of the issues that would need to be considered in the broader discussions around development of tourist taxes in Scotland.

### The Rationale for Transient Visitor Taxes

There are several arguments presented in favour of transient visitor taxes, both by researchers and by local government partners. CoSLA’s recent position paper<sup>23</sup> suggested two broad reasons:

- The cost of maintaining the local environment and public services, which attract tourists, is borne by local taxpayers;
- The wider costs entailed by tourism are also borne by local taxpayers.

These stem from the idea that tourism creates negative externalities, such as congestion, crowding or pollution, that impact on domestic residents and businesses, but which are not reflected in the prices that visitors pay<sup>24</sup>.

An additional aspect of this argument is that tourists make use of ‘public goods’ (local amenities and public services, such as parks, utilities and waste collection) which are paid for through local or national funding, rather than by tourists themselves. Similar arguments are applied to tourists’ use of cultural amenities such as ‘free to enter’ museums, where costs are paid for by local or national residents<sup>25</sup>. A further variation of this argument is that tourism businesses benefit from wider marketing activities undertaken by Governments or tourist boards and funded from taxation, creating a case for those that benefit from the activities to help bear the costs of doing so.

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<sup>23</sup> Convention of Scottish Local Authorities (2018), Transient Visitor Tax.

<sup>24</sup> Daley, M (2017), Options for a Tourism Levy for London: A publication for the London Finance Commission, GLA Economics, Working Paper 83

<sup>25</sup> *ibid*

However, there are counter-arguments to these rationales. One is that tourism creates positive externalities, such as providing domestic residents with access and exposure to other nationalities and cultures, greater international visibility and a positive international reputation<sup>26</sup>. There are also arguments that domestic visitors and businesses already indirectly contribute towards addressing the costs of tourism through general taxation. A third argument relates to how well proposals for transient visitor taxes levied on accommodation align with the visitors creating congestion or litter, particularly if the majority of an area's visitors are day visitors, rather than those staying in accommodation.

A key concern of the tourism and hospitality sector is that the levying of a transient visitor tax could further increase cost burdens within the sector, undermining their competitiveness of the industry<sup>27</sup>. In recent months, tourism industry representatives have highlighted several areas of concern regarding rising business costs, including non-domestic rates, utilities costs, input costs, and workforce costs such as the National Living Wage and the Apprenticeship Levy, along with the relatively high levels of VAT on accommodation and restaurant and catering services set out in Section 4<sup>28</sup>.

## **Design and Operation of Transient Visitor Taxes**

The international experience of occupancy taxes set out in Section 4 highlights a number of practical questions over how transient visitor taxes would work in practice. A selection of these are set out below.

### **Who Would Design and Set a Tax?**

With the exception of Malta, occupancy taxes that are levied within EU Member States are levied at municipal level. However, legislation by the Scottish Parliament would be required for such taxes to be levied in Scotland.

The evidence set out in Section 3 suggests that tourism differs across Scotland's regions, in terms of scale, levels of activity, and the markets visitors come from. Local Authority partners have therefore advocated that each local authority should decide on where a tax should be applied, its design, and any exemptions<sup>29</sup>. However, a multiplicity of tax regimes within Scotland may create confusion among visitors, reduce certainty around their tax requirements, and create additional administrative burdens on the tourism sector. Similar arguments would apply to the level that any tax were set at, and whether any caps or limits were set on future rates.

### **What Form Should a Tax Take, Who Would Be Liable for It, and When Should It Be Levied?**

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<sup>26</sup> European Commission (2017b)

<sup>27</sup> BHA Scotland (2015) Evidence on Tourist Taxes: A Submission to the Commission on Local Tax Reform, Retrieved from <http://localtaxcommission.scot/wp-content/uploads/British-Hospitality-Association-Scotland.pdf>

<sup>28</sup> See, for example, Scottish Tourist Alliance (2018), Scotland's Tourism Industry: Booming, or on a Downward Spiral?

<sup>29</sup> Convention of Scottish Local Authorities (2018), Transient Visitor Tax.

International experience suggests there are several broad models for a transient visitor tax, with the most common including:

- **A flat rate per night** (per person, or per room): these are relatively simple to communicate and calculate, but are regressive, as those staying in low cost accommodation would pay the same as those in higher cost accommodation;
- **A percentage of overall stay costs**: calculated as a portion of the overall bill, and arguably a greater burden for single occupancies;
- **Flat rates per night, varying by bands**: these are typically linked to the ‘star-rating’ of the accommodation. However, current rating systems in operation (such as that operated by VisitScotland) are currently voluntary in nature, and may not cover all accommodation providers.

As the evidence in Section 3 indicates, there are a range of different categories of accommodation, and business sizes. Applying a tax to all accommodation providers and categories, either within individual local authorities or at Scotland level, may be equitable in terms of treatment, but could impose relatively larger compliance burdens on smaller businesses. However, providing exemptions for different sizes or category of accommodation could be distortionary, while varying the size and categories of accommodation covered across Scotland could increase complexity.

Occupancy taxes operated in other countries also make use of exemptions, for groups such as business travellers, local residents, for children, or for those in temporary accommodation. Operating exemptions such as these may increase the complexity of any tax, particularly if they vary across Scotland, but may be viewed as being fairer.

As Section 3 indicates, rates of accommodation use vary across Scotland and across the year, with substantially higher levels of occupancy in summer months compared with winter months. Some areas, such as Venice, apply different tax rates at different times of the year. These may result in a smoother level of occupancy across the year; however, it may add increased complexity to any system, particularly if approaches vary across Scotland. If a tax was applied uniformly across the year, it could serve to reduce demand within off peak seasons.

In countries where occupancy taxes are used, they are typically levied when visitors are leaving their accommodation, rather than upfront. This potentially reduces the transparency of such a tax, and can create frustration among visitors<sup>30</sup>.

### **Who Would Administer, Collect, Monitor and Enforce a Tax?**

Internationally, some countries’ municipal or regional tax authorities collect occupancy taxes. Within Scotland, Local Authorities are responsible for collecting council tax and non-domestic rates. HMRC is responsible for collecting VAT, while Revenue Scotland is responsible for collection of Scotland’s devolved taxes, such as Land and Buildings Transaction Tax and Landfill Tax.

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<sup>30</sup> European Commission (2017b): 162.

However, it is unclear at present how transient visitor taxes would be collected within Scotland, or what the administrative requirements on accommodation providers would be.

### **How Could Revenues Be Used, and Who Would Benefit?**

In a number of countries that operate occupancy taxes, revenues are hypothecated for the development of tourism, or for services used by tourists<sup>31</sup>. However, hypothecation can take various forms, from 'earmarked' funding levels within broader budgets, to revenues collected being placed in dedicated funds, or shares of revenues being allocated to bodies undertaking activities that support tourism.

The range of activities that could be supported by transient visitor taxes is potentially broad. CoSLA's position paper has suggested that revenues could be used to support general infrastructure, such as public transport, the roads network, and cleanliness; tourism superstructure, such as signage, attractions and refuse facilities; and tourist services. Local Authorities' combined gross expenditure on support for tourism<sup>32</sup> was worth £27.2 million in real terms in 2016-17<sup>33</sup>.

A range of activities that support tourism within Scotland, or attract tourists to Scotland, are also funded wholly or partially at national level. These include VisitScotland's marketing activities, Scotland's national museums and galleries, the historic estate maintained by Historic and Environment Scotland (HES), and direct funding support by Scottish Government. This support is significant: for instance, HES spent around £92 million in 2017-18, while VisitScotland's total grant in aid funding, as set out in Budget 2017-18, was £41 million<sup>34</sup>.

### **What Might the Impacts of Transient Visitor Taxes Be?**

The overall impact of new or increased taxes on the tourism sector depend on a combination of factors<sup>35</sup>:

- The extent to which the cost of a new tax, or tax rise, can be passed on by accommodation providers to consumers through increased prices; and,
- Whether consumers are responsive to price increases, and how responsive they are.

The extent to which tax increases would be passed on to consumers would depend on the degree and intensity of competition among accommodation providers; their ability to adjust capacity quickly; and the extent to which accommodation providers and locations can differentiate themselves, and therefore charge higher prices. The

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<sup>31</sup> Ibid: 36-38.

<sup>32</sup> Expenditure on tourism relates to the costs that Local Authorities incur in contributing to tourism within their area. These include: tourism policy, marketing and development; promotional events; and camping and caravanning.

<sup>33</sup> Scottish Government, Local Financial Returns (LFR2). Gross expenditure values are in 2017-18 prices, and calculated using HM Treasury's October 2018 deflators (<https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>).

<sup>34</sup> Scottish Government, Draft Budget 2017-18.

<sup>35</sup> European Commission (2017b): 110.

extent to which cost increases can be passed through can also increase over time. Recent reviews of the economic literature suggest that, in general, tourist businesses would tend to pass on changes in taxes to consumers<sup>36</sup>.

Consumers' price responsiveness depends on factors such as the availability of substitutes, their tastes and preferences. There is limited available Scotland-specific evidence on price elasticities of demand for tourism. However, existing UK and international evidence offers a mixed picture. For instance, some studies find that travellers to Europe are relatively price sensitive<sup>37</sup>. Other studies have indicated that, while overall tourism to the UK may be relatively price insensitive, holidaymakers are significantly more price sensitive than those visiting for business purposes, while domestic holidays within the UK are highly responsive to changes in price<sup>38</sup>.

Consumers' responses may take a number of forms. For instance, they may spend more on accommodation, and less on other aspects of their trip, such as retail spending or meals; alternatively, they may vary the length of their trip, the accommodation they choose to stay in, or where they choose to stay, displacing expenditure from outwith the area where a transient visitor tax was imposed. Their responses may also be influenced by the point at which any tax is levied.

There is no Scotland-level proposal for a transient visitor tax, although City of Edinburgh Council are currently consulting on options of a tax of £2 per room, per night or of 2 per cent of the total bill. To help gauge the potential scale of price changes from different transient visitor tax scenarios, Table 6 sets out illustrative examples of the tax that would be added to different accommodation types across Scotland. The scenarios based on an average total room cost including VAT, during peak time, drawn from the Scottish Accommodation Occupancy Survey.

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<sup>36</sup> European Commission (2017b): 114.

<sup>37</sup> For instance, Peng et al (2015) found an average price elasticity of demand of -1.291 for those whose destination was Europe, meaning that a 1 per cent increase in price would lead to a reduction of 1.291 per cent in tourism demand in Europe, on average.

<sup>38</sup> Blake, A. and Cortes-Jimenez (2007), *The Drivers of Tourism Demand in the UK: A Report for Department of Culture, Media and Sport*.



**Table 6: Transient Visitor Tax Impacts Under Illustrative Scenarios<sup>39</sup>**

Accommodation Type	Location	Number of Nights	Average Total Room Cost	Tax Charge Added to Average Total Room Cost Under Transient Visitor Tax Scenario					
				£1 per night	£2 per night	£5 per night	+1% on Bill	+2% on Bill	+5% on Bill
Edinburgh	3* Hotel	4	£1,589	£4	£8	£20	£16	£32	£79
	5* Hotel	4	£2,891	£4	£8	£20	£29	£58	£145
Glasgow	3* Hotel	4	£611	£4	£8	£20	£6	£12	£31
Scottish Borders	4* Hotel	3	£829	£3	£6	£15	£8	£17	£41
Skye	Self-catering	7	£782	£7	£14	£35	£8	£16	£39
Fife	Self-catering	7	£810	£7	£14	£35	£8	£16	£40
Argyll & Bute	Self-catering	7	£1,007	£7	£14	£35	£10	£20	£50

Source: Scottish Government Analysis, based on Moffat Centre Analysis of Scottish Accommodation Occupancy Survey.

The illustrative analysis shown above indicates that when the tourism tax is based on a set price, for example £1 per night, the cost to tourists is similar across accommodation type and location. There is a greater disparity in price across accommodation type and location when the tourism tax is presented as a percentage of the bill.

The overall economic impact of a transient visitor tax will depend on the scale of any impact on the tourism sector and wider economy, combined with the impact arising from any revenues raised. There is limited evidence available on what the broader economic impact of transient visitor taxes would be, either at Scotland or UK level. Research by City of Edinburgh Council has suggested that 2 per cent of visitors would have chosen another destination if a £1 per room per night tax were in operation, increasing to 6 per cent of visitors if a £4 per room per night tax was in place<sup>40</sup>. A survey by STR found that, under a suggested £1 or £2 per room per night tourist tax, 75 per cent of visitors surveyed would not have changed their plans, while 2 per cent would not have travelled to Edinburgh, 6 per cent would have stayed outside the city, and 9 per cent would have stayed in cheaper accommodation<sup>41</sup>. The survey also found that 14 per cent of visitors were likely to reduce their non-accommodation spend in Edinburgh, with budget travellers, 25-34 year olds and domestic travellers indicating that they would potentially alter their behaviour or expenditure in response to a tax. Initial analysis by UK Hospitality of suggested a

<sup>39</sup> Average total room cost is based on peak rates, and includes VAT, and is derived from the Scottish Accommodation Occupancy Survey. The analysis assumes that tax impacts are passed through onto the final consumer.

<sup>40</sup> City of Edinburgh Council (2018), Edinburgh Transient Visitor Levy, Corporate Policy and Strategy Committee, 2<sup>nd</sup> October 2018.

[http://www.edinburgh.gov.uk/meetings/meeting/4547/corporate\\_policy\\_and\\_strategy\\_committee](http://www.edinburgh.gov.uk/meetings/meeting/4547/corporate_policy_and_strategy_committee)

<sup>41</sup> STR (2018), Tourist Tax: A Blessing or a Curse?, 15<sup>th</sup> November 2018.

<http://www.ljresearch.co.uk/tourism-tax-blessing-curse/>

gross decline of £175 million of tourist expenditure from the introduction of a Scotland-wide tourist tax of £2 per room per night<sup>42</sup>.

In their study for the European Commission, PWC highlighted a number of key messages around occupancy taxes. These included<sup>43</sup>:

- The importance of balancing revenue needs and maintaining tourism competitiveness when making tax decisions;
- That the perceived uniqueness of a location by visitors can affect their price sensitivity, have a bearing on the effectiveness of a tax, and can be influenced by governments;
- That how a tax is introduced and administered has important implications for how the tourism sector responds to it, with credible hypothecation, transparency and industry involvement in deciding how funds are used being important for support;
- The importance of considering compliance issues, to avoid occupancy taxes becoming a burden on businesses;
- The importance of visibility of occupancy taxes, as these are not just an administrative issue, but one with potentially important impacts on consumer behaviour; and,
- The importance of considering equity issues when designing occupancy taxes, given their different impacts on different groups.

Each of these issues would be important for the national discussion to consider as it develops.

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<sup>42</sup> UK Hospitality (2018), UK Hospitality reveals tourist tax could cost Scotland £175 million, 4<sup>th</sup> October 2018.

<https://www.ukhospitality.org.uk/news/news.asp?id=421158&hhSearchTerms=%22Edinburgh+and+Tourist+and+Tax%22>

<sup>43</sup> European Commission (2017b): 155-163.

## **6. Questions for Consideration Through the National Discussion**

As set out in Section 2, there are several broad issues that could be considered through the national discussion. These include:

- What would be the reasons for introducing a transient visitor tax?
- What would a well-designed and operated transient visitor tax look like?
- What positive and negative impacts could a transient visitor tax have?
- How could a transient visitor tax be used, and how can revenue be distributed fairly?

Within these broad issues, there are a number of different issues that could be considered, including:

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

- I. What are the tourism priorities that we need to meet at local and national levels?
- II. What are the global, local and national trends that will influence these?
- III. What are the challenges posed by Brexit for the tourism sector?
- IV. What is needed to support tourism and the visitor experience at Scotland level, and in different parts of Scotland?
- V. What are the positives and negatives of the general principle of a Tourism Tax?

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

- VI. What countries have adopted tourism taxes, and what models have they adopted?
- VII. What are the characteristics of a successfully designed and implemented model of Tourism Tax?
- VIII. If implemented, how would a Tourism Tax be administered, collected and enforced, and what requirements would this place on Local Authorities, the Scottish Government and the tourism sector?
- IX. If a Tourism Tax were to be implemented, what should a Tourism Tax be expected to do and fund, and how would this be demonstrated?

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

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

- XI. What taxes, charges and other costs are currently levied on the tourism sector, and how do these compare internationally?
- XII. How would tourism businesses and visitors respond to the introduction of a Tourism Tax, over the short and longer term?
- XIII. What the impact of tourism taxes has been on the tourism sector in countries that have adopted them?
- XIV. What are the potential impacts of a tourism tax on the competitiveness of the tourism sector, both at regional and national level?
- XV. What are the potential impacts of a Tourism Tax on visitor numbers, visitor expenditure and the wider Scottish economy?

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

- XVI. What are the potential revenues from a Tourism Tax, and what factors might influence the scale of these?
- XVII. How might receipts from locally determined tourist taxes relate to wider local government revenues and expenditure?
- XVIII. Would those local authorities where tourism is less developed be disadvantaged by not being able to raise revenues in this way?
- XIX. What would a local authority need to do to establish, administer and enforce a locally determined tourist tax?
- XX. Should each local authority determine how receipts raised locally are spent or should local expenditure align with and contribute to national priorities?
- XXI. How could a local authority manage any revenue risks arising from receipts being impacted by wider events?

The Scottish Government will look to explore as full a range of issues as possible during the course of the national discussion.

## Annex A: Occupancy Taxes in Selected EU Member States

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 in European Commission 2017 and Daley 2017 and is provided for illustrative purposes<sup>44</sup>.

Country / City	Tax Base	Tax Rate (approx)	VAT Rate on Hotel Accommodation	Notes
Austria	Per person, per night in most cases	€0.15 - €2.18	13%	Varies by municipality.
Eg Vienna	% of room rate	3.2%	13%	Exemptions for minors, students at Vienna's Universities of technical schools; and stays for more than 3 months
Belgium	Typically per person, per night	€0.53 – c. €7.50	6%	Varies by city.
Eg Brussels Tourism Tax	Per room per night Proportionate to number of rooms available and by category of hotel as classified by Local Tourism Commission	€2.15 - €8.75	6%	Exemptions for those receiving housing assistance.
Bulgaria	Per person per night, based on grade and location of accommodation	BGN 0.20-BGN 3 €0.10 - €1.53	9%	Varies by municipality.
Croatia	Per person, per night, based on grade/ category of accommodation	€0.27 - €0.94	13%	Varies by municipality; revenues are retained by local tourist boards to fund their activities; seasonal variations; exemptions for under 12s and 50% discount for 12-18 year olds.
Czech Republic	Per person, per night	Up to €1	15%	Varies by location.
France	Per person, per night	€0.22 - €4.40 including the additional 10% departmental council 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

<sup>44</sup> Additional sources: ETOA Tourist Tax Summary; <https://www.etoa.org/events/policy/regulation-and-taxation/tourist-taxes>; Berlin.de Information for visitor's on Berlin's hotel occupancy tax; <https://www.berlin.de/sen/finanzen/steuern/informationen-fuer-steuerzahler-/steuer-abc/information-berlin-hotel-occupancy-tax-150351.en.php>; Hamburg Tourismus Introduction of the culture and tourism tax in Hamburg; <https://www.hamburg-travel.com/service/culture-and-tourism-tax/>

				accommodation providers on the basis of capacity.  Revenues are hypothecated to be used for expenses related to tourism.
Eg Paris Occupancy Tax	Per person per night based on star rating	€0.22 - €4.40	10%	Includes 10% departmental 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% of the room rate	7%	Varies by city. In some cities VAT is applied on top of this rate. In some spa towns this allows access to certain facilities (spas, attractions, transportation).
Eg Berlin City Tax	% of room rate	5% of room rate	7%	Limited to 21 successive days. Business travellers are exempt.
Eg Hamburg Culture and Tourism Tax	Per person per night based on net payment for the stay in bands  For every additional €50 the rate increases by one Euro each time	€0 - €4	7%	Business travellers are exempt. Revenue to be invested in tourist, cultural and sporting projects.
Hungary	Per person, per night	4% of room rate up to max €1.51 per person, per night	18%	Varies by city.
Italy	Per person per night	Up to €7.00	10%	Varies by city.
Eg Rome City Tax	Per person, per night up to a max of 10 nights, based on star rating	€2 - €7	10%	Exemptions for hostels, residents of Rome, children under 11, anyone accompanying someone for health reasons, police and armed forces, one coach driver, one tourist guide for every group of 23 members.
Eg 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	€1 - €5	10%	Reductions for young people aged 10-16; seasonal reductions; reductions for certain locations eg on mainland or Venice Lido. Exemptions for 5 star hotels.
Lithuania	Per room, per night	€0.30- 0.60	9%	Varies by city.
Eg Palanga	Per room, per night		9%	Hypothecated to fund improvements of city's infrastructure and marketing of tourism.

Malta	Per person, per night	€0.50, capped at €5	7%	No regional variations. Proceeds used for maintenance of touristic zones.
Netherlands	Per person, per night for most (or % of room rate in some cases), based on grade and type of accommodation	€0.55 - €5.75 or up to 6% of room rate	6%	Varies by municipality.
Eg Amsterdam City Tax	% of room rate	5% of room rate	6%	Payable by non-residents of Amsterdam.
Poland	Per person, per night	PLN1.6 – PLN 2.4 (€0.37 - €0.55)	8%	Varies by city.
Portugal	Per person, per night	€1.00 capped at €7.00	6%	Varies by municipality.
Eg Lisbon Municipal Tourist Tax	Per person, per night	€1.00 up to a max of 7 nights	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	Room rate	1%	9%	Varies by municipality. Under 18s exempt.
Slovakia	Per person, per night	€0.50 - €1.65	20% (full rate VAT)	Varies by municipality.
Slovenia	Per person, per night, by grade and location of accommodation	€0.60 - €1.65	10%	Varies by city.
Spain	Per person, per night	€0.45 - €2.25	10%	Varies by city and/or region. Up to a max of 7 nights.
Eg Barcelona/ Catalonia Tourism Tax	Per person per night for a max of 7 nights based on category of accommodation	€0.65 - €2.25	10%	Exemptions for children under 16.



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