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Evidence Number	0.05
Name	Glasgow Restaurant Association
Permission to Publish	Yes

It is the view of The Glasgow Restaurant Association that The Tourism Levy would be a tax too far. At a time where small independent Tourism Businesses are already incredibly pressured financially and bottom lines are getting squeezed to a point where some are considering closure.

In Scotland where many Regions still experience longer shoulder periods than busy months getting business in a fairly crowded market is already a challenge. It is our thought that should The Levy go ahead the cost will have to be Bourne by the businesses and not passed on to Clients in an effort to keep rack rates and prices stable.
One only has to look at sites like “Itison” where hotels are bulk selling rooms and services at over 50% discount on rack rate to see how occupancy is a serious problem.
It is also our thought that a Levy would add yet another layer of administration to our already overburdened paper work trails. The costs in redesigning software and epos systems would be significant.

In our view we should be looking to our near neighbours in Eire who are encouraging Tourism by a Vat Reduction rather than seeking ways to seek further taxation. Tourism is one of our keys generators of growth in Scotland and employs hundreds and thousands of people. Surely we should be seeking ways to encourage that and foster it rather than disable the great work that we are doing.

It is maybe true that Edinburgh is at capacity. That is an isolated example of a Capital City that has a 365 days a year demand and enjoys a completely different reality than the rest of Scotland. Devolving the powers to Local Councils though is dangerous in our view as cash strapped Councils will see The Levy as a welcome income stream, in these cash strapped times, without any thought for the long term damage.

We urge The Scottish Government to reject this scheme and look further into ways of encouraging business, like a Vat Reduction, in the coming months rather than squeezing our Sector further for a very short term gain that will in the long term damage our Tourism Reputation and wealth creation for the greater good.

Evidence Number	0.08
Name	The Caravan and Motorhome Club
Permission to Publish	Yes

Position from the Caravan and Motorhome Club

Thank you for giving us the opportunity to contribute to this important national conversation concerning Transient Visitor Taxes in Scotland.

The Caravan and Motorhome Club currently represents one million caravan, motorhome and trailer tent owners, 70,000 of whom live in Scotland. The Club has 20 larger Sites and around 110 Certificated Locations (small sites with a maximum of five pitches), providing the equivalent of over two million ‘bed nights’ per annum across the country. The Club itself is a £100 million turnover business providing a wide range of services and activities for its members. It is a leading player in the tourism sector with members making a positive impact to local economies across Scotland, contributing over £38m per annum with their offsite spend alone during their holidays and breaks – in all seasons of the year.

Along with many of our tourism sector colleagues we have the following concerns about the imposition of an additional financial burden on visitors : -

1. While such a tax regime may work for some global destinations where the levels of VAT on tourism services are lower than in Scotland, the introduction must be seen in the context of the UK having the second highest VAT rate in Europe (20%). Compare this for example with the VAT payable on hotel stays in the Netherlands, Portugal, Belgium and Germany at 6-7%. This will have an impact on price-sensitive visitors whether from Scotland, other parts of the UK or overseas, especially when coupled with rising costs for those already squeezed domestic tourists.
2. The net result is that the sector, already under pressure due to additional administrative and cost burdens (wages, utility, rates costs etc) becomes even more uncompetitive relative to other destinations.
3. Taxing a visitor sends a subliminal message that their presence is somehow detrimental to the place they are visiting. Whereas in the majority of cases tourists contribute to an area or destination and are an important component of the economy. The overriding message to them should be that Scotland is an open and welcoming country. Whereas imposing an extra tax on the visitor for choosing to stay in the country, region or city seems to contradict this.

Evidence Number	0.11
Name	VisitArran
Permission to Publish	Yes

On behalf of VisitArran, I am writing to raise our concerns about the possibility of any tourism tax being introduced in Scotland. As a representative body of over 200 businesses, and as the only DMO in Scotland where core costs are met by these businesses, we have a duty and responsibility to represent the collective views of our partners.

Tourism benefits the whole economy of Scotland; it is a growing industry and as such, we would question the merit of introducing yet another cost, penalising both visitors and businesses as a result. Already the UK currently ranks 135/ 136 in the World Economic Forum on international tourism price-competitiveness, and 5th on the full range of international tourism indicators.

By introducing a tourism levy, we would be asking businesses to consider imposing charges that will further reduce their competitiveness in the international market. From an Aran perspective almost 60% of our overnight visitors come from Scotland, and in your own document "Transient Visitor Taxes in Scotland: Supporting a National Discussion", you have highlighted that 84% of day visitors also come from within Scotland (on Arran this figure will be even higher). So we could be seen as imposing further taxation on our existing residents, thereby inviting them to holiday elsewhere in the UK.

Although we are working as a DMO to lengthen the season successfully, there are still times of the year when visitor numbers are not at capacity. We feel that in the present economic climate, imposition of a tourism tax would act as a further deterrent to potential visitors (as is supported on Page 24 of the aforementioned document).

In addition, if local authorities were given powers to determine as to whether or not to impose such a tax, this may cause further confusion: visitors have no idea of authority boundaries! Discretionary taxes as suggested would further add to the complexity of the situation - size of business, operating year, etc

Scottish hospitality businesses have increased business costs, such as high business rates, living wage and pension costs, VAT etc. Introduction of a tourism tax would be a further administrative burden. As an island destination we have additional costs that we work hard to minimise, such as freight, staff housing, ferry reliability and lack of capacity. It would seem wrong to penalise island businesses even further by further reducing their competitiveness in the tourism market, and for this reason if ever a tourism levy was agreed, we would request islands are exempt due to the fragile nature of their economies.

Whilst this discussion is welcomed it is also evident that it is occurring at a strategic level and as a responsible DMO, we are concerned that smaller businesses, who play a vital role in Scotland's tourism product, are not being included from the outset.

An alternative... ?

On Arran we have developed the Arran Trust (www.arrantrust.org) as the island's visitor gifting scheme. Visitors are invited to donate to the Trust, to which community groups can apply for funding towards specific projects such as Arran Coastal Way, car parking at scenic sites, pathworks on the Arran hills and other tourism infrastructural and educational issues. There is no guarantee that any tourism tax would actually be used to support tourism infrastructure. The successful Arran Trust approach has generated approx. £260K over 5 years and has been repeated in other areas of Scotland. By asking for donations, we are giving visitors a choice as to whether they can offer support, and generating a feeling of ownership of the island, and we are not imposing any compulsory tax!

Evidence Number	0.12
Name	SCDI
Permission to Publish	Yes

Transient Visitor Taxes in Scotland: Supporting a National Discussion

Executive Summary

1. The Scottish Council for Development and Industry (SCDI) welcomes the opportunity to contribute to the Scottish Government's National Discussion on Transient Visitor Taxes in Scotland.

2. SCDI does not propose the introduction of a Transient Visitor Levy. There are concerns that any new levy could undermine Scotland's competitiveness as an attractive destination for visitors, artists, investors, businesses and conferences. In the context of Brexit, it is critical that the Scottish Government, the UK Government, the enterprise agencies and local authorities work in partnership to ensure Scotland remains an open, inclusive and globally-connected economy.

3. Nevertheless, in the spirit of constructive engagement, SCDI has recommended in this submission that should any decision be taken to enable the introduction of Transient Visitor Levies by local authorities it should be:

a. Subject to extensive consultation with citizens, businesses and stakeholders, particularly with the tourism industry and accommodation providers;

b. Based on clear evidence and data, with its short-term and long-term fiscal and macroeconomic impact rigorously assessed, in addition to potential unintended consequences;

c. Set at a level which is not prohibitive and maintains the competitiveness of Scotland as a destination for visitors, artists, investors, businesses and conferences;

d. Administered by a flexible system of collection designed in partnership with the tourism industry and accommodation providers of all kinds and sizes; and,

e. Deployed to support inclusive economic growth, with revenue ring-fenced for investment in managing the impact of high levels of tourism on our cities, landscapes and communities and supporting Scotland's tourism industry and its future sustainable growth.

Context

4. The tourism industry is one of the Scottish economy's great strengths. The Scottish Government's Economic Strategy (2015) identifies Sustainable Tourism – which already represents 5% of Scottish GDP and employs 206,000 people across the country, or 8% of the entire workforce – as a key Growth Sector. There are over 3,000 accommodation providers within the sector across Scotland with 56,000 employees. Tourism not only makes Scotland more prosperous, but it also makes our society and our economy more open, diverse, inclusive and globally-connected.

5. However, a growing tourist footprint combined with a difficult fiscal environment for local government has fuelled a growing debate over whether the Scottish

Parliament should legislate to enable local authorities to introduce a Transient Visitor Levy, otherwise known as a tourist tax or occupancy charge, in response. There is evidence that high levels of tourism – particularly when concentrated within small urban areas or fragile natural environments – can create negative externalities (such as congestion, pollution and degradation), escalate pressure on public services and increase demand for public goods, the cost of which are borne by residents and local taxpayers rather than by visiting tourists. Edinburgh and Skye, for example, face these challenges particularly acutely, although they also experience positive externalities (such as increased global connectivity, better amenities and a thriving, diverse cultural scene).

6. These challenges and benefits can increase the need for investment in infrastructure and public services and can damage the capacity of tourism-related businesses to survive, thrive and expand. This is the principal rationale for a Transient Visitor Levy as articulated by its proponents. The proposal by several Scottish local authorities and others has divided public and business opinion and raised substantial concerns. SCDI therefore welcomes the opportunity to contribute to the Scottish Government's National Discussion on Transient Visitor Taxes in Scotland.

Tourist Taxes in the European Union

7. Two-thirds of member states of the European Union levy an occupancy tax focused on tourism accommodation providers, and all but one does so on a local- or city-level, rather than national-level. In many cities, such a levy works well, with revenue investment in promotional activity, local infrastructure or local services. The revenue raised by any new levy could be deployed to support promotional activity, as in Croatia and Barcelona for example, to sell Scotland to new markets; to invest in improved digital connectivity and public transport projects relied upon by tourists and tourism-related businesses; or to support improved public services in key tourist zones, such as refuse collection or public conveniences.

8. The charging mechanism for existing tourist taxes in the EU vary from jurisdiction to jurisdiction. Lisbon, for example, applies a fixed charge per person per night, while Barcelona, Paris, Rome and Venice vary the level of the charge according to the cost and quality rating of the accommodation.

9. However, these jurisdictions also tend to apply lower levels of Value Added Tax (VAT) to tourism-related products and services with lower prices for consumers. The cumulative fiscal burden placed on accommodation providers and consumers should be accounted for in the evidence base for any new levy. Although nowhere in the UK currently applies a Transient Visitor Levy while many other jurisdictions do, these countries generally have lower taxes on tourism-related businesses. The level of VAT which is applied to accommodation in the UK is significantly higher than most other countries in the European Union at 20%. Scotland's European competitors apply reduced rates of VAT on tourism-related expenditure, including Belgium (6%), France (10%), Germany (7%), Hungary (18%), Ireland (9%), Italy (10%) and the Netherlands (6%). Only Denmark (25%) applies a rate above that of the UK.

Scotland's Competitiveness

10. On this basis, some businesses have raised concerns that any new levy, while

potentially providing additional funds for investment in the city to support the tourism industry and its future growth, could damage Scotland's global competitiveness in attracting visitors, artists, investors, businesses and conferences. Concerns about any new levy is particularly strong among accommodation providers, although there is some support for a new levy from citizens and from businesses throughout the wider tourism industry and the wider economy.

11. The precise impact of any new levy on the Scottish economy has not yet been rigorously tested. Its potential effect on consumer behaviour is not well understood. The decision to introduce any new levy should be based on clear evidence. SCDI has previously raised concerns over the economic impact and unintended consequences of introducing a tourist tax. The introduction of any new levy should be carefully considered and based on clear evidence. The level of the charge of any new levy should only be set after extensive consultation with the tourism industry and accommodation providers of all kinds and sizes. Reasonable flexibility in the system for small businesses such as B&Bs may be required to reflect their limited capacity.

12. There is a risk that after the introduction of a Transient Visitor Levy, tourists who would otherwise have visited Scotland and contributed to the growth of its economy may visit England, Ireland or Germany instead – or that conferences and events which would otherwise be hosted by Glasgow, Edinburgh or Aberdeen may be lost to Manchester, Liverpool, Birmingham, London or abroad. If the Scottish Parliament legislates to enable local government to introduce such a levy, local authorities would have to find a delicate balance between their own competitiveness and local fiscal and economic circumstances.

Coherent Policy Approach
13. A coherent, consistent and mutually-reinforcing approach to fiscal and economic policy needs to be taken by the Scottish Government and across the public sector, working in partnership and collaboration with the private sector. The rationale articulated to support the abolition of the Air Departure Tax – that reducing or eliminating a taxation burden on consumers will increase spending and Scotland's competitiveness – appears to be inconsistent with the rationale articulated to defend a Transient Visitor Levy – that increasing the taxation burden on consumers will have no impact on spending or Scotland's competitiveness.

Ring-Fenced Investment
14. Should any new levy be introduced, the revenue which is raised should be ring-fenced for investment in managing the impact of high levels of tourism and supporting the tourism industry and its future sustainable growth. Investment should be targeted at infrastructure and public services improvements which businesses and stakeholders believe will improve the visitor experience. Decisions about how or where the revenue raised should be spent should be made in partnership with the tourism industry and accommodation providers. Dedicated, diverse and meaningful fora would need to be established by local authorities to facilitate this.

15. The case for any new levy will depend on whether it can be leveraged to significantly enhance the capacity of the place in question to manage existing visitor numbers and to sustainably increase future visitor numbers to deliver increased

growth, employment and prosperity. Any new levy should not be viewed as a means of plugging any funding gaps in other areas of the local authority's portfolio or as a means of raising further revenue for discretionary non-related spending.

Charging Mechanism

16. A charging mechanism for any new levy based on a flat rate per room per night would have the advantage of both affordability for consumers and simplicity for collectors. It is clear from the projections of the Scottish Government, the Scottish Tourism Alliance and others that any new levy calculated as a percentage of the total room bill would result in significantly higher, and potentially prohibitive, costs for consumers compared to a flat rate per room per night.

17. A charging mechanism based on the cost of accommodation would create additional systemic complexity. A charging mechanism based on the quality rating of the accommodation would be similarly problematic, because Visit Scotland's rating system is voluntary and therefore does not cover all accommodation providers in Scotland.

18. The level of the charge of any new levy should not be prohibitive and should maintain the competitiveness of Scotland's cities, towns and destinations against UK, European and global competitors and maintain affordability for domestic and international visitors. Therefore, a flat rate in the region of £2 per room per night would be the most appropriate approach to minimise any impact on consumer behaviour. A charge set at this level would place any new levy significantly below European competitors such as Berlin and Rome, while also raising meaningful revenue for ring-fenced, targeted investment to support the tourism industry and its future sustainable growth.

19. Whether to introduce a higher flat rate for expensive/luxury accommodation should be carefully considered and based on clear evidence. In some jurisdictions with a tourist tax, the levy is higher for expensive/luxury accommodation, although this is far from the case in all cities. A system with a universal level of charge would have the advantage of simplicity and less bureaucracy. Furthermore, increasing numbers of visitors with significant disposable income are coming to Scotland from China, India and other large developing economies with burgeoning middle classes. Visitor spend and economic benefit from overnight tourists from such countries is higher on average. Maintaining and expanding this market should be a priority for the Scottish tourism industry.

Exemptions

20. Hostels, camping sites and caravans should be considered for exemption from any new levy in recognition of their status as low-budget and out-of-town accommodation providers with reduced environmental impact and fewer negative externalities on high-tourist-density urban areas.

21. It would be reasonable to apply an exemption to any new levy for children below the age of 16 in any party in relevant accommodation. Exemptions for children are common in other jurisdictions where similar levies are already in place. Families with children are a key market for accommodation providers.

22. It would be reasonable to apply a cap on any new levy after seven nights to minimise any potential impact on consumer behaviour and incentivise longer-stay, higher-spend visits.

Evidence Number	0.13
Name	Auchrannie Resort
Permission to Publish	Yes

Thank you for compiling the balanced Scottish Government Discussion Document, “Transient Visitor Taxes in Scotland” and the opportunity to feed back the thoughts of the management team at Auchrannie Resort through the consultation process.

This is a very complex issue and our thoughts on this are as follows.

PRICE COMPETITIVENESS

It is acknowledged that British hospitality businesses are already amongst the highest taxed in Europe and that the UK currently ranks 135th of 136 countries in the World Economic Forum on international tourism price-competitiveness.

Business rates are very high for the hospitality industry and industry believes that the method of calculating these is flawed.

VAT in the UK is 20% against a European average of 10.7%. 25 of 27 countries in Europe have reduced their VAT rates for Hospitality to compensate for high costs / to stimulate demand / to create employment / to encourage investment and the UK remains one of the most highly taxed European countries:
http://www.cuttourismvat.co.uk/wp-content/uploads/2013/08/Europe-and-Tourism-VAT-rates.pdf

The introduction of tourism tax would further reduce the competitiveness of the already heavily taxed accommodation sector and could cause customers to choose destinations offering better value for money.

Tourism’s Wider Economic Impact
Tourism is essential to the success of the Scottish economy with visitors contributing around £14 billion PA. A further £8 billion is generated into the economy through purchasing from tourism businesses and spending from staff employed in the industry. Therefore 6% of Scotland’s GDP depends on tourism.

Non-accommodation businesses, communities and the wider supply chain benefit from the income which is generated as a result of the visitor economy.

This visitor economy includes both overnight & day visitors. Overnight visitors spent £5.3 billion in Scotland in 2017 whilst day visitors spent £6 billion. More than half of the visitor economy income therefore comes from day visitors.

The tourism tax proposal takes no account of the impact of day visitors or the benefit derived to the wider tourism economy and supply chain from tourism activity, harvesting additional taxes only from the accommodation sector.

In addition, sustainable tourism activities in Scotland provide employment for 8% of the working population and the accommodation sector accounts for only 27% of this figure.

Therefore it does not seem equitable to suggest that only the accommodation sector should have additional taxation applied in the form of a Tourism Tax when they only a small part of the overall tourism infrastructure.

Differences Amongst Scotland's Tourism Destinations
Edinburgh & Lothians (29%), Greater Glasgow (17%) and Highlands (11%) received 57% of the overnight visitors to Scotland in 2017. Edinburgh (45%) and Glasgow (13%) also received around 57% of Scotland's total income for overnight visitors.

Edinburgh and Glasgow each had 14% of total day visitors in 2017 (28%) and these visitors spent 40% of the income generated within Scotland.

It is clear from the figures above that a few tourism hotspots attract the majority of Scotland's tourists and income. These hotspots have high growth plus strong room rates and occupancy throughout the year.

Whilst Scotland's tourism hotspots are experiencing high growth and profitability and may be willing and able to add additional charges on top of their current rates to support Tourism Tax without impacting demand, it must be acknowledged that this is not the case in most areas where there is less demand, lower occupancy and achieved room rates along with greater seasonal variations in business.

Like many other businesses, Auchrannie operates a dynamic room pricing system where we use scientific methods to balance our charges with the demand, creating rates which allow us to sell the maximum amount of rooms at the best price we can throughout the year. When demand is high the price goes up and when demand drops, prices need to go down. The prices we currently charge are as high as they can be based on demand and therefore any additional Tourism Tax would have to be absorbed into the rate rather than added on as higher prices without sufficient demand lead to lower sales.

Room rates at Auchrannie have risen sharply over the last few years to cover ever increasing overheads and guests length of stay is now decreasing (currently less than 2 night average) as they can't afford to stay so long.

For all of these reasons, we cannot continue with above inflation price rises. The tourism tax would therefore need to be absorbed and becomes an additional tax burden on hospitality businesses.

Profitability is already low in many businesses and there is often fragility, particularly in rural hospitality. Any further reduction in profitability could inhibit on going and new investment, lead to reduced numbers and quality of bed spaces, and make it even more difficult for accommodation providers to pay RLW. All of this could lead to damage to the wider economy and potential job losses, endangering the sustainability of the community and the economy.

Island Specific Issues

Being located on an island, businesses like ours incur a number of additional costs and challenges which further affect business sustainability.

We have a chronic lack of affordable accommodation on the island which means 92 of our team of 168 have to be accommodated in staff accommodation which requires constant capital investment and has an annual operating loss of approx. £100k.

The lack of capacity, breakdowns, and disruptions on Arrans ferries throughout the year limits our ability to grow tourism and results in income loss due to cancellations.

Lastly, the cost of haulage and travel onto the island raises all of our business costs for commodities, people and services.

Whilst Arran is a relatively busy tourism destination the above costs combined with high tax rates, contributions to destination management organisations and other rising costs affecting the industry for raw materials, wages, pensions, commodities, utilities and infrastructure mean that profitability is much lower than you would expect.

In our own business, profit before tax for 18/19 is projected to be only £0.3m (4% of turnover) on turnover of £8.1m. Other island operators also already struggle to remain sustainable in the current environment and this threatens the sustainability of the island.

Conclusion

The need for Scotland to become more competitive as a destination is now greater than ever due to our impending exit from the EU.

Applying any additional taxation to visitors / businesses in the current economic conditions significantly affects our ability to compete and compromises business sustainability.

Therefore, we do not agree with the proposal to introduce Tourism Tax. Outside the tourism hotspots, it is hard to build a sustainable business and this can be particularly difficult on the Islands (although all have different issues) due to increased costs and operational logistics.

We don't feel that a one size fits all approach can be applied to tourism in Scotland as each business and area is different with its own unique challenges.

We believe that it is necessary to take a more innovative approach to the current funding issues and that local authorities and businesses need to work together to find solutions which work for all. An individual approach for each area is needed to find appropriate ways to raise additional funds for local authorities in a manner which is fair to businesses and raises funds from all visitors. Perhaps parking and public toilet charges, visitor gifting schemes and other such initiatives could be considered and research done on what works successfully in other countries and destinations.

In addition, the Scottish Government and local authorities spend vast sums of money annually to support free Visitor Attractions in Scotland. In 2017, 11,525,421 people visited the top 10 free attractions alone. Considerable income could be generated by introducing even a small charge for these attractions.

Entry fees for leisure facilities are generally very inexpensive in Scotland. These could be increased for visitors to raise additional income.

Thank you for the opportunity to input to the Tourism tax debate. I hope that my comments are helpful to the debate that you are able to reach a conclusion which will work for both business and local authorities.

It is important that all of us are able to work together successfully so that we can together build a successful and sustainable tourism destination and economy in Scotland.

Evidence Number	0.18
Name	Tourism Society Scotland
Permission to Publish	Yes

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?

Sustainable Tourism that addresses balanced realisation of Social, Cultural, Economic, and Environmental development and host community benefits are critical at this time.

It is clear that given the economic, social, cultural, and environmental significance of the
Tourism Sector in Scotland there is a need for proactive support and the application of appropriate levels of public investment to ensure sustained tourism development objectives are realised. This against the backdrop of global year on year growth levels and projections of between 5 to 7% per annum from the likes of the UNWTO. The challenge for all global destinations is to proactively understand carrying capacity and congestion management through effective destination leadership, development, and management.

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

The concept of 'creating shared value' from tourism for host communities as opposed to the mere extraction of value especially by multi-national operators – the progression of sustainable tourism development principles. The concept of 'Community's First' is a growing global-phenomena in terms of effective capacity management in destinations and achieving sustained and balanced tourism development. At the heart of the 'Communities First' philosophy is the idea that where destination communities are thriving and healthy then this will ultimately create a positive impact on the quality and 'authenticity' of the destination visitor experience too.

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

Recruitment and staff retention challenges linked to new Westminster Government Immigration rhetoric, policies and rules for EU and the Rest of the World nationals. The negative impact of perceptions of hostility towards foreign workers generated and broadcast as a result of Brexit. Potential challenges to free movement of visitors as a result to visa requirements and transport disruption.

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

A proper national infrastructure and visitor experience investment plan based on proper 'destination carrying capacity analysis'. Joined up government recognizing the synergistic link between different policy areas for example planning, housing, education, transport, digital infrastructure, skills & training and tourism, and in recognition of the holistic nature of the visitor experience.

Proper destination leadership, development, management and promotion tuned to the distinct characteristics of urban and rural tourism in Scotland, coupled with a clear perspective on supporting visitor dispersal around the country is required.

There also needs to be recognition and understanding that visitors do not consume the destination experience along government (national and local agency) geographic boundary lines.

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

A TVL offers the opportunity to unlock shared value from tourism expenditure for host communities and at the same time visitors can help share some of the cost of realising sustained tourism development and investment in supporting infrastructure, and the provision of an enhanced quality of the host community and visitor experience.

A properly managed and governed TVL that engages with the host community (local citizens) has the opportunity to create a world leading approach to sustainable destination leadership, development and management. Scotland is a premium destination and we need to maintain the quality of the visitor offer and experience.

Retaining competitiveness is important but we should instill in our visitor the opportunity they have through contributing through a TVL to be responsible tourists and protect (stop degradation) of what Scotland has to offer as a quality destination experience.

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?

Barcelona (Region) Vienna (Austria), and Berlin are places worth looking at in terms of TVL models- it would appear that these destinations have not experienced any negative impacts in terms of competitive positioning from operating TVL's.

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

It is vital we believe to ensure the 'hypothecation' (ring fencing of TVL at a local/ destination decision-making level. It is vital that there is a clear, collectively agreed, and regularly reviewed business plan setting out how the funds raised through the TVL will be managed and spent.

It is vital that an accountable and transparent governance body (mechanism/ vehicle) is established to oversee planning and administration of the TVL fund is established and that it involves local elected representatives (Local Authority Councillors), tourism business representatives (public and private e.g. the local DMO and accommodation business operators, and the host community representatives to ensure sustainable tourism objectives.

Visitors should be informed of how the TVL is being spent e.g. investment in / enhancement of the host community and visitor experience. The TVL should be spent on a mix of aspects of the visitor and host community experience e.g. events and festivals, destination housekeeping, enhancing social and cultural amenity, economic opportunities, and safeguarding and enhancing the environment, interpretation and signage, and new attractions (and not purely on marketing and promotion).

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?

Efficiency of collection and administration of funds is critical (keeping overheads to a minimum and ensuring the maximum available funds for enhancement of the visitor experience). Accountability and transparency of a hypothecated fund based on a business plan is key.

A TVL linked to visitor expenditure on accommodation sector is the most common and apparent method of application of a TVL. All types of visitor accommodation should be included including ‘sharing economy’ accommodation such as Air BnB.

A progressive system linked to the grade/rating/room rate charged for the accommodation has the potential to be fairer than a fixed levy.

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?

A TVL should be used to enhance and improve the quality of the local host and visitor experience and should help realise additional (not displace) public expenditure on tourism/ destination infrastructure and experience. This would be achieved through the publication of an agreed Business Plan and reporting / evidencing of impacts of the implementation and realization of this business plan and identified impacts/ outputs.
Accountability and transparency with regards to administration, management and spending of funds is vitally important.

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?

Significant cost bases relate to property costs including business rates, supply of goods and services (many of which have been adversely affected by exchange rates cost hikes associated with the devaluation of the Pound Sterling linked to Brexit), and staff costs. The tightening labour market as a result of Brexit may lead to increased staff costs. Currently in general the hospitality sector has the reputation of being a low pay sector (paying the minimum wage), and this impacts on the sustainable tourism objective of ‘creating shared value’ within host communities.

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

Comparison between different countries and destinations is difficult due to differing fiscal regime, for example in Berlin VAT is 19% and the Bed Tax is 5% of the hotel bill.

The Scottish Tourism Alliance has of course produced some comparative analysis. An independent and full examination of relevant international comparisons and analysis of the actual impact on the competitive position of destinations would be helpful to inform the discussions on the nature and form and competitive impacts of the introduction of TVL's in Scotland.

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

This is largely an unknown but evidence on the response by businesses and visitors should be gathered from international destinations where a TVL has been introduced and operated over a number of years. One would imagine that where there is hypothecation of funds raised through a TVL, and businesses and visitors are informed of the focused application of the funds raised on advancing sustainable tourism (enhancing the visitor experience and infrastructure) would potentially elicit a positive disposition towards a TVL?

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

We have insufficient evidence to comment. Independent and robust analysis should be undertaken as a next step of investigation of TVL introduction in Scotland.

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

We have insufficient evidence to comment. Independent and robust analysis should be undertaken as a next step of investigation of TVL introduction in Scotland.

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

We have insufficient evidence to comment. Independent and robust analysis should be undertaken as a next step of investigation of TVL introduction in Scotland.

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?

As stated previously international examples would suggest that a TVL based on the accommodation sector is the most easily applied method of collection and the debate would be on whether this is a fixed rate or a progressive rate based on a fixed percentage and linked to the room rate. It will be important to include all accommodation including hostel and 'sharing economy' accommodation, and cruise liner visitors. Also here or somewhere else a line on the level of the TVL being applied should err on the ambitious side to avoid the danger that if it is too low then it will be hard to see where the resulting revenues raised have been spent in a sufficiently impactful way. The host community and visitor experience benefits from a TVL need to be tangible to be meaningful. Amsterdam recently raised their TVL to 6% as a tool to manage visitor numbers and to raise more revenues: https://amsterdam.org/en/forum/1575/tourist-tax-amsterdam-2018.html

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

As stated previously we believe that revenue raised from a TVL must be hypothecated (ring fenced). However, based on the experience of destinations such as Barcelona it will be important that expenditure on amenities and infrastructure benefits for host communities and citizens is vitally important. This will help realise sustainable tourism development objectives and the objective of 'creating shared value'.

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

It is important to recognise where the pressures are for specific destinations where there are sustainable tourism development challenges and the role a TVL can play in helping to address these challenges.

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

It is our understanding that enabling legislation has to be established by the Scottish Government in the first instance, and one would expect this enabling legislation in consultation with the Local Authorities will establish the ground rules for establishing, administering and enforcing a TVL in a consistent, effective, workable and fair manner across Scotland. Proper and robust research in to international best practice as part of a next stage of investigation in to a TVL would help inform implementation plans.

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

It will be important for the prioritization and allocation of local TVL funds to be determined by local stakeholders including the Local Authority (and representatives of government agencies), business community and citizens (host community) and agreed through a publicly published business plan. It would be helpful if this was in the context of the National Tourism Strategy (and priorities).

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

Proper business planning and the ability and flexibility to carry forward funds and build reserves will be important. Funds should be held arm's length to the Local Authority, and appropriate governance structures and management vehicle with relevant fiscal and legal frameworks utilised. Prepared on behalf of the Tourism Society Scotland

Evidence Number	0.19
Name	Personalised Orkney Tours
Permission to Publish	Yes

I can understand the need for controlling visitor numbers to different sites which can easily get over-crowded and thus diminish the experience of all, apart from potentially damaging the sites themselves. However, a blanket levy could be potentially damaging to the tourism trade itself.

As it is, it costs a fortune for folk to get to Orkney, and a tourist tax on those entering accommodation could be the straw that breaks the camel's back.

It would be particularly unfair for grieving families returning to the islands from across Britain or even further afield, to attend a funeral, for instance, to be included in such a levy.

It should be born in mind that, elsewhere, their VAT levels are not so high in the tourist industry. Ours are among the highest so, effectively tourists would be taxed twice!

Overall, I am not in favour of a levy for tourists in Orkney.

Evidence Number	0.20
Name	Shetland Tourism Association
Permission to Publish	Yes

On behalf of the Shetland Tourism Association I would submit the following feedback on the proposed Tourism Tax paper. The response is from myself, but I have also included the individual responses I received from members who, universally would not support a Tourism Tax because of the detrimental nature it would have on visitors travelling to Shetland.

Shetland Tourism Association
The discussion paper gives details about how other countries impose a Tourism Tax and ways in which it is administered and re-invested into the tourism sector. There are no firm proposals for how it might work in Scotland, but the majority of schemes seem to focus on an accommodation related tax, so our feedback is on the assumption that the levy would be imposed on visitors using accommodation

services.

This can only be detrimental to Shetland, which is additionally taxed to a certain extent anyway with the cost of travelling to the islands. Other than a day visit by cruise ship, there are not many people who travel to Shetland and do not stay overnight.

Shetland's leisure visitors increased by 43% from 2013 to 2017. This is as a result of sustained and significant effort by local and national destination management agencies, and a number of other factors, and is despite rising travel costs and issues with capacity on transport options at peak times.

There also remains a consistent number of business travellers, and there seems to be no regard for how business and tourism visitors would be identified – or would this be a blanket tax?

In 2017 Shetland received 73,267 visitors according to the visitor survey carried out by Visit Scotland at all entry/exit points. In 2018 there were 90,336 passengers from cruise ships in Shetland for day trips. The majority of whom came ashore for excursions or sightseeing in Lerwick. Under an accommodation based Tax, the majority of visitors to the island would therefore not contribute in any way through this tax to the local tourism economy or assist in funding any infrastructure costs which may be paid for by the income from such a tax. (such as public conveniences, public information centres etc)

Shetland is an attractive destination with much to offer visitors, however the remote location makes it expensive already to access. Further penalising those who choose to come here on holiday puts an unacceptable barrier in the way of tourism development in Shetland.

The Shetland Tourism Strategy was published in 2018 and seeks to grow this sector by £10million over the next five years. An additional financial levy puts mainland destinations at an unfair advantage and I would suggest that a 'one size fits all', accommodation based, Scottish Tourism Tax would be inappropriate and inequitable for island communities.

The following are some of the responses directly from Shetland Tourism Association members who all have a vested interest in the delivery of tourism services, and the income from visitors to Shetland.

Shetland Textile Museum
Tourism tax is a really bad idea for Shetland. Its already expensive to get here and increasing the cost would deter some folk from coming. It was also felt it would be difficult to include the cruise ship passengers, who again are paying a lot of money to come here.

Busta House Hotel
Having read through the Tourism tax sheet I find it very much focused around Edinburgh.

I can understand some good intentions behind taxing the tourists to develop more attractions and better services for the guests when they are here but I do think this is something which has to be taken on by the tourism sector and local councils with the funds they already make from tourism in general.

I could see a very good argument for lowering VAT on Accommodation for example and adding in the tourism tax something like 10% Vat & 10% Tourism Tax that way there would be no added costs for the guests but increased funds for Tourism but I don't see that being seriously considered.

The way we view this tax after reading through the document and speaking to a number of other hotels around rural Scotland is;

1. It could easily be seen by tourists (especially to everywhere but EDI & GLA) as a Deterrent
2. There would be no real benefit seen by the tourism sector with the increased funds
3. A unfair taxation on a specific sector (e.g. there is no fish tax (that I know of))
4. A barrier to Growth

Fair Isle Bird Observatory
Having read through the document on tourism taxes my initial view is that I don't feel that it would make a constructive contribution to Shetland currently. I understand why many local authorities are calling for it to be looked at, and it certainly might be an appropriate response in areas where infrastructure costs borne by local authorities are particularly high, and where high numbers of tourists are causing issues for local residents, Skye being an obvious example of this.

I don't believe the case can be made as effectively in peripheral areas such as Shetland, where numbers are much lower and initial travel costs are much higher. Whilst there has been some effort by the Scottish Government to reduce the impact of this through the introduction of RTE pricing for ferries, it remains expensive to get Shetland, and for businesses on the outer islands, such as ourselves, (Fair Isle) there are additional costs to be borne.

Furthermore the infrastructure costs at any given time are likely to be greatest with regards to cruise-ship passengers, who would be exempt, rather than those visitors who stay and spend money locally. It is also the case that tourists have positive impacts on infrastructure for the outer isles – making the case for retaining the transport links that currently exist and the levels of service provided would be more difficult on Shetland and the outer isles in particular if it weren't for the number of visitors using these services.

At present I don't believe we are in a similar enough situation to the rest of Scotland to warrant a blanket introduction of a tourist tax and I think it would further reduce the competitiveness of Shetland tourism, without providing substantial benefits. For other countries, where there are clear and significant environmental impacts and where many of the accommodation providers are large multi-national companies that take money out of the local area, a tourism tax is a way of balancing the system, but that is not really the case on Shetland where many accommodation providers are

small businesses that circulate money to a greater extent within the local economy.

Evidence Number	0.21
Name	Festivals Edinburgh
Permission to Publish	Yes

Reasons for introducing a transient visitor tax

Affordability, value for money, and quality of experiences for visitors and residents alike are key reputational issues for Edinburgh that need to remain in balance.

In the collective view of Edinburgh's Festivals, there is an overriding need to generate additional revenues to develop key areas that make the city a world class destination. This analysis is supported by the call for alternative funding mechanisms identified in the ten-year Thundering Hooves 2.0 strategy, published in 2015 with the support of city and national stakeholders to ensure the future success of Edinburgh's world leading festival city can be sustained.

Edinburgh's Festivals collectively support the concept of a Transient Visitor Levy (TVL) as a means to secure additional investment from visitors to the city who greatly benefit from our attractions and amenities. At the same time we recognise there is understandable concern about the price competitiveness of the city, and we highlight issues later in this response that a TVL policy needs to take into account.

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

As part of establishing an efficient transient visitor levy and minimising negative impacts, we believe it will be important to opt for a charge on a percentage of the room bill rather than a flat charge per room. The Edinburgh Festivals collectively support a charging level of 2% per room per night.

This mechanism would be more progressive than a flat charge, enabling the TVL to automatically reflect changes in visitor accommodation prices; it avoids visitors at the budget end of the market paying proportionately more; it minimises pressure on accommodation providers with the most fragile price points; and it would ensure that huge seasonal price increases at the higher end of the market return dividends to the city as well as the operators. If a flat charge were to be adopted, some of these benefits should be retained by introducing a higher flat rate for more expensive accommodation and an exemption for budget accommodation.

Design of a TVL based on a percentage of room bills would avoid the need for blanket exemptions of specific types of accommodation. Policy makers should however certainly consider a threshold room price below which it would not be worthwhile collecting the revenue. Key issues for the festivals are:

- that festival participants who invest their own money to stage work that makes the city a magnet for cultural tourists should not be unfairly disadvantaged by a TVL; and
- that Edinburgh must continue to be an attractive visit destination for young people as we want them to develop a long-term affection for the city as prospective loyal lifetime visitors.

The Festivals support all year round application of a TVL scheme, to make it consistent and worthwhile. While city tourism does have shoulder seasons, it is important to recognise that the city is a successful year-round destination with a high average hotel occupancy rate of 84% in 2018 - compared to 82% in London and an average of 76% for the rest of the UK.

The festivals support a cap after the first 7 nights of stay, as we understand from the City of Edinburgh Council research paper that this will ensure returns from over 90% of visitors but takes account of the need not to deter people visiting the city for longer periods due to work. For the future success of the festivals and the £280m in annual economic impact they bring to the city's tourism and service sectors, this will be critical as a large majority of participants require a longer stay. It is a particularly vital issue for the Edinburgh Festival Fringe which has become the world's largest performing arts festival because of its 'open access' model, where tens of thousands of participants invest their own money to stage work here rather than being paid a fee to perform. The festival participants who create this unique cultural asset for the city must not be unfairly disadvantaged by the introduction of a TVL, and we call on policy makers to ensure that the design of any TVL scheme for Edinburgh takes account of this issue.

The city's reputation as an affordable and value for money destination is critical to its sustained future success. Messaging around the introduction of any TVL scheme will need very careful communication around the provisions to help budget and long stay visitors. Any adverse effect on demand from prospective festival performers would damage Edinburgh's status as the world's leading festival city.

Minimising overhead costs is a shared concern for every business contributing to the success of Edinburgh's tourism sector, so we are concerned that the administration of a TVL in the city must be as efficient and cost-effective as possible.

A portfolio of potential investments from TVL revenues should be considered by a panel of city stakeholders based on the case for investment against clear criteria. While local authorities must remain accountable for the process of spending the proceeds of local taxation, there should be an option appraisal around establishing a Transient Visitor Levy Trust where the 'stakeholder forum' would become an independent board making investment decisions and ensuring civic agreement on use of the revenues raised.

An independent oversight forum will need to have robust governance arrangements and to be manageable in size with members who have the right mix of skills and experience to undertake the responsibilities. The membership composition should reflect fairly the balance of different types of organisation contributing to the success of the local tourism sector as well as members who are able to bring the perspective of residents.

Potential positive and negative impacts of a transient visitor tax
With 18 out of the EU 27 member states already levying occupancy taxes to enhance the quality of their competing city offers, we would be concerned if Scotland chose to ignore this opportunity to create new fiscal mechanisms enabling its cities to attract additional income by ensuring that visitors help to invest in future success.

We understand the arguments around different tax regimes for visitors to other competitor destinations, but due weight should be given to the fact that the UK comes out very strongly at number 5 in the world out of 136 countries for overall tourism competitiveness in the World Economic Forum's global index. We believe it is Edinburgh's brand promise as a high quality, high value for money destination that the city must come together to deliver, rather than seeing price as the primary issue for the tourists we want to attract.

Several Scottish and UK tourism and hospitality bodies have opposed the proposed mechanism, highlighting concerns over the position of the UK close to the bottom of the same index on price competitiveness. We recognise that there are genuine concerns about the potential impact of a visitor levy on margins across a broad span of tourism businesses and on the price competitiveness of the city, and would want to see robust monitoring of tourism sector indicators to inform policy makers and stakeholders about the effectiveness of implementing a scheme, its relative costs and benefits, and impacts on the local economy.

How a transient visitor tax could be used, and revenue distributed fairly
To be seen as a worthwhile scheme for local residents and businesses it is vital that the funding distributed from TVL revenues will be additional and not substitute for current investment. We welcome the commitment in the recent City of Edinburgh Council paper to the city's Corporate Policy & Strategy Committee that 'there is no suggestion from the Council that the TVL should compensate for or alleviate the responsibility to adequately fund local government to meet its wider statutory duties'.

Funds raised must not disappear into general local authority budgets but must be transparently invested into key areas that contribute to a sustainable tourism economy and ensure a high quality experience for visitors and residents alike. If allocation of revenue generated by an Edinburgh TVL is managed by the Council, we would want to understand proposals for achieving a transparent balance between investment in Council-led and other activities.

The logic of a TVL is that reinvesting in areas stimulating higher quality tourism will create a virtuous circle - helping businesses to succeed, creating more jobs, improving city amenities for residents and in turn generating more revenue. The priority for TVL revenues should be to provide additional resource for areas of local development that can contribute most to these outcomes.

In Edinburgh, a City Tourism Strategy for 2030 is soon to be developed and is expected to focus on high value visitors rather than coach and cruise tourism, and on spreading tourism benefits to more areas across the city. We know that cultural tourists like our festival visitors are likely to be higher earning independent repeat visitors with longer stays and more appetite to explore, supporting small service businesses with employees from across the whole city. This makes a compelling argument to enhance Edinburgh's cultural offer using TVL income, which also contributes to a high quality of life for residents.

There is a particular opportunity to use the fund to leverage additional investment for new opportunities, for example capital investment in assets that would open up new cultural quarters to visitors and residents alike, such as Leith Theatre.

As a model, the recent Platforms for Creative Excellence programme agreed between the Festivals, City of Edinburgh Council and Scottish Government shows how local investment can be multiplied more than threefold to help develop our unique cultural assets to deliver greater returns – through programming innovation, to sustain Edinburgh's world-leading reputation and attractiveness; creative development, to enhance employment opportunities; and community engagement, to offer more residents the benefits of sharing in the city's cultural success.

With any TVL generating modest additional funds that will be subject to many potential demands, it will be important to ensure that additional funds are not diverted to supporting general statutory functions of local authorities. We recognise that the City of Edinburgh Council may want to make a case to contribute to the additional costs of city management during peak tourism seasons that are so important to Edinburgh's worldwide reputation as a cultural capital. This case should be assessed alongside other potential uses of the funds.

Conclusion
As set out above, the collective view of Edinburgh's Festivals is strong majority support for a Transient Visitor Levy as a means to secure additional investment from visitors to the city who greatly benefit from our attractions and amenities. At the same time we recognise there is understandable concern about the price competitiveness of the city, and we highlight issues that a TVL policy needs to take into account.

Specifically, we wish to be assured that:
- TVL funding distributed will be additional and not substitute for current investment
- TVL funding will be transparently invested into key areas contributing most to outcomes that strengthen sustainable high quality tourism, based on clear agreed criteria overseen by an independent forum of stakeholders
- festival participants who invest their own money in staging work that makes Edinburgh a magnet for cultural tourists will not be not unfairly disadvantaged by a TVL
- effective messaging will be put in place to communicate the provisions to help budget and long stay visitors, to avoid adverse effects on the most fragile price

points; and

- robust monitoring will be put in place to inform policy makers and stakeholders about costs and benefits of the scheme and impacts of the change on the local economy.

Evidence Number	0.27
Name	Burns Burns & Burns Forestry Contractors
Permission to Publish	Yes

I have only one observation. What about hotels, B&Bs etc that provide accommodation for workmen?

Accommodation in rural and remote areas is expensive enough and there is already huge difficulties getting accommodation for workmen because of the price. An additional tax in rural remote mountain and island areas for workmen is going to shove the price up for all work to all customers therefore taking more money out of the rural economy.

If this tax is going to be enforced in rural remote and mountain areas then there has to be some sort of consideration given to this problem of workmen. They are not tourists and should not be paying a tourist tax. If you want more details about our existing costs the I will be please to provide information.

Evidence Number	0.28
Name	Association of Scotland's Self-Caterers
Permission to Publish	Yes

The ASSC welcomes the opportunity to respond to the Scottish Government's discussion into the introduction of a Transient Tourist Tax.

The Scottish Government is keen to explore the following broad issues within the national discussion, and the ASSC is delighted to contribute the following thoughts:

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

A Transient Visitor Tax may help with the important balance of maintaining Scotland's heritage which attracts so many visitors, and the necessary investment in Scotland's tourism industry that leads to a positive visitor experience. It may also be one measure to address the pressures to specific destinations which are exacerbated by increasing tourism. A Transient Visitor Tax is also seen by some as an innovative way to increase finance for local authorities to address increasing budget constraints.

The Association of Scotland's Self-Caterers (ASSC) has serious concerns about the idea of a Transient Visitor Tax in principle. The ASSC believes that tourists *already* make a significant economic contribution to the local and national economies, with tourism contributing around £6bn to the economy. A Tax could jeopardise the sizeable contribution that tourism makes to the Scottish economy through tourism-related employment and visitor spend.

The UK has the second highest VAT rate in Europe – applying a tourism Tax to the mix could threaten our competitiveness. Edinburgh is potentially unique with regards to other European cities that have implemented a tourist tax, due to this level of VAT applied to tourism in Scotland and the UK, which is not applied in other countries.
As representatives of the self-catering sector, the ASSC is acutely aware that the proposed Tax may negatively affect businesses beyond the traditional accommodation sector that are part of Scotland's dynamic tourist economy. Any reduction in visitor spend could affect restaurants, bars, visitor attractions to name but a few. £11m does not seem like a huge income compared to the resource required to implement the scheme, or the associated aspirations.

The ASSC firmly believes that any plans to introduce a TVT should be subject to extensive consultation with industry and that it is imperative that an independent economic impact assessment is produced to accompany any proposals.

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

Any scheme should support the local tourism strategy and the money raised should be invested directly into local tourism.

Moreover, a well-designed and operated scheme could only be implemented once an Independent Economic Impact Assessment has been carried out to investigate the effects of a Transient Visitor Tax.

Any scheme should support the Scottish Government's focus on economic growth and business investment.

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

Raising additional funds to support the tourism industry should naturally be seen as a positive, and essential to many of Scotland's local economies and the national economy.
Tourism has enjoyed healthy growth over recent years, but this has been supported by the value of Sterling against other currencies. However, the uncertainty of the exchange rate and Brexit could impact on incoming tourism going forwards.

78% of overnight visitors in Scotland are domestic. A TVT represents an additional tax burden to the UK population, whose budgets are already squeezed.

The Impact a TVT may have on tourist's spending is uncertain. The knock-on effect on restaurants and visitor attractions should be investigated.

Impact on Scotland being 'welcoming' as a brand to visitors could be compromised. The brand messaging is critical for future tourism growth and anything introduced should be driven by the growth strategy.

It is crucial that the cost of implementation and enforcement should be identified.

Administrative burden to small businesses with no technological infrastructure could be hugely detrimental and disproportionate.

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

If a TVT is to be implemented, the revenue raised should be ringfenced and used exclusively to benefit the tourism industry rather than used to subsidise ~~the~~ core council services.

Who Would Design and Set a Tax?

We note that there are no existing powers for local authorities to introduce a tourist tax in Scotland. At present, this concept does not appear to have the support of the Scottish Government. For instance, the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay has stated: “The Scottish Government position remains consistent: we will not consider requests to implement a tourist tax unless the tourism and hospitality industry is involved from the outset and its long-term interests are fully recognised.”

Therefore, it is not possible to say with any great degree of accuracy who would design and set a tax.

The ASSC believes, however, that the key to a successful TVT scheme would be the principle of discretionary taxation. Each local authority would have to assess the benefits and possible consequences of implementing such a scheme. With consideration to the fact that the local economies of each local authority are different, with different pressures, each model should therefore be different to reflect the requirements of a destination. A one size fits all model would not be appropriate.

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

Any scheme should be simple and easy to understand, run and audit both for local authorities and those liable to pay the tax.

In order to be fair and equitable, all accommodation providers should be liable to pay and proportionately targeted.

A TVT paid per room causes difficulties with hostels and accommodation with multiple occupants; a fixed rate creates a disproportionate burden on budget accommodation, which should be considered; a percentage rate becomes difficult to administer with ‘smart pricing’.

Fixed fee per person per night is possibly the fairest option, with an exemption for children under a certain age.

Accommodation providers should pay the tax frequently enough to allow adequate budgeting for small business but not so infrequently that it provides an administrative burden.

The creative of the administration system should take serious consideration of small businesses who will find it disproportionately harder to implement a TVT compared with larger hotels and multinational companies. This should be of paramount consideration.

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

Local authorities, with a governance body comprised of representatives from the tourism industry, accommodation, and hospitality sector.

A TVT would require a registration system for accommodation providers – this could require considerable resources in the first instance but would be necessary for an accurate and transparent auditing system, which would be essential to a success scheme.

A TVT monitoring group would be essential to ensure accountability and transparency, could address prioritisation, and to report measurable impacts as set out by KPIs. Such a TVT monitoring group would deliver an annual report on the delivery of the TVT, including data on: revenue collected, spending priorities, and achievements within that period.

How Could Revenues Be Used, and Who Would Benefit?

Revenue raised should be ring-fenced to support sustainable growth in tourism, not to fund wider statutory duties of local authorities, and to manage the impact of a successful tourism economy. The spending priorities of the revenue is key to identifying appropriate spending, and this should be set out prior to the implementation of a TVT scheme.
Such priorities could be:

- Marketing, promotion and strategic management of the destination
- Transport services and infrastructure, and supporting existing festivals and attractions, whilst sustainably supporting additional events
- Capital investments that develop historic, cultural or sporting assets.

The revenue collected should not be allocated to core services which are part of local authorities' statutory duties, such as:

- Street cleaning and bin collections
- Policing and safety
- Council parks and green space out-with tourist zones
- 'Council services in general' (part of the CEC consultation)

Theatres, museums and galleries are already subsidised by Scottish Government.

Evidence Number	0.30
Name	Scottish Borders Chamber of Commerce
Permission to Publish	Yes

Thank you for the opportunity to take part in this discussion process.

The Chamber was present at the meeting with the Minister held on 19th December 2018 at Tweed Horizons, Newtown St Boswells which was also attended by Scottish Borders Council, Scottish Tourism Alliance, UK Hospitality and operators such as Traquair House, Tontine Hotel and many others. The Chamber concurs with the unanimous feeling within that meeting that a tourist tax would be detrimental to the Borders and probably any other rural area. In fact speaking to members of the Chamber I have yet to find any tourism operator in favour of such a proposal.

It should be added that promotion-wise, the Borders is supposed to "feed" off Edinburgh and any imposition of a tourist tax in our capital will have a detrimental effect on their tourism and consequently, down the line, to the Borders tourism industry and Borders economy. The Borders economy is very fragile just now and with tourism being such an important constituent of this economy the last thing we need is a further cost imposed on us resulting in our tourism products becoming less competitive.

Just to confirm, the Scottish Borders Chamber of Commerce is opposed to the introduction of a tourist tax.

Evidence Number	0.31
Name	BACTA
Permission to Publish	Yes

Bacta represents the owners and operators of, amongst other things, seaside amusement arcades across the UK, as well as the manufacturers and distributors of the machines that can be found in such premises. We have a significant number of members in Scotland. We are members of the Scottish Tourism Alliance and fully support the position of that organisation in relation to this issue.

Bacta views the proposals to introduce a tourism tax in Scotland with alarm. Our position is one of principle. We do not believe that it is right to place additional cost burdens on an industry that is such a significant contributor to the economy of the UK and specifically to Scotland. We simply do not understand why it makes sense as the additional costs will have to be passed on to visitors thereby acting as a disincentive to them to visit in the first place or to make repeat visits. The investment the nation makes through the external costs of providing facilities for visitors is offset by the financial contributions they make through the taxes businesses pay on the revenue they generate.

Neither are we persuaded that any additional tax raised will be hypothecated to tourist-related expenditure. It is too easy for ambitions to do so to become dashed against the temptation of Government (national and local) to financially support other programmes that are seen to be more politically beneficial.

As is mentioned in the discussion document tourism industries have had a number of significant cost increases to manage over recent years, not least rate revaluations. It is not right to add to those. In addition, for our sector, it is important to note that there are additional taxes not referenced in the discussion paper. Cash pay-out machines attract Machine Games Duty of 5% or 20% depending on the cost to play the game. We would encourage the Scottish Government not to proceed with plans to introduce a tourism tax of any kind.

Evidence Number	0.34
Name	Kingsmills Hotel Group
Permission to Publish	Yes
Letter to Kate Forbes, Minister for Public Finance and Digital Economy	

Kingsmills Hotel
inverness ★★★★

Kate Forbes MSP
Minister Public Finance & Digital Economy
12 High Street
Dingwall
IV15 4RU

Consultation on the introduction of a Tourist Tax

Dear Kate,

Apologies for my absence from the recent Inverness consultation.
We had a family bereavement and I was required elsewhere.

I understand there has been fairly widespread industry concern regarding the introduction of this tax. Whilst I fully understand the need for the local authority to raise more revenue I believe such an introduction would endanger the good, albeit relatively recent growth we have seen in Highland tourism and serve to add to potential further value risk to our clients. We are already an expensive destination.

We acquired The Kingsmills Hotel just over 10 years ago and now pay in round terms the same level in combined taxation as the hotel enjoyed in revenue under the Marriott Brand management.
Success and growth clearly brings greater tax receipts.

We have invested over £21M in Kingsmills and as you are aware, from your own recent visit, a further £8M in Ness Walk. We intend to invest a further similar amount in the Church St property set to open next year and is in the early stage of development. As such I hope you will appreciate any changes in taxation that might jeopardise these investments causes me great concern.

The profile of our clients has changed markedly since the acquisition of Kingsmills and the most significant revenue growth has materialised only from 2015 and I believe that the weakness of the pound has allowed the Highlands to become a better value proposition for overseas tourists and has significantly supported this growth.

There is no doubt that taxation can be as a stick or a carrot, if taxation did not effect behaviour why a sugar tax, duties on alcohol and tobacco, although not a tax, the minimum pricing of alcohol was surely to deter consumption and a tourist tax similarly can only deter consumption.

Our local authority for the most part seem to believe the front pages of the local newspapers branding Inverness as a 'rip off' charging hundreds of pounds for an hotel room in the summer and this somehow supports the affordability of a tourist tax. I have yet to see the same publicity supporting hoteliers who charge as little as £29.00 in the winter months where most hotels lose money.

On an annualised basis the achieved average room rate in Inverness is between £75 - £80 net of VAT and there is still a huge opportunity to develop business into the so – called off - season. The growth of revenues here would contribute substantially more than a tourist tax could ever do and this should be our focus.

I believe that the contribution of tourists, made through existing tax systems, to be the highest in Europe, as you are aware the average VAT rate in Europe on hotel accommodation is 10% as opposed to 20% in the UK. In the higher spend months I estimate the VAT tax take per room to be in the region of £50 per day only assuming the tax take on accommodation and meals. So let us not kid ourselves that the tourist contributes little other than damage to the local environment. The contribution through all of the other tax avenues is immense.

You are only too well aware of the huge increases imposed through non-domestic rates on the leisure and hospitality industry and the Kingsmills increase alone is proposed to increase in rates payable of £200,000 per annum. This added to higher import costs through the low pound, albeit welcome increases to lower paid workers all add to a declining level of profitability in our sector and all this as we dash headlong to a potentially no deal Brexit is a very scary prospect. I would draw attention to a recent newspaper article that you have no doubt noted; one Scottish Hotelier is cutting 50 jobs as a direct result of increased costs through business rates, apprenticeship levy, pension contributions and increased utility costs. All of these additional costs make for a challenging trading position before adding further costs through a tourist bed tax.

We must take a holistic view of taxation and your party has eloquently rebuffed to accusation of a party of high taxation by stressing the benefits that are available within our country. There is a straw that breaks every camel's back and I for one do not believe that the £1 suggested tax by the Local Authority would remain at that level. Whilst the locally non – voting tourist may appear a soft target the loss of, or degrading of the No1 industry, could have tax revenue consequences way beyond the narrow view taken by its proponents. There will be a negative effect, the question is how much and the consequential risk far outweighs the benefit.

Letter to First Minister

Kingsmills Hotel
inverness ★★★★

Nicola Sturgeon
First Minister
T4.25
The Scottish Parliament
Edinburgh
EH99 1SP

18th January 2019

Consultation on the introduction of a Tourist Tax

Dear First Minister,

There has been fairly widespread industry concern regarding the introduction of this tax. Whilst I fully understand the need for local authorities to raise more revenue, I believe such an introduction would endanger the good, albeit relatively recent growth we have seen in Highland tourism and serve to add to potential further value risk to our clients.
We are already an expensive destination.

We acquired The Kingsmills Hotel just over 10 years ago and now pay in round terms the same level in combined taxation as the hotel enjoyed in revenue under the Marriott Brand management. I am confident that from your many visits to the hotel you will recognise the many positive changes our ownership has brought about. Not least the creation of an additional 100 jobs.
Success and growth clearly brings greater tax receipts.

We have invested over £21M in Kingsmills and as you may be aware a further £8M in Ness Walk, Inverness to create a five star 48 bedroom hotel and create a further 65 posts. We intend to invest a further similar amount in the Church St property set to open next year and is in the early stage of development with similar job creation. As such I hope you will appreciate any changes in taxation that might jeopardise these investments causes me great concern.

The profile of our clients has changed markedly since the acquisition of Kingsmills and the most significant revenue growth has materialised only from 2015 and I believe that the weakness of the pound has allowed the Highlands to become a better value proposition for overseas tourists and has significantly supported this growth.

There is no doubt that taxation can be as a stick or a carrot, if taxation did not effect behaviour why a sugar tax, duties on alcohol and tobacco, although not a tax, the minimum pricing of alcohol was surely to deter consumption and a tourist tax similarly can only deter consumption. All of which I fully support.

Our local authority for the most part seem to believe the front pages of the local newspapers branding Inverness as a 'rip off' charging hundreds of pounds for an hotel room in the summer and this somehow supports the affordability of a tourist tax. I have yet to see the same publicity supporting hoteliers who charge as little as £29.00 in the winter months where most hotels lose money.

On an annualised basis the achieved average room rate in Inverness is between £75 - £80 net of VAT and there is still a huge opportunity to develop business into the so – called off - season. The growth of revenues here would contribute substantially more than a tourist tax could ever do and this should be our focus.

I believe that the contribution of tourists, made through existing tax systems, to be the highest in Europe, as you are aware the average VAT rate in Europe on hotel accommodation is 10% as opposed to 20% in the UK. In the higher spend months I estimate the VAT tax take per room to be in the region of £50 per day only assuming the tax take on accommodation and meals. So let us not kid ourselves that the tourist contributes little other than damage to the local environment. The contribution through all of the other tax avenues is immense.

You are only too well aware of the huge increases imposed through non- domestic rates on the leisure and hospitality industry and the Kingsmills increase alone is proposed to increase in rates payable of £200,000 per annum. This added to higher import costs through the low pound, albeit welcome increases to lower paid workers all add to a declining level of profitability in our sector and all this as we dash headlong to a potentially no deal Brexit is a very scary prospect. I would draw attention to a recent newspaper article that you have no doubt noted; one Scottish Hotelier is cutting 50 jobs as a direct result of increased costs through business rates, apprenticeship levy, pension contributions and increased utility costs. All of these additional costs make for a challenging trading position before adding further costs through a tourist bed tax.

We must take a holistic view of taxation and your party has eloquently rebuffed to accusation of a party of high taxation by stressing the benefits that are available within our country. There is a straw that breaks every camel's back and I for one do not believe that the £1 suggested tax by the Local Authority would remain at that level. Whilst the locally non – voting tourist may appear a soft target the loss of, or degrading of, the No1 Highland industry, could have tax revenue consequences way beyond the narrow view taken by its proponents. There will be a negative effect, the question is how much and the consequential risk far outweighs the benefit.

Evidence Number	0.36
Name	Longanair Ltd
Permission to Publish	Yes

Thank you for the invitation to participate in the Tourism Tax discussion initiated by the Scottish Government.

Loganair carries over half a million passengers each year on routes to, from and within the Scottish Highlands and Islands. Of these, we believe that approximately 25% are travelling in relation to tourism events. The sector is of significant importance to us, just as we would hope that the air services we provide are of significant importance to the sector itself. We operate over 40 air routes with a diversity of network spanning from services from Manchester and Dublin to Inverness through to services within the Orkney Islands and to Fair Isle, each supporting tourism in their own way.

We recognise that much of the debate around the tourism tax is centred on key attractions like Edinburgh and Glasgow, and a small number of other points where there is a need to ensure that infrastructure can reasonably keep pace with tourism demand.

As such, the ability for individual local authorities to levy a tourism tax – or to elect *not* to do so – is extremely important. We would strongly oppose a national tourism tax applied uniformly across Scotland, which we believe would be highly detrimental to the development of tourism in remoter regions.

It is worth noting that Loganair's passengers travelling to the Highlands and Islands are already paying tourist taxes of approximately £4 million per year, in the form of Air Passenger Duty. [Flights departing from the Highlands and Islands are exempt from APD.] Notwithstanding the Scottish Government's aspirations to eventually abolish ADT once it has control of it, we believe that there is a *prima facie* case for the immediate abolition of APD or ADT on flights to the Highlands and Islands, reciprocating the current exemption.

In the context of the regions served by Loganair, we believe that the levy of any tourist tax must be based on seasonality. Loganair carries 65% of its annual passenger throughput during the seven summer months from April to October, and there is a defined peak in June, July and August in which 30% of our annual passenger carryings take place in 25% of the year. This is arguably the period where, if constraints of infrastructure are experienced, they are at their most prevalent.

Outside of that peak period, there is much scope and capacity to expand the number of tourists visiting the Highlands and Islands. The occupancy levels of accommodation providers, and of the seats on our flights, falls markedly despite price-led initiatives to encourage traffic. Adding a tourism tax on top of the travel and accommodation costs, no matter how small, will be a retrograde step in terms of the industry's efforts to incentivise and encourage off-season travel.

Growth in off-season visitor numbers is critical to the future of the sector as a whole. It is presently difficult for accommodation providers to invest in upgrading and expanding their bed stock, and difficult for an airline such as Loganair to invest in new, more efficient aircraft, when the peak period from which a return on investment can be derived is so short. If the peak can be extended from May to September and then from April to October to generate a longer tourism season, it will transform the economics of the sector.

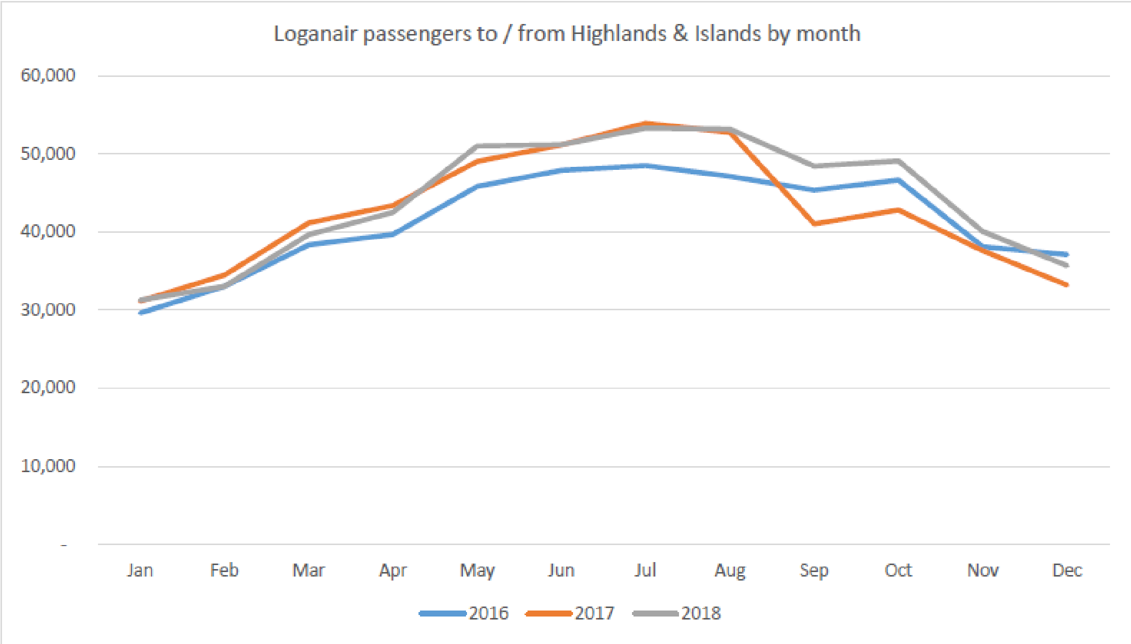
If a tourism tax is to be introduced, we believe that there must be two obligations on local authorities. These should be:
1. To consider the seasonality of tourism demand in the imposition of any such tax; and
2. To set aside a minimum proportion of the income to support and incentivise new cultural and visitor-based events designed to increase visitor numbers in the shoulder and off-peak periods.

If one looks at the example of Shetland, it has achieved excellent results with the Wool Week programme each September. This brings around 700 international visitors to Shetland at an otherwise quiet time of the tourist season and makes a meaningful contribution to the local economy as a result. However, the continuation of this programme was in doubt last year due to lack of a modest level of funding. Loganair elected to provide a guarantee in the event it was required to underwrite losses, which ensured that the event went ahead. In the end, our guarantee was not called upon, but it is symptomatic of the funding difficulties which such events can face.

For tourism in the shoulder seasons to grow and thrive, we believe that this has to be based around events of specific interest – the likes of jazz and whisky festivals, marathons and half marathons, music events and more. These special interest events provide a defined reason for customers to visit the Highlands and Islands at a time of year when they otherwise are unlikely to do so. Setting aside a portion of tourism tax incomes earned in the summer peak to support an expanded programme of such events in the shoulder seasons will, in our view, make a considerable difference to the tourism sector and its wider contribution to Scotland’s economy. We believe this should be an essential and mandated objective to be achieved from the income derived.

There are clearly wider questions in the context of the likes of tourism tax for Edinburgh and Glasgow, but we have not sought to address these in our response. Our keen interest is in ensuring that any tourism tax is not detrimental to the Highlands and Islands and works to support the widening of the demand pattern for tourism visits across the year.

Graph of Loganair passenger numbers by month, 2016 to 2018



Evidence Number	0.37
Name	Argyll Hotel Bellochantuy
Permission to Publish	Yes

Tourism Tax: Discussion Document
Response from the Argyll Hotel, Bellochantuy, Kintyre

Introduction

The Argyll Hotel is a small family run hotel on the remote Kintyre peninsula in Argyll & Bute. We have been running it for 5½ years having taken over in July 2013.

We initially leased the hotel as finance was difficult to come by in 2013 with the effects of the banking crisis still rippling through the economy. Also as new entrants to the tourism / hospitality trade we were not very investible in, with no track record of business. However, this year we secured the funding to buy the hotel having demonstrated the aptitude to successfully run a remote, rural hotel and have taken it through the end of the recession into a vibrant business employing local people.

Having now bought the hotel we are embarking on some much needed renovation work on several of the bedrooms. This is a long term investment plan which will also see the other bedrooms refurbished an also much of the public areas too. This has only been possible through hard work and dedication in re-building the business and increasing the number of customers, largely tourists and business clients. This year we have been recognised by Lonely Planet and will be featured in their Guide to Great Britain 2019/20.

The hotel employs 9 people in a mix of full and part time work. We also contract in washing and ironing services from one person in the village. It is located in the very small settlement of Bellochantuy, with only 14 houses and no other employer. Work in tourism and hospitality is a major part of the Argyll & Bute economy as the discussion paper highlights (Chart 4 Pg 12).

It is against this backdrop that we have grave concerns about the current focus on the possibility of a tourist / transient visitor tax in part or all of Scotland.

Contributing to local government / central government finance

The discussion paper highlights the ways in which the tourism sector already contributes to local and central government finance. From the seriously flawed Business Rates calculations through to the second highest VAT charges in Europe for the tourism sector.

We are concerned that local government and CoSLA in particular are circling like vultures over the tourism sector seeing it as a bloated soft belly ripe for picking to shore up their own financial predicament. However, that is not the case. The Argyll Hotel is already paying more than £5,000 per year extra through Business Rates as a result of the 2017 revaluation, this is despite the Scottish Government's relief programme. For a small SME this is not an inconsiderable sum and played a part in having to make a small reduction in our staffing and our hours of operation to absorb the increase.

The Discussion paper in its list of taxation misses pension contributions as part of the UK Government's workplace pension scheme and PAYE contributions. From a non-taxation point we are also subject to licensing schemes which require us to make
annual payments to the local authority. There is an annual fee for our premises licence in order to be able to sell alcohol.

Despite our small size we are already contributing over £75,000 per year in Business Rates, Corporation Tax VAT, National Insurance, PAYE and Pension Contributions.

And what about Non-governmental Contributions?

Something that is often overlooked and may be a better focus for the lens of CoSLA and the Scottish Government is the financial impact of OTAs (online travel agents) on the sector. Companies such as Booking.com, Expedia and their partners (Hotels.com etc) drain a lot from the sector and the country and could / should be a better target for levering additional tax income into Scotland than the tourist providers or tourists themselves. They extract upwards of 15% in commission for selling a room, but have such a grip on the internet (and therefore the market) that it is nearly impossible to survive as a hotel without aligning to them. Could it be that the better case is to 'tax' them rather than a hard pressed sector and its tourists, who see prices driven up by 'faceless' online international companies, who are diverting money out of local economies of Scotland?

What Tourists Already Contribute above their Accommodation Costs and other Charges for the Sector

We noted above that the sector pays the 2nd highest level of VAT in the European Union for tourism @ 20%. This bears serious comparison with our nearest neighbours Ireland where there is a levy of 9% VAT.

It may be a matter of semantics as to who the VAT is levied on – the sector or the customer – but in practice it is expected that the provider passes it onto the customer.

Therefore tourists in Scotland are already contributing 20% of their spend on accommodation and meals to the government. A significant tax in itself when compared to the 18 countries with VAT of 10% or less including – Belgium, Estonia, Finland, France, Ireland, Italy, Netherlands, Portugal, Spain. These represent some of our main competitors in attracting tourists – particularity UK tourists 'domestic visitors' (who as the discussion papers shows account for the majority of overnight visitors). Would an additional Tourist Tax make it more likely to drive them to 'better value' getaways abroad? Let's look at the Argyll Hotel's room costs. This year (2018) our most popular room was a double room at £80 per night.

From this the tourist pays:
£16 to the Government
£64 to the hotel (from which we pay additional taxes: Business Rates, PAYE, Employee pension contributions, premises licence)

Therefore tourists staying in hotels are already contributing significantly to the Government.

Impact / inequality of a Tourist Tax
Surely if there is case to be made for a Tourist Tax there is a case to be made for a cut in VAT in the tourism sector. Tourists in the UK are already paying more tax than tourists in the vast majority of other European countries. A Tourist Tax will just ramp this up further meaning the sector will have to work even harder to attract people to holiday in Scotland (be they Scottish, other parts of the UK or from abroad). Why come to Scotland when you visit the equally appealing Republic of Ireland, with many of the same draws as Scotland (friendly people, rural / rugged scenery, ancestry / history, outdoor pursuits, culture, whisky etc.) but be charged less in an equivalent hotel to us. E.g. a comparative cost of stay for 2 people per night:

Argyll Hotel, Kintyre
Room £64
VAT £16
Tourist Tax £4
Total cost of stay £84

Fictional Argyll Hotel, Ireland
Room £64
VAT £5.76
Tourist Tax £0
Total cost of stay £69.76

Which location looks the more attractive when a room may cost £14.24 per night less for no poorer conditions or level of service in a neighbouring country? A Double Tax Whammy for Scotland (reminiscent of the 1980s!). Are we trying to bring about a second round of Clearances in Scotland? This time driving out tourists, particularly from rural Scotland.
Without a Tourism Tax in Scotland our near neighbour Ireland looks like a better value for money destination. Indeed if you look at our TripAdvisor and other reviews you will see that value for money can be an issue that reduces peoples' satisfaction with the sector. We believe that a Tourism Tax will only add to peoples' negative view – when they do not understand how much of their room cost goes in taxation.

Tourism is important to Scotland, particularity in remote and rural areas of Scotland. Rural businesses do not find it easy to succeed. Should we risk that in a desperate attempt for local government to generate additional income; income they may ultimately lose from a consequential fall in tourism.

Should We be Reducing Taxation to Boost Business and Employment?

The EU has looked at reduced taxation having a role in helping to stimulate employment. The focus has been on been on the benefits of reducing VAT on labour intensive services, such as tourism, as a means of reducing unemployment. It has suggested that reducing VAT can help stimulate employment (as would a proper revaluation of Business Rates) allowing more resources to remain in the local community. Why is Scotland looking to buck that trend and increase taxation through the Tourist Tax?

A Tourism Tax in Kintyre (and elsewhere) and which tourists?

From what we can see it is a 'bed tax' that is being proposed. We would contend that this is very short-sighted. Illustrated above is the tax contribution that guests at the hotel already make. These are guests, who from our experience, also spend into to local economy – cafes, shops, cinema, distilleries, pubs etc. Many of who have a degree of reliability of tourism.

However, there is an increasing number of 'camper van' holidaymakers who contribute little or nothing to the area – bringing their own supplies, overnight parking in 'passing places', obstructing views, leaving litter. But it appears there is no plan for the Tourism Tax to include them – only people who are already making a contribution via tax and support of local business. We suggest such a tax as proposed only encourages 'transient non-spenders' and penalises those whose commit to invest in an area.

How tourists spend
A Tourism Tax may impact wider that on 'bed nights'. In Kintyre there are a number of businesses that to some extent rely on tourism to make a living. If for example we had a family of 4 staying the hotel for 3 nights – and a Tourism Tax of £2 per person. That could be £24 lost to the local economy – it could be a night out at the Campbeltown Cinema, a visit to the Whisky or gin distilleries, a swim in the Local Authority owned Aquilibrium, having lunch or a snack in Kintyre's numerous cafes. For the sake bolstering local authority coffers do we want to further put stress on

hard pressed local businesses? It seems to be a lack of coherent strategy in supporting the survival
of local business versus the interest of local authorities in their own survival.

Impact on Demand

The Discussion Paper looks at demand in terms of Occupancy Rates. It is very clear that there is not an over-demand in the sector. We cannot therefore expect that price in the sector is inelastic. If we push the price of staying in Scotland up we cannot expect that tourists will happily pay the extra or that there is a pool of additional tourists waiting to fill the gap of those who withdraw from the market. We certainly do not see this ‘pool of tourists’ in terms of occupancy rates, especially out of season where many of us have to work harder to attract visitors.

The Rationale for Transient Visitor Taxes

The discussion paper notes that's CoSLA’s recent position paper 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.
We must contend that this is very urbanistic view. Certainly from the point of view of Kintyre (a large area with a population of about 7,000 people) the role of tourists in sustaining local businesses is imperative. It is a very Glasgow / Edinburgh / city centric view and bears no relation to how rural Scotland (the larger area of Scotland) works and has the potential to seriously damage the hard work we as local tourism providers do to contribute the economy of local areas.

Another argument set out in the discussion paper 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.” We find that rather crass and disrespectful to the sector. How much does the Government spend on promoting UK / Scottish industry at trade fairs and through its network of consulates? How much does the Government spend on helping international companies relocate to Scotland? If this argument pertains then should we not be asking Scotland's engineer companies, for example, to contribute more and ‘bear the costs’ of the Government doing marketing for them.

Could a counter argument not be that the tourism sector already pays a lot into Government so perhaps should expect something back in return? What about the contribution that tourists are already making to the Scottish Economy and employment? Many providers are also paid members of their local tourism co-operatives (e.g. Explore Kintyre and Gigha) and therefore already help pay toward regional and national tourism promotion through the hierarchy through Argyll and

Isles Tourism Co-operative and leading all the way up to VisitScotland.

Other Demand Issues Impacting on the Sector

There are growing reports that restaurant businesses are finding it increasingly difficult in the current climate. Predictions for the future in the sector are not promising. Many hotels are not only reliant on bedroom sales but also on their restaurant side as well. Recent research by the NPD group has been causing a stir in the sector with its report *The Future of Foodservice: Great Britain 2022*. This predicts that with a drop in 25 – 35 year-olds eating out there will be a potential loss in annual spend of £800 million in the sector. The BBC has reported that accountancy firm Moore Stevens is reporting an increase in insolvency amongst restaurants as the number of diners declines. It said; "*interest rate rises and Brexit concerns had "put a dent" in consumer spending growth, as operators faced rising overheads such as the minimum wage and ingredient costs.*" This follows a report by the BBC in September that the number of restaurants in Scotland going bust has almost quadrupled over the last decade, according to an analysis of Insolvency Service data by business advisers French Duncan.

Against this background of challenges in the sector is it wise to take the chance of driving tourists away from the sector as well as diners? Is it worth risking the future of a major sector in Scotland, both economically and employment wise, to shore up local authority finances.

How to (or is it right to) Enact a Tourism Tax?

The discussion paper asks about how a tax would be collected. It notes that VAT is collected by HMRC which is technically correct but in practice there is a heavy burden (and potential penalties) on businesses themselves to collect the tax on behalf of the Government. Essentially we are unpaid tax collectors. This is a burden to the sector in the costs of administering the correct collection and reporting of VAT to HMRC. It would be quite an additional burden on the sector to also become tax collectors for local authorities.

We would need substantial guidance from local authorities, assistance with designing and setting up IT systems to regulate and collect the tax, compensation for time spent setting up systems, collecting and reporting tax.

Many very small businesses, who are currently below the VAT threshold, have no experience or knowledge of tax collection. The imposition of the burden on them may well be very detrimental.

In terms of Adam Smith's principles it is very unlikely to meet the ***convenience*** test. We are not aware of any workings that have been done on the cost of collecting the tax – which will have a bearing on the ***efficiency*** test***.*** From our point of view we estimate that the costs to us (based on 14 residents) could be:

Set up costs – new IT systems, plus training £4,000+

Operation - £70.00 per week staff time identifying and processing those liable

£10.50 per week bookkeeping and accountancy services
£70.00 per week reporting results and making payments
£1.00 per week bank charges on making payments

Weekly costs to us £151.50

On top of this there will be the collection / enforcement cost for the local authority.
Potential max income per week based on £2 tax - £196.
Potential gross income from tax per week £44.50, before local authority costs.

Who if anyone will assist us with these costs? Or are we expected to become unpaid tax collectors and bear the cost burden ourselves of collecting the tax? If so this will potential require further rises in costs to customers to help pay for this, making us even less competitive against our European counterparts.

There does not appear to be an assessment in the discussion paper of how much a tax might be expected to raise. Which will again relate to the efficiency test. What is the cost of collection? Surely no decision on a tax can be made without answering these questions? Will it raise more than it costs (costs should include an assessment of impact on tourist demand, falling income in the sector, employment opportunities and impact on other non-tourism business that benefit from tourism spending)?

Currently the idea of the tax seems ill conceived and little thought through. It would appear mad to take risks with Scotland's national tourism industry for an undefined potential gain for local authorities. It may be no better than Local Authority Conveners fiddling, trying to shore themselves up, while Rome (the tourism industry) burns.

How it is decided who will pay the tax and how people prove 'their status' could be a bureaucratic nightmare. Are business travellers / workmen exempt? If so how do they prove it? If you are travelling for a funeral or a wedding are you liable? Are we in danger of putting a restriction on travel / movement in Scotland (something akin to the Victorian era)?

If we are to have a transient visitor / tourist tax, for it be fair on the sector, it must cover Air B&B properties, B&Bs and Guest houses regardless of size, campsites and caravan parks, self-catering holiday homes. Thought must be given as to how to tax users of Scotland's bothy network, camper van owners, and wild campers who do not use recognised places to stay all of whom probably contribute less to the local economy due to their often self-sufficient approach, bring all they need with them and not spending in local outlets. Also if it is 'transient visitor tax' it must also look at day trippers and cruise ship visitors who again may contribute very little to the local economy and certainly much less that people using recognized / regulated accommodation providers.

Conclusion
Apologies if some of this is emotional but we put our hearts, soul and livelihoods into running a business in a difficult part of Scotland to work and succeed. It is hard enough work trying to run a SME in remote rural Scotland where we feel that we get little or no support from the Scottish Government or our local authority, without the

prospect of additional burdens and costs being forced upon us. Focus seems to go to larger companies at the expense of the SME sector that actually employs many people in Scotland. It gives us the feeling of being of little consequence to either the Government or the local authority despite the contribution we all make to the economy of Scotland. Both locally and nationally.

It seems that there are two questions that still need answered before any moves could be made on taking a tourism tax forward. What will be the likely impact on tourism demand in Scotland? There appears to be no research in this area. Secondly what will be the cost of administering a tax, who will bear the burden of it?

We would be more than willing to meet with Scottish Government officials, relevant Scottish Parliament Committees, or our local MSPs and councillors to contribute further to the debate.

Evidence Number	0.39
Name	Queensferry Hotels
Permission to Publish	Yes

Introduction

Queensferry Hotels Ltd is the owning and operating company of two hotels in Scotland, the Bruntsfield Hotel in Edinburgh and Keavil House Hotel in Dunfermline.

The Bruntsfield Hotel is a 70 bedroom, 4 star hotel with a restaurant & bar and meeting, event and wedding facilities for up to 120 guests. Keavil House Hotel is a 4 star, 69 bedroom hotel with a restaurant & bar, event & wedding facilities for up to 250 guests and a members' health & leisure club. Both hotels are marketing within UK and globally by Best Western Hotels.

The company welcomes this opportunity to contribute to the Scottish Government's National Discussion on Transient Visitor Taxes, or Tourist Taxes, in Scotland.
Position

Queensferry Hotels is strongly opposed to the introduction of a Transient Visitor Tax, Transient Visitor Levy or Tourist Tax.

The company opposes a Tourist Tax for the following reasons:

Impact on Price-competitiveness:

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness

Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Economic Environment and Background

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary

Queensferry Hotels is opposed to the introduction of a Transient Visitor Tax, Transient Visit Levy or Tourist Tax for the following reasons:

1. The UK is ranked 135/136 on price competitiveness by the World Economic Forum. If price and value for money are deciding factors in destination choice, where would we sit if we introduced another tax on the international visitor, and indeed our domestic tourists. Bottom of the list?
2. If a tourism tax was introduced and collected through accommodation providers, those businesses would be paying credit card commission and Online Travel Agent commission on two taxes (VAT and Tourist Tax) thereby increasing costs to businesses.
3. A tourist tax would put us at a competitive disadvantage to other countries with a lower VAT, who are not required to include taxes in public prices. So we would present perceived high prices. Competitor destination prices will always look more attractive.

II. Research by Tourism and Travel Research Institute at Nottingham University revealed that an increase in price of 1% relative to global competitors reduces tourism by 1%. Tourism, one of Scotland's biggest economic drivers cannot grow with the introduction of a tourist tax.

Evidence Number	0.44
Name	UK Hospitality
Permission to Publish	Yes

Submission in Response to the Scottish Government Discussion Document - *'Transient Visitor Taxes in Scotland: Supporting a National Discussion'*
Background

UKHospitality in Scotland (UKH) welcomes the opportunity to make this formal contribution to the Scottish Government's National Discussion on Transient Tourist Taxes in Scotland. UKH was at the forefront of tourism industry voices which called for the Scottish Government to initiate a national discussion on this matter given the mounting pressure from COSLA and certain local authorities for the introduction of a Transient Visitor Levy (TVL) or tourist tax - commonly regarded as a bed or occupancy tax. UKH has garnered the views of member businesses and affiliated hotel industry associations. This paper therefore represents the views of the hotel and wider hospitality industry – UKH represents 700 companies operating 70,000 outlets throughout the UK. Wherever possible, this submission presents evidence in support of the views expressed on behalf of the hospitality industry.

UKH has been represented at each of the round-table sessions held by the Government as part of this discussion and has made its views widely known through these and other forums including Scottish Parliamentary committees, meetings with COSLA and certain local authorities, participation in discussion groups and responses to consultations.

It is abundantly clear that there are highly polarised views on the prospect of any additional taxes being levied on visitors to Scotland who use commercial accommodation. It is regrettable that COSLA and the local authorities have focused on the possibilities for the scope, design and administration of a TVL without the principle and purpose of a tax first having been debated or decided. UKH welcomes the Scottish Government's consistently stated position that it has no plans to introduce a tourist tax and welcomes the Government's 'neutral' position in facilitating the informed national discussion which is taking place.

This submission provides an overview of UKHospitality's views in relation to the possible introduction of a tourist tax in Scotland. It does not specifically respond to all the 21 issues set out in section 6 of the Government's discussion paper but focuses on the issues which UKH considers are most relevant at this stage to the debate and to its member businesses.

UKH Position

UKH is resolutely opposed to the introduction of any additional taxes on consumers of commercial accommodation services. This position, which has been well articulated over a prolonged period, is endorsed by the Board of UKH, the organisation's Committee for Scotland, Scotland's four city hotel associations, member businesses (including independent operators and large national and international chains) which have invested in Scotland, employ tens of thousands of people and cater for millions of overnight guests each year contributing to the vibrancy and range of services available in our town and city centres as well as maintaining the urban fabric, often in important and listed buildings. The prospect of a tourist tax is also opposed by many other tourism industry representative bodies which sit on the Council of the Scottish Tourism Alliance (STA).

UKH understands the COSLA and local authorities' position that financial resources are constrained and that there are difficult choices in allocating budget to policy priorities, including support for tourism. However, UKH is unconvinced that a tourist tax or TVL is a justifiable, or the only, means of addressing shortfalls in local government finance. A TVL will be damaging to the highly competitive tourism industry, especially given the uncertainties facing tourism and hospitality businesses, arguably one of the sectors most at risk from Brexit. As the Scottish Government has recognised, the UK's future immigration policy will be hugely damaging to both Scotland and the hospitality sector. This is not the time to be making the sector less competitive internationally than it already is.

The value of tourism to the Scottish economy is well recognised – 207,000 jobs, £5.3bn direct expenditure by 14.9m overnight visitors; overseas visitors are disproportionately important (3.2m visits / expenditure £2.3bn). However, the reliance on (declining in recent years) domestic visitors (11.7m visits / expenditure £3.0bn) must not be overlooked; the domestic market generates valuable demand in shoulder months, sustains short-breaks and second / third holidays, provides the backbone of demand for many tourism-related businesses as well as generating day visitor traffic which, although of lesser economic value than staying visitors, bolsters the value of the wider visitor economy.

What is less well recognised is the economic contribution of the accommodation sector which, according to ONS, generates turnover in Scotland of £2.7bn, supports c50,000 jobs and (based on ONS and Scottish Government data and UKH estimates) contributes some £720m annually in tax by way of VAT, non-domestic rates (NDR), employment taxes and Corporation Tax without factoring-in Excise Duties and contributions to Business Improvement Districts. (It is acknowledged that many of these contributions find their way to HMRC / HM Treasury and not Scottish Government, however, they will indirectly contribute to the Scottish Government's block grant from the UK Government).

It is simply wrong to infer, as some do, that the accommodation industry does not contribute to public funding and investment in the infrastructure that supports the sector. This contribution is made primarily by larger businesses which trade above the VAT turnover threshold, pay non-domestic rates and, if rateable values are above £51,000, are subject to the Large Business Supplement (LBS) which generates c£130m in revenue and to which over 900 hotels are subject. There is a significant number of businesses, including many in the tourism sector, which make no contribution either by way of VAT or exemption from NDR as a result of the Small Business Bonus Scheme (SBBS). The point being that the public purse is denied revenue from these smaller businesses while so-called larger businesses and their customers compensate for this through inequitably larger contributions and who would be additionally and unfairly penalised by the imposition of an additional consumer tax.

UKH's opposition to a tourist tax centres on the following:

Impact on Price-competitiveness:

- Currently there is no tourist tax in place in any part of the UK. However, the country's tourism and hospitality industry is saddled with one of the highest rates of VAT on tourism services in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services (this and the following point are amply illustrated in the Government's November 2018 paper – *Transient Visitor Taxes in Scotland: Supporting a National Discussion*);
- Most EU countries which levy some form of tourist or occupancy tax apply a reduced rate of VAT on hotel services. Proponents of a tourist tax frequently cite the existence of a tourist tax in other European countries (and indeed in the United States where the effect of local sales, State and other taxes rarely reaches the level of VAT at 20%) without this seemingly affecting tourism demand. Quite simply, such comparison is disingenuous as it ignores the reality of the international competitive position. The combined impact of taxes must be considered before any decisions are taken to further burden our visitors with additional costs. Chart 1 shows that Scotland is already uncompetitive, even without a tourist tax;
- Scottish accommodation businesses pay disproportionately towards local authority funding, as the sector currently is the most penalised by the current non-domestic rates regime. Bearing in mind that property taxes across the UK are also the second highest across the OECD (see Chart 2) this paints a picture of an uncompetitive environment for Scottish tourism.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017 (the latest available) the UK enjoys a generally high ranking

in many of the indices featured. For example, the UK ranks 5th of 136 countries in overall competitiveness, enjoys comparably high rankings in relation to the business environment, transport infrastructure, natural &cultural resources and is favourably placed in other indices (perhaps with the exception of sub-indices for safety & security – 78th, travel & tourism policy – 73rd and health & hygiene – 49th). Of special concern is that the UK ranks 135th in terms of overall price-competitiveness. This position is attributable, at least in part, to generally higher rates of tax, primarily VAT, already borne by consumers of tourism services in the UK and is reflective of the unfair approach taken to valuing hospitality and licensed businesses for NDR, resulting in higher levels of property taxes than are payable by other business types in Scotland and similar businesses in other countries.

Chart 1: UKH Analysis - Combined VAT and tourist tax payments per night

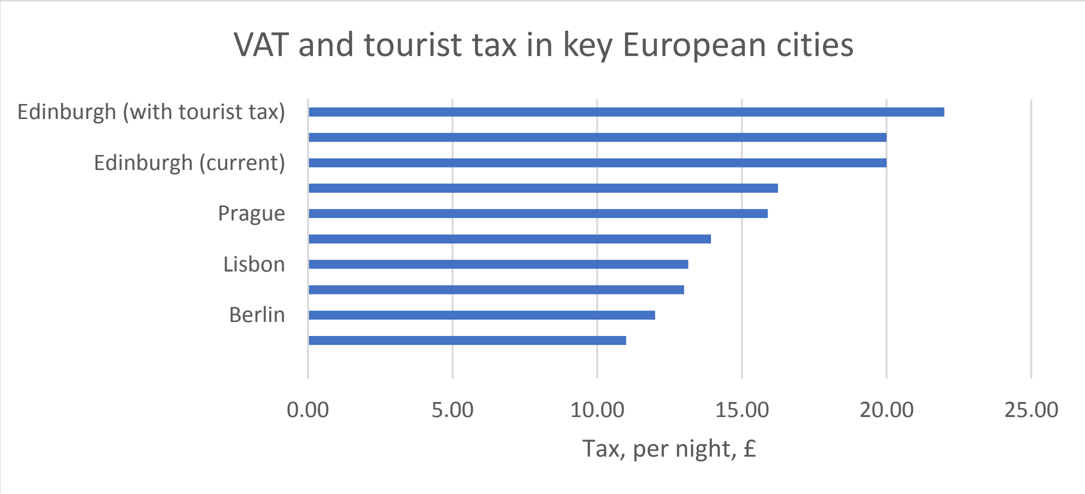
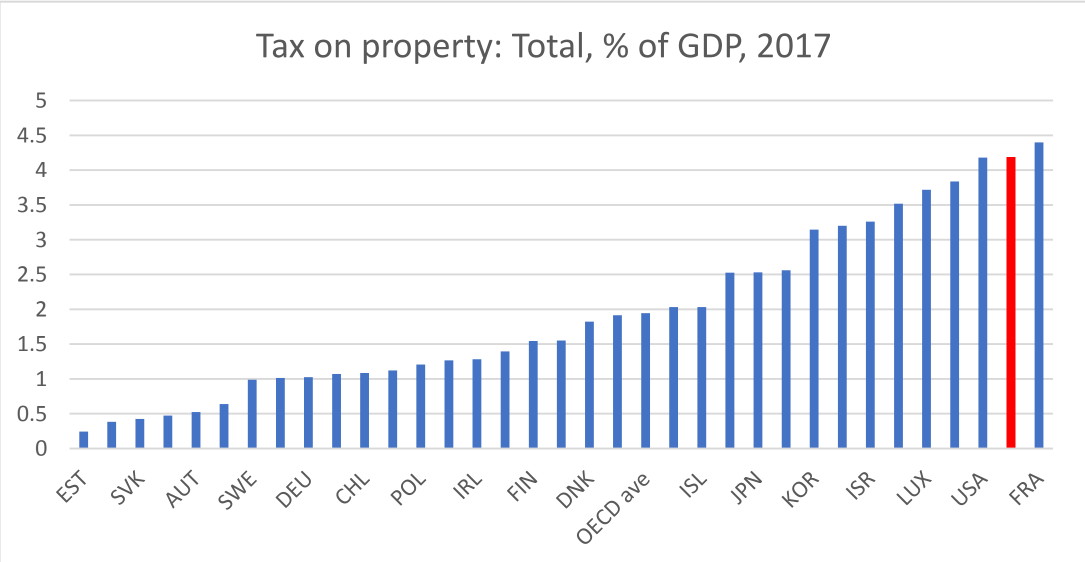


Chart 2: OECD data - property tax burden



Costs and Economic Impact:

- It is naïve to suggest that any additional tax on visitor markets will be without cost - there will certainly be initial and ongoing costs imposed on businesses to train staff, re-programme systems, collect, account for and remit the tax. There will be administration and audit costs on local authorities. There will also be costs for the wider economy arising from visitor price-sensitivity and behavioural change in response to additional costs due to a tourist tax;
- UKH has conducted two assessments of the economic impact of a tourist tax of £2 per room, per night if this were to be introduced throughout Scotland and applied to all forms of commercial visitor accommodation (UKH's research is attached at Annex 1):
    - the first is based on published, academic studies of tourism price-elasticities and takes account of average daily room rates for a mix of accommodation types, price-elasticity of 1.3% - 2.2% and a resultant reduction in tourism demand of 4.8%. This is estimated to lead to a reduction in accommodation turnover on Scotland of £128m per annum; taking account of the impact on total overnight visitor spend in Scotland implies an overall negative impact of £191m per annum
    - the second is based on data collected by STR in its Edinburgh Visitor Survey conducted between August – November 2018 as well as the findings of the price-elasticity work. UKH's analysis is based on survey respondents' change in behaviour should a tourist tax of £1-2 per night be introduced in Edinburgh. In essence, while 62% of respondents indicated that the tax would have no impact on their decision to visit the city and 16% indicated that they did not know how they would react, a significant proportion (22%) would change their plans – 15% would reduce their spending as a result of the tax, 5% would stay outwith the city and 2% would not visit at all. UKH has assumed a tourist tax of £2 per room, per night. This change in behaviour is estimated to result in a total decline in visitor spend in Edinburgh of £94m per annum (5 times the UKH estimate of the revenue raised by the tax). Extrapolating this effect to Scotland as a whole is estimated to result in a decrease in visitor spend of some £205m per annum
    - Taking the results of both assessments, UKH asserts that the introduction of a tourist tax of £2 per room, per night, in all forms of commercial visitor accommodation throughout Scotland is likely to cost the economy between £175m – £200m per annum.

Inconsistency of Rationale for a Tourist Tax:

- There is no clarity or unanimity about the 'problem' which a tourist tax might address or what its purpose might be. Is this to:
    - address the issue of so-called 'over-tourism' which is alleged in some popular areas at busy times of the year?
    - provide resources to meet externalities claimed to be attributable to tourism demand?
    - support destination development, marketing and management?
    - underwrite the cultural and event offering?
    - respond to calls from certain parties simply to meet a shortfall in public funds for general spending on services, infrastructure or public realm or, as recently argued by RSPB, to replace the potential loss of EU funding as a result of Brexit?

- UKH contends that the sector already contributes towards these costs through the local and national taxes paid by accommodation businesses in Scotland (estimated at £720m per annum), through Excise Duties levied on alcoholic beverages, contributions to BIDs, discretionary support for local destination marketing and management initiatives and, indeed, business marketing and promotional activities which support destinations. This seems not to be acknowledged by proponents of a TVL.

Examination of Policy Options to a TVL:

- There has, thus far, been no examination of policy options to a TVL to meet the kind of costs referred to above. UKH believes that these options need to be identified and be transparently examined, including:
    - Initiating a holistic review of the existing tax burden on tourism and hospitality businesses before taking steps to impose a further tax on its customers
    - the inequitable burden of taxation which falls on businesses which pay VAT, NDR and LBS while other businesses make no contribution
    - the inequity of singling-out customers of only accommodation businesses for an additional tax when almost all sectors of the economy in a destination benefit either directly or indirectly from their spending
    - the justification of an additional tax on overnight visitors who make a greater economic contribution than do markets such as those who stay with friends, relatives and unregistered accommodation providers or who make day visits to a destination, both of which contribute to infrastructural pressures and would avoid liability for a TVL.
- Might there be a case to:
    - hypothecate NDR collected from all businesses in a destination to contribute to costs identified as arising from day and staying visitor demand?
    - hypothecate VAT remitted by tourism-related businesses (from April 2019 Scottish Government will receive 50% of the VAT collected by HMRC from Scottish businesses),
    - review the justification for SBBS which provides exemption from NDR to over 119,000 businesses at a cost of £254m,
    - examine potential means of securing a contribution from all businesses which benefit in some way (directly or indirectly) from tourism spending,
    - debate whether tourism development and infrastructure support might be included in City / Region Deals.
- Air Passenger Duty / Air Departure Tax:
    - there is an apparent policy contradiction between calls for a TVL and proposals to reduce APD (a tax which generates £275m revenue for Scottish Government) by 50%, its replacement with Air Departure Tax and, if circumstances permit, abolition of ADT in due course. Although currently stalled due to State Aids issues beyond the influence of Scottish Government, the policy aim is, presumably, to reduce the burden of tax on passengers flying from airports in Scotland and increase the spending power of inbound travellers (the paradox being that this will also reduce costs for residents of Scotland making

outbound journeys). Policy in relation to APD / ADT seems inconsistent with proposals by COSLA and local authorities to introduce another tax which will be paid by all leisure and business visitors in Scotland using hotels and other forms of commercial visitor accommodation (including residents of the country) which will increase costs and reduce ancillary visitor spending in the wider economy;

Matters to be Decided if the Principle of a Tourist Tax is Agreed in Scotland

- While UKH is opposed to a TVL, the organisation has identified several critical points of detail which must be resolved if the principle of such a tax is to be considered further. Although a number of these were aired during the round-table discussions no clear conclusions were reached. UKH's views are as follows:
    - the way a tax will be levied (per room? per person? per night? for the entire duration of a stay? a monetary amount? or a percentage of the room rate?) will have potentially different impacts on consumers and this will require careful consideration,
    - if introduced, any TVL should apply nationally and be set at a standard rate – there cannot be a myriad of different arrangements in different parts of the country. To do otherwise will be confusing, uncompetitive and inequitable,
    - varying the rate of tax based on the room rate or star-rating of accommodation will be discriminatory (star-rating is in any case not a compulsory requirement),
    - there needs to be clarity on who will have responsibility for setting the level at which a tax is levied and how will this be decided / controlled in future?
    - A TVL must apply to all forms of commercial visitor accommodation – not solely hotels but self-catering, serviced apartments, sharing / peer-to-peer accommodation (Airbnb), B&Bs, guest houses, caravan and campsites, hostels, bunkhouses, university accommodation when used for other than normal student occupation and other forms of visitor accommodation,
    - how might the database of businesses in scope of a tax be compiled in the absence of a comprehensive register of the supply of accommodation?
    - there needs to be clarity over which categories of visitor should be liable for the tax. UKH believes there should be few, if any, exemptions,
    - there must be a definitive position on the purpose of revenues raised; this must be truly additional to existing local authority spending and must be clearly and transparently accounted for,
    - accommodation and tourism businesses must be involved in decisions about setting the level of tax and, importantly, how the revenues will be spent?
    - who will be responsible for initial and ongoing business set-up and administration costs? Can businesses deduct ongoing costs from the amounts due to be remitted?
    - how will existing legislation in relation to pricing and price display for sleeping accommodation, consumer protection, guest registration be

accommodated?

- o TVL must be excluded from prices which are commissionable to travel agencies, OTAs and should also be exempted from costs which are liable for credit card commission,
- o will TVL be subject to VAT?
- o a thorough assessment will be required of the impact on businesses of additional regulation and compliance – possibly including a sunset clause
- o how and by whom might collection and compliance be enforced and audited? Will penalties be applied for non-compliance and will these be criminal or civil?
- o there must be measures put in place independently to monitor and evaluate the outcomes and impacts of any such levy.

Summary

Hospitality and accommodation businesses are opposed to the introduction of any additional tax on visitors and users of commercial accommodation. A TVL will impose additional costs on customers of commercial accommodation (these overnight visitors make the most significant contribution to our visitor economy). A TVL will be a tax on consumers, not businesses. It is unlikely that many businesses will absorb this charge and the cost will be passed on to customers which will include residents of Scotland making business and leisure trips in Scotland.

UKH has assessed the negative impact (c£200m per annum) which a TVL will have on Scotland’s economy – a TVL will damage the tourism industry. UKH urges the Scottish Government fully to examine the options to, and impacts on consumers, businesses and the economy of, a TVL before taking any decisions on the principle of introducing any such tax.

UKH is a long-standing supporter of the CutTourismVAT campaign. A significant reduction in tourism VAT (to a level which is comparable with EU competitors) would mitigate opposition to a TVL if set at a reasonable and competitive level. UKH encourages Scottish Government to continue strongly to press the case for a reduction in VAT on accommodation and tourism services in its discussions with the UK Government.

The EU has indicated that UK citizens may be charged €7 for an electronic travel document to enable a visit to a European country after Brexit. If the UK Government were to do likewise (at say £7) this, in addition to the highest air passenger tax in Europe, would add further to the costs borne by one of our most important international visitor markets. To impose a TVL in addition to this will be a step too far. UK and Scottish Governments must jointly take a close and holistic look at the burden of tax borne by our tourism businesses (including analysis of which businesses are contributing and which are not) and our international and domestic visitors. Tourism and hospitality are critical to our future economic success – the industry and its consumers cannot be regarded as ‘cash-cows’ or taken for granted.

If a TVL is introduced, the established principles of fair taxation must prevail. A TVL should not be applied in a way that discriminates against any sector of the accommodation industry or its customers. UKH would urge the Scottish Government to pay full attention to the impacts of taxation and a TVL on the competitiveness of Scotland's valuable accommodation and tourism industries during the current review of Scotland's national tourism strategy. The accommodation industry makes a significant contribution to the public purse. It is UKH's contention that this must provide the source of funds if there is a requirement further to support tourism before simply utilising the blunt instrument of a tax on travellers whose existing spending supports the businesses who already contribute.

Annex 1: Impact of a Tourist Tax in Edinburgh – Consolidated Research (UK Hospitality Research January 2019)

Purpose of this Report
This report provides an estimate of the economic impact of a proposed transient visitor levy (TVL) – commonly referred to as a 'tourist tax' – in Edinburgh. The analysis has been done using both academic studies on the price elasticity for tourism, as well as using survey data on actual visitors to Edinburgh between August and November 2018. We hope that this report proves useful to all interested parties by providing empirical evidence of the impact that a TVL will have on visitor numbers, and the economy as a whole.

Key conclusions

£2 TVL in Edinburgh estimated to reduce visitor spend by c. £94m
UKHospitality's analysis shows that the introduction of a TVL in Edinburgh of £2 per night would have a significant negative economic impact on the city, leading to a reduction in visitor spend of c. £94m. This compares to just £18m raised in taxation, meaning that the reduction in visitor spend would be c. 5x greater than the tax revenue generated. Research commissioned by Marketing Edinburgh[4] – which is consistent with our own analysis – shows that although a TVL of £2 would have no impact on the majority of visitors to Edinburgh, 3% of visitors stated that they would no longer come to Edinburgh due to the tax. This in itself would lead to a fall in visitor spend of c.£57m, compared to tax generated of just c. £18m. When also including the number of people who would still come to Edinburgh, but reduce their spend due to the TVL, the estimated decline in visitor spend increases to c. £94m. Extrapolating this to Scotland as a whole, we estimate a decrease in visitor spend of c. £205m

Decline in visitor spend 5x greater than tax generation

- UKHospitality has analysed data gathered in an independent survey by STR of visitors to Edinburgh, conducted between August and November 2018. Rather than focussing purely on visitor numbers, this survey also takes account of length of stay and average spend, allowing analysis of the value of each cohort, rather than using the simplistic measure of visitor numbers.

- While visitors representing 65% of total visitor spend would not be impacted by the introduction of a £1-2 TVL, visitors representing 3% of total spend stated that they would not visit Edinburgh because of TVL. This represents c.

4 Edinburgh Residents and Visitors Open to a 'Tourist Tax' – Marketing Edinburgh – 13 September 2018

£57m of lost visitor spend, compared to tax generation of c. £18m.

- Visitors representing a further 14% of spend stated that they would reduce their spend due to the introduction of a TVL, while a further 3% stated that they would stay outside of the city. Including these visitors, we estimate that the total decline in visitor spend from a TVL of £1-2 per room per night would be c. £94m – c. 5x the amount generated by a tax of £2 per room per night.

- Furthermore, visitors representing a further 8% of spend stated that they did not know the impact that the tax would have on their future plans; this suggests that the decline in visitor spend from a TVL could be higher than our current £94m estimate.

Consistency with other research

- Analysis of the STR survey shows that the results are consistent with those of the survey referenced by Marketing Edinburgh, which showed that 88% of ‘peak’ visitors and 80% of ‘off-peak’ visitors would be unaffected by the introduction of a £2 TVL. When adjusting for the ‘don’t know’ responses, the data from the STR survey shows that a similar proportion of visitors would not change their plans in response to the introduction of a £1-2 TVL. Furthermore, the Marketing Edinburgh / STR studies show that 3% of visitors / visitors by value would no longer come to Edinburgh if a TVL were to be introduced.

- We have also updated our initial analysis on the impact of a TVL, which was based on academic studies on the price elasticity of tourism. Updating this analysis for new data on total spend by overnight visitors in Scotland, the results of our price elasticity analysis are very similar to the survey data analysis

Survey Analysis – Impact of a TVL

STR Survey Analysis – Headline Responses

STR conducted a survey of visitors to Edinburgh between August and November 2018, to assess the impact that the introduction of a £1-2 TVL per night would have on their behaviour. However, unlike other surveys on the topic, the visitors also provided data on their length of stay and spending (broken down between different categories). This has allowed UKHospitality to assess the impact of a TVL on visitor spend, rather than on visitor numbers.

STR asked the following questions for their survey:

- Thinking of your recent trip to Edinburgh, which, if any, of the following would have applied to you if you were charged an additional amount of £1 - £2 per night?

    - No change - I would have still visited Edinburgh and stayed where I stayed on this trip
    - I would have still visited and stayed in Edinburgh but would have stayed in cheaper accommodation
    - I would have still visited Edinburgh but would have stayed outside of

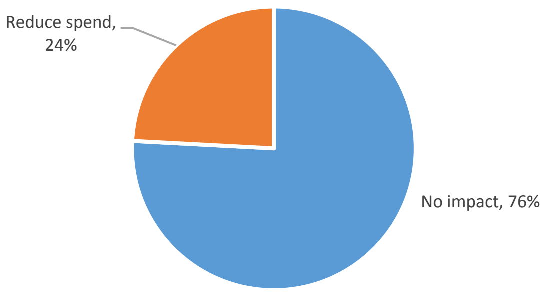
the city
  - I would not have visited Edinburgh at all

- Would a tourist tax reduce your spend?
  - Yes
  - No
  - Don't know

- Respondents were also asked about the number of people in their travel group, their average stay, and their total spend on:
  - Accommodation, Eating and drinking, Shopping, Entertainment and Travel spend

- Below we show the high-level conclusions of 350 respondents, representing 760 visitors to Edinburgh over this period. When excluding those who answered 'Don't Know', and grouping together those who have stated that they will spend less, stay outside the city, or not come at all, visitors representing 24% of total spend will either spend less or not come to Edinburgh, while visitors representing 76% of total spend stated that they would not be impacted by the introduction of a TVL

Fig 1: Impact of a £1-2 TVL – based on visitor spend, excluding 'Don't Know' responses



Source: STR survey data, UKHospitality analysis

- Visitors who will reduce their spend in response to the implementation of a TVL tend to have a lower spend per day on accommodation than those who stated that there would be no impact, however they also tend to stay for a longer period of time – and therefore actually spend more over their entire stay

- By contrast, those who would choose to stay outside the city have a much lower average spend, and therefore represent only 3% of total visitor spend, despite representing 5% of respondents

Fig 2: Impact of a £1-2 TVL – based on number of respondents

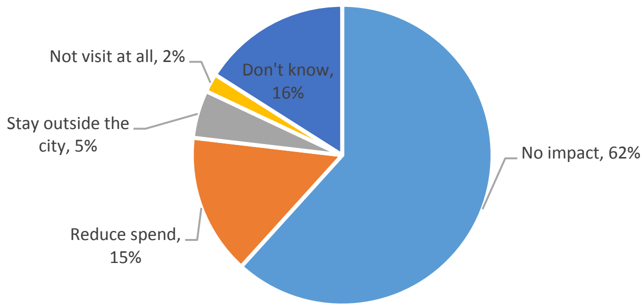
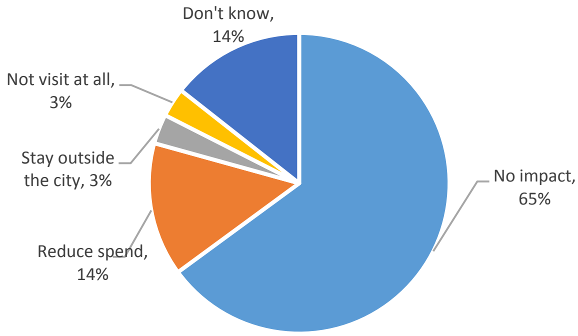


Fig 3: Impact of a £1-2 TVL – based on visitor spend



Source: STR survey data, UKHospitality analysis

Consistency with other research

- Marketing Edinburgh has released headline figures of their own survey showing that 88% of 'peak' visitors and 80% of 'off-peak' visitors would be unaffected by the introduction of a £2 TVL.

- It is unclear what the exact question was that was asked in the Marketing Edinburgh survey, in order to compare the two surveys exactly. However, when adjusting for the 'don't know' responses, the data from the STR survey shows that a similar proportion of visitors would not change their plans in response to the introduction of a £1-2 TVL.

    - In response to "*Thinking of your recent trip to Edinburgh, which, if any, of the following would have applied to you if you were charged an additional amount of £1 - £2 per night?*", when excluding those that were 'not sure', 80% of respondents said *"No change - I would have still visited Edinburgh and stayed where I stayed on this trip", while 76% said that their overall spend wouldn't be impacted.*

- Furthermore, the Marketing Edinburgh study shows that 3% of visitors would no longer come to Edinburgh if a TVL were to be introduced, and the STR study shows that 2% of visitors, representing 3% of visitor spend, would no longer come to Edinburgh as a result of a TVL.

- Therefore, our analysis is consistent with the Marketing Edinburgh conclusion that the majority of visitors will not change their spending as a result of a TVL of £2. However, the UKHospitality analysis also shows that the minority of visitors that are impacted by the TVL will lead to a significant reduction in visitor spend for Edinburgh.

- When extrapolating the reduction in visitor spend across the whole of Scotland, were the TVL to be implemented across the board, then the impact on visitor spend is similar to our revised estimates using price elasticity data for tourism.

STR Survey Analysis – Methodology to estimate decrease in spend
To estimate the decline in visitor spend as a result of the TVL, we made the following assumptions for each response cohort:

- **No longer visit Edinburgh at all:** We removed all of the visitor spend contribution of those who said that they would no longer go to Edinburgh

- **Spend less on accommodation:** For those who said that they would spend less on accommodation, we made the assumption that they would stay in the next ‘level down’ of accommodation. Data on hotel average room rates implies an average decrease in price point of 12% between different levels of hotel accommodation, and we therefore reduced the accommodation spend of this cohort by 12%, while leaving the non-accommodation spend unchanged.

- **Spend less on non-accommodation:** For those who said that they would spend less on non-accommodation, we conservatively assumed that they would reduce their non-accommodation spend by the same as the increase in accommodation costs due to the TVL – i.e. by £2 per room per day

- **Stay outside the city:** For those who said that they would stay outside the city, we removed the accommodation spend, and also reduced the non-accommodation spend by 10%, given the shift in some of the non-accommodation spend that would likely occur when staying outside of the city

The combination of all the above would result in a -5.1% decline in visitor spend as a result of a TVL. We then applied this to the total spend by overnight visitors, which we estimated using Scottish Government data on overnight visitor spend in Edinburgh.

Fig 4: Overnight visitor spend in Scotland and Edinburgh 2017 (£m)

2017 (£m)	Scotland	Edinburgh	Edinburg (%)
Total spend by overnight visitors (£m)	5,275	1,825	35%
Accommodation spend (£m)	2,642	822	31%
Non-Accommodation spend (£m)	2,633	1,003	38%
Accommodation %	50%	45%	
Overnight visitors (m)	14.9	3.7	25%
Overnight room nights (m)	36.5	9.16	25%
Average room rate (£)	72.4	89.7	124%

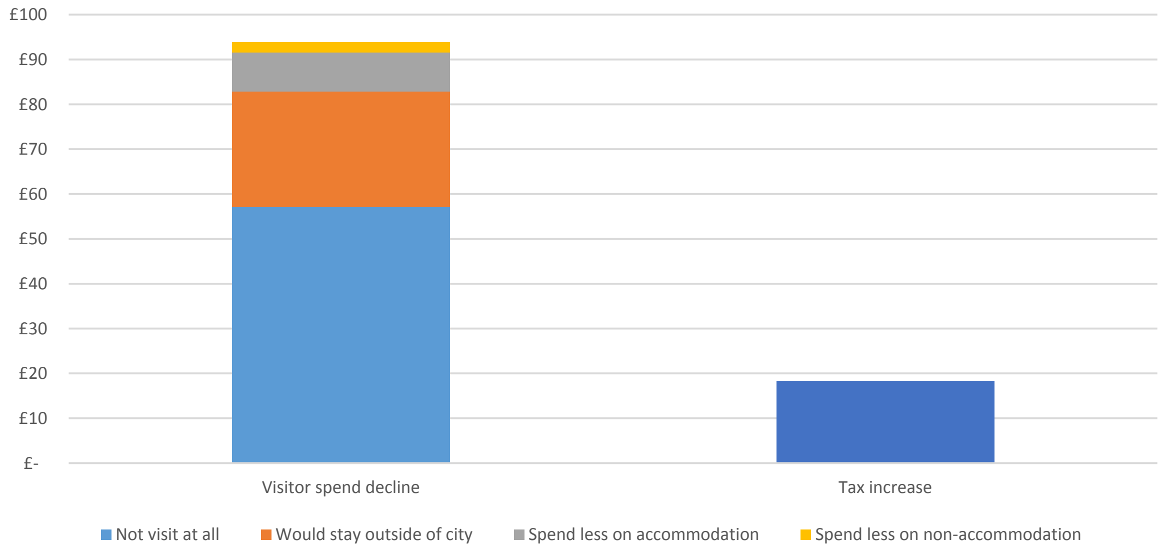
Applying the -5.1% decline in visitor spend to the overnight visitor spend of £1,825m implies a decline in visitor spend of £94m.

Fig 5: Decline in overnight visitor spend in Edinburgh as a result of a £2 TVL (£m)

2017 (£m)	Edinburgh
Overnight visitor spend decline from £2 TVL	-5.1%
Edinburgh overnight visitor spend (£m)	1,825
Implied decline in overnight visitor spend (£m)	(94)

Below we show the decline for each cohort of visitors.

Fig 6: Decline in spend by visitor cohort with the introduction of a £2 TVL (£m)



Source: STR survey data, UKHospitality analysis

Extrapolating survey results to Scotland as a whole

When extrapolating these results to the whole of Scotland – i.e. under the assumption of a £2 TVL – we adjust the behaviour of the cohort who said that they would stay outside of the city. As the underlying reason for staying outside of the city is to reduce accommodation costs, we use assume that this group would now reduce their accommodation costs by the same level as the cohort that said they would spend less on accommodation. This leads to a slight reduction in the overall impact, with a decline in visitor spend of -3.9% compared to the -5.1% for Edinburgh.

Applying this to the total overnight visitor spend of £5.3bn in 2017 implies a decline in visitor spend of c. £205m with the introduction of a TVL of £2 per night across the whole of Scotland, compared to tax generation of c. £73m – or c. 3x the amount of tax being generated.

Fig 7: Decline in overnight visitor spend in Scotland as a result of a £2 TVL (£m)

2017 (£m)	**Scotland**
Overnight visitor spend decline from £2 TVL	-3.9%
Scotland overnight visitor spend (£m)	5,275
Implied decline in overnight visitor spend (£m)	(205)

Source: STR survey data, Scottish Government data, UKHospitality analysis

Price Elasticity Analysis – Impact of a TVL

Price Elasticity Analysis – Methodology and Results

- We have also analysed the potential impact on visitor spend in Scotland based upon tourism price elasticity data.
- We calculate the average ‘cost per room per night’ of staying in Scotland. For this we used data from a specialist hotel data provider, data from a Scottish B&B association, data from a self-catering booking platform and data from a hostel group. We then weighted these figures to get an average cost per night of £72.40 across all forms of accommodation in Scotland.

- We then apply a TVL of £2 per room per night, which implies an increase in price of 2.8%.

- Academic research (Peng et al, 2015) used metadata analysis to calculate a price elasticity of tourism in Europe of 1.3%. However, other academic research (Nottingham University Research) has modelled the impact of an increase in price on the demand by residents of France for tourism in other European markets; this model concluded that the price elasticity is 2.2% for tourism to the UK, with the elasticity of tourism to the UK higher than for other European markets.

- Given the travel involved in getting to the UK compared to other European markets, it is reasonable that the price elasticity for tourism in the UK is higher than for Europe as a whole. Furthermore, this view is supported by the survey data. Therefore, we use an average of the two research reports to get a price elasticity of 1.75%

- Applying this to the 2.8% increase in room cost implies a decrease in demand in spend of -4.8%

Fig 8: Price elasticity of tourism in Scotland – based on a £2 TVL

	Scotland
TVL (£)	2
ADR (£)	72.4
Increase in cost	2.8%
European price elasticity of tourism	1.3
Price elasticity of French travellers to the UK	2.2
Average price elasticity	1.75
Increase in cost	2.8%
Implied decrease in spend	-4.8%

Source: UKHospitality analysis

- We apply the -4.8% decline in spend to the overnight visitor accommodation spend of £2,642m, which implies a decline in visitor spend of £128m – which is significantly higher than the estimated tax generation of c.£73m

- The STR survey data also showed a significant impact on non-accommodation spend as well, and therefore we apply the price elasticity to non-accommodation spend as well, but at only half the impact of the accommodation spend.

- This implies a total decline in spend of c. £191m, compared to tax generation of c. £73m.

Fig 9: Decline in overnight visitor spend in Scotland as a result of a £2 TVL (£m)

2017 (£m)	Scotland
Accommodation spend (£m)	2,642
Implied decrease in spend	-4.8%
Decline in accommodation spend (£m)	(128)
Non-accommodation spend (£m)	2,633
Implied decrease in spend - half of impact of accommodation spend	-2.4%
Decline in non-accommodation spend (£m)	(64)
Total decline in spend (£m)	(191)

Source: UKHospitality analysis

Evidence Number	0.45
Name	Visit South West Scotland ltd
Permission to Publish	Yes

I write as Chairman of Visit South West Scotland (VSWS) an industry led tourism organisation totally committed to improving the visitor footfall and their experience in the South West of Scotland.

VSWS strongly oppose the introduction of a new tourism tax in Edinburgh, wider Scotland and in particular in our region. As chairman I represent the views of over 300 tourism and related businesses in the tourism sector throughout Dumfries & Galloway and South Ayrshire. We also fully believe that if VAT on tourism was reduced by half (as it is in the majority of other EU countries) that this would not only have a beneficial effect on tourist spend and numbers coming to Scotland but also on further investment in the industry as a whole by the industry as well as a beneficial knock on effect of greater employment opportunities.

I am writing because our industry body, STA are unable to represent our views as we are so underfunded that we cannot afford membership. For avoidance of doubt we fully support STA and UK hospitality's opposition to the tourism tax.

It is our strongly held belief that the Scottish government should actively put a stop to Edinburgh council`s attempt to introduce a tourism tax. Strong action from government could still repair some of the reputational damage caused by the debate. The UK is already the second least competitive destination in the world. This continued threat of further tax will cement our international bad reputation. We believe that less tourists to Edinburgh will inevitably lead to less tourists to the rest of the country.

The situation in the south west is already precarious with the worst room occupancy levels in the country coupled with unusually high amounts of social/economic deprivation. Perhaps councils in more affluent areas can consider risking the viability of their tourism and put jobs and investment at risk but the south west absolutely cannot.

We are encouraged by the very recent government funded SOSEP and the Visit Scotland “See South Scotland” campaign. After 50 years of bias (VS and HIE) towards the cities and the north of the country the south west urgently needs Scottish government support, a fair share of road investment (currently 0.04% of national spend) and swift action on repositioning the South West as a major tourism destination as well as the gateway to Ireland and Europe.

We hope the Scottish government will support the rural economies of the south west by refusing to allow Edinburgh council to spread this mad tax around the whole country.

Evidence Number	0.46
Name	The Sheraton
Permission to Publish	Yes

Submission in response to the Scottish Government Discussion Document – “Transient Visitor Taxes in Scotland: Supporting a National Discussion”.

Background

Edinburgh Hotels Association (EHA) is the official association of Edinburgh’s hotel sector, representing approx. 65 of the city’s principle hotels. Our members reflect the wide range of accommodation supply in the city, from the budget sector to luxury, from boutique (16 rooms) to large (circa 450 rooms), with varying operating models from independent owner operated, franchised, leased or large international chain management agreements. Our members also represent large to small food and beverage outlets, conference facilities as well as world class spa facilities. Edinburgh Hotels Association welcomes the opportunity to make this formal contribution to the Scottish Government’s National Discussion on Transient Tourist Taxes in Scotland.

EHA Position

Edinburgh Hotels Association is totally opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. The EHA has consistently supported UKHospitality’s opposition to the subject and fully endorses their separate, more comprehensive and detailed submission.

The EHA remains opposed to a Tourist tax for the following reasons:

<u>Impact on Price-competitiveness:</u>

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.

- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

<u>Effectiveness of a Transient Visitor Tax:</u>

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

<u>Challenging Economic Environment and Future Headwinds</u>

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- The costs of doing business are rising quicker than our ability to rise prices due to the competitive nature of the marketplace and increased supply. Brexit is putting inflationary pressure on our supply chain as well as wage inflation from the ever reducing pool of vital EU labour supply.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.

- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary

Edinburgh Hotels Association is totally opposed to the introduction of a transient visitor tax.

It fully endorses the more comprehensive and fully researched findings of UKHospitality's position and separate submission paper.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Visitors have choices and Edinburgh will lose out to other attractive destinations who are perceived to offer better "value".

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.

Such a Tax would result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

There is too much uncertainty within the industry at present as it faces the strong headwinds of an increasingly fast rising costs of doing business, the pressures of Brexit on our customers, our supply chain and our shrinking pool of vital EU labour.

Evidence Number	0.47
Name	Scottish B&B Association
Permission to Publish	Yes

We represent Scotland's B&Bs, guest houses and small independent hotels. We are members of the Scottish Tourism Alliance, and affiliated with the UK Bed & Breakfast Association.

I am taking the opportunity of responding by your official deadline, to confirm our strong opposition to any TVL or new tourist tax. This email is to outline our reasons.

The UK is at the bottom of the list (135/136 on World Economic Forum ranking of global tourism price competitiveness) when it comes to competing on price against other global destinations. If price and value for money is a deciding factor in a visitor's choice of destination, there are 134 places in the world that will be more attractive to them than the UK.

Where would we sit in relation to price competitiveness if we introduced yet another tax on the international visitor, and indeed our domestic tourists, on top of the high taxes already borne by our sector?

Edinburgh, Scotland's busiest destination, did not have a good year in 2018: as measured by STR (source for premium global data benchmarking, analytics and marketplace insights), Year to Date occupancy was down 1.4%.

Edinburgh is one of the few European cities in decline. Glasgow figures are showing the same trend. There is a misconception of a buoyant industry.

Transparency in pricing
Unlike many of our competitor destinations where additional taxes can be hidden behind the room price advertised, pricing to the public in UK must be inclusive of all taxes and compulsory payments.

We would be at a competitive disadvantage to other locations with a much lower VAT rate, who do not include any tourist taxes in public prices. Scotland would be presenting perceived high prices.

Prices displayed by our competitor destinations will always look more attractive at first glance.

The hidden costs to accommodation providers
If a tourist tax was introduced and collected through accommodation providers, those businesses would be paying credit card commission and OTA commission on two taxes (VAT and Tourist Tax).

The research and evidence the STA has gathered over the past two years shows that the rising costs of doing business remains the number one concern of tourism business in Scotland.

Increases in price reduces tourism
Research by Tourism and Travel Research Institute (TTRI) at Nottingham University (Tourism Competitiveness: Price and Quality – March 2005) revealed that an increase in price of 1% relative to competitors reduces tourism by 1%. Research by BTA (now VisitBritain) shows an increase in the value of currency of 1% will reduce tourism earnings by 1.3%.

Tax our visitors more and they will spend less
Also by TTRI, Study of Tourism Demand in UK (2007) shows that a 1% increase in UK prices or relative exchange rates would lead to a 0.61% fall in tourism expenditure.

The Association of Scotland's Visitor Attractions published recent statistics which showed that the average visitor spend in the last quarter in attraction shops in Scotland was just £1.59. In catering outlets in visitor attractions in Scotland, the average spend was £1.19.

A tourism tax could negatively impact businesses that rely on the tourism economy by reducing visitor spending right across the industry; in pubs, restaurants, shops, cafes, visitor attractions and entertainment venues.

We'll tax you when you arrive and tax you when you leave
We "welcome" our visitors with one of the highest rates of VAT in the world and we wave them goodbye with the highest level of Air Passenger Duty in Europe (and one of the highest in the world).

Our visitors are taxed at every point in their journey while in Scotland.

Other destinations where a tourist tax has been introduced have significantly lower rates of VAT and APD. We cannot compare the UK to these destinations. We are simply far more expensive for tourists. When tourists visit these destinations, they are able to spend more, stay longer because ultimately, they are taxed less. The idea of introducing yet another tax on our visitors seems dangerous and damaging given that it costs them significantly more to travel to Scotland and holiday here.

Attractiveness of Scotland for future investment
How would we be perceived by investors, people who want to invest in Scotland's tourism economy by creating hotels, attractions, shops, restaurants, bars and activities, all of which equal job creation and a boost to the economy if we were to introduce an additional tax on our visitors? Investing in a tourism economy likely to take a downward turn would seem unlikely.

Where would the money go?
None of the facts around the ringfencing or distribution of a tourist tax have been made clear by any of the proponents of the levy or details of how the tourism industry would benefit from these additional funds if a tax was introduced. Where would the money go? Potholes or destination marketing?
We do not need another administrative layer.

The logistics and costs of administering a tourist tax on our members is also an important consideration. It would be yet another burden. The cost of regulation and legislation for our tourism and hospitality industries is significant and is already eroding the profit that our members could be making.

This is exacerbated by the huge unfairness of the (in practice) unregulated competition our members already face from premises on "peer to peer" platforms like Airbnb, who can undercut our members by avoiding compliance with regulations on fire safety, gas safety, and other costs such as public liability insurance. We already badly need the playing-field levelled, even before yet another cost is threatened on top of those our members bear whilst the Scottish Government allows others to avoid both safety compliance and taxation.

A reduction to profit impacts the quality of our members' products, the service they deliver and greatly reduces their opportunity to invest.

Reduction in stay durations
What could be a two-night stay, might become one. Our domestic market is already feeling the pinch. Household budgets are squeezed and consumers are not able to spend as much on leisure activities as they used to. Two nights can become one, meaning that expenditure in our members' B&Bs and guest houses might therefore be halved in practice.

For these reasons, we strongly oppose any new tourism tax.

Evidence Number	0.49
Name	Scottish Tourism Alliance
Permission to Publish	Yes

Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion".

Background

The Scottish Tourism Alliance (STA) is the representative body for Scotland's tourism industry; with c70% of the businesses in the tourism and hospitality sector in Scotland under our umbrella through direct or associated membership. Our role is to create opportunities for positive policy change to build a vibrant tourism economy in Scotland and create the best possible conditions for tourism businesses to grow and be more profitable. We are the acknowledged industry leadership group and guardians and co-ordinators of Scotland's Tourism Strategy.

STA Position

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

While a tourism tax/visitor levy may work well for tourism businesses, destinations and local authorities in other global destinations where the level of VAT on tourism services is lower than that of the UK, the idea must be examined within the context of: the UK having the second highest VAT rate in Europe at 20%; the challenges which exist to the imposition of an additional tax; the impact on price-sensitive visitors and indeed the impact on businesses already coping with the 'perfect storm' of rising costs that tourism businesses in Scotland currently face.

We would also highlight that whilst the exchange rates are currently favourable for our international markets this may not persist beyond the short-term and the fact remains that around 60% of Scotland's tourism spend comes from our already squeezed domestic visitors. Any further tax or levy applied could seriously dilute this market.

The UK is second from bottom in the World Economic Forum, ranking 135/136 when measured solely on international tourism price-competitiveness; this is in stark contrast to its overall ranking of 5th in the world when the full range of international tourism indicators are included. This underlines that the introduction of a tourism tax or any such visitor levy would further reduce the competitiveness of our already heavily taxed sector relative to competitor destinations. Any new tax on tourists or the businesses serving them could ultimately have a potentially devastating long-term impact on Scotland's tourism industry and local economies which could lead to potential job losses.

It would also in our opinion negatively impact businesses, beyond the accommodation sector that would be expected to collect any tourist tax, that rely on the tourism economy by reducing visitor spending right across the industry; in pubs, restaurants, shops, cafes, visitor attractions and entertainment venues.

It should also not be ignored that tourism businesses already contribute significantly towards enabling public sector spending through high levels of business rates with many also contributing to local BIDs to which invest in the destination. Over and above this many tourism businesses also provide direct funding support as members of their local destination marketing bodies on top of investing in their own business marketing and promotional activity which, of course, benefits the destination overall.

The need for Scotland to remain, and indeed become more competitive as a destination for visitors to travel to and spend money in is now greater than ever in relation to our impending exit from the EU. Applying any additional taxation or levy to visitors in the current economic conditions and tax regimes that are currently in force is not the answer.

Only if there is clear evidence that there would be no negative impacts on the Scottish tourism economy, and its component businesses, including, tourism employment and importantly, the accommodation sector might the STA Member Council then be open to reconsidering its current position.

The following STA Council Members and other organisations have signed up to this statement to date:

- **Association of Scottish Visitor Attractions (ASVA)**
- **Association of Scotland's Self Caterers (ASSC)**
- **Argyll & Isles Tourism Co-operative (AITC)**
- **British Amusement Catering Trade Association (BACTA)**
- **British Holiday Parks & Homes Association (BH&HPA)**
- **Caravan & Motor Home Club**
- **Confederation of Passenger Transport UK – Scotland**
- **Destination Orkney**
- **Farm Stay**
- **Federation of Small Businesses (FSB)**
- **Green Tourism**

- **Hosteling Scotland**
- **Outer Hebrides Tourism (OHT)**
- **Scottish Bed & Breakfast Association (SBBA)**
- **Scottish Beer & Pub Association (SBPA)**
- **Scottish Country Sports & Tourism Group (SCSTG)**
- **Scottish Licensed Trade Association (SLTA)**
- **Sail Scotland**
- **U.K. Hospitality [Edinburgh, Glasgow & Inverness Hotels Associations]**
- **VisitArran**
- **Wild Scotland**

<u>20 reasons to say no to a tourist tax – a summary of the facts</u>

1. The UK is ranked 135/136 on price competitiveness by the World Economic Forum. If price and value for money are deciding factors in destination choice, where would we sit if we introduced another tax on the international visitor, and indeed our domestic tourists. Bottom of the list?

2. If a tourism tax was introduced and collected through accommodation providers, those businesses would be paying credit card commission and OTA commission on two taxes (VAT and Tourist Tax). How much could a tourist tax cost these business?

3. A tourist tax would put us at a competitive disadvantage to other countries with a lower VAT, who are not required to include taxes in public prices. We are! So would be presenting perceived high prices. Competitor destination prices will always look more attractive at first glance.

4. Research by Tourism and Travel Research Institute at Nottingham University revealed that an increase in price of 1% relative to global competitors reduces tourism by 1%. Tourism, one of Scotland's biggest economic drivers cannot grow with the introduction of a tourist tax.

5. Tax our visitors more and they will spend less! Research - Study of Tourism Demand in UK (2007) shows that a 1% increase in UK prices or relative exchange rates would lead to a 0.61% fall in tourism expenditure. This affects every business who benefits from Scotland's tourism economy.
6. A tourism tax could negatively impact businesses that rely on the tourism economy by reducing visitor spending right across the industry; pubs, restaurants, shops, cafes, visitor attractions and other venues. What would this mean for your business, destination and local economy?

7. Scotland welcomes visitors with one of the highest rates of VAT in the world and we wave them goodbye with the highest level of Air Passenger Duty in Europe. Our visitors are taxed at every point. Would a tourist tax be good for Scotland's competitiveness/global perception?

8. Other destinations where a tourist tax has been introduced have significantly

lower rates of VAT and APD. We cannot compare the UK to these destinations. We are simply far more expensive for tourists.

9. How would Scotland be perceived by investors - organisations who want to invest in our tourism economy by creating hotels, attractions, shops, restaurants, bars, all of which equal a boost to the economy if we were to introduce an additional tax on our visitors?

10. The UK gives Scotland 60% of our market. The tourist tax is not a tax on international travellers. This would come out of the Scottish tax payer's expenditure too.

11. None of the facts around the ringfencing or distribution of a tourist tax have been made clear by proponents of the levy (or how the tourism industry would benefit from these additional funds). Where would the money go? Potholes, schools or destination marketing?

12. The logistics and costs of administering a tourist tax in accommodation is important to consider. How does this fit with IT systems? What are the costs of making modifications to the way guests and charges? How do these businesses absorb these costs?

13. A two-night stay, might become one with the introduction of a tourist tax. Our domestic market is already feeling the pinch and we're not able to spend as much on leisure activities. Two nights can become one, expenditure in our hotels and tourism businesses is therefore halved.

14. What would the impact be on Scotland's tourism economy if we introduced a tourist tax? New Zealand will introduce a tourist tax later this year which could see 20,000 tourists spending up to $70M elsewhere. Can Scotland afford to take a hit like this? https://bit.ly/2ACONi8

15. City of Edinburgh Council want to introduce a tax on visitors while other destinations like the Canaries look to scrap local VAT in a bid to retain their attractiveness and as a destination. Remember, the UK sits 135/136 globally on price competitiveness. https://bit.ly/2M323RI

16. In the City of Edinburgh Council tourist tax consultation just 87 accommodation providers (as yet undefined) were supportive of a tourist tax. We will seek clarification around what type of providers these are. It is hugely important for all stakeholders to have greater detail.

17. Cruise lines are now choosing to avoid Amsterdam (who have recently introduced a tourist tax on cruise passengers). Around 821,000 cruise tourists visited Scotland last year. Can we afford to turn nearly £1M visitors off visiting us? https://bit.ly/2QAZhn3

18. The need for Scotland to become more competitive as a destination for

visitors to travel to and spend money in is greater than ever. Applying an additional tax or levy to visitors in the current economic conditions and tax regimes that are currently in force is not the answer.

19. Exchange rates are currently favourable for our international markets. This may not persist beyond the short-term; the fact remains that 60% of Scotland's tourism spend comes from our already squeezed domestic visitors. A tourist tax could seriously dilute this market.

20. The UK is one of only three EU countries that to do not apply a reduced rate of VAT to accommodation and tourism services. We cannot compare Scotland to destinations where VAT is around half of that in the UK when considering the implementation of a tourist tax.

Evidence Number	0.55
Name	Double Tree by Hilton
Permission to Publish	Yes

Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion".
Background

As a city centre hotel that benefits from its central location within the financial district of the city along with being within reach to Edinburgh Castle and the Old Town, the hotel has gone from strength to strength with all year round business as well as good investment to fully refurbish the property and continually keep the property in good stead for the international customers that use the hotel. The hotel also has a Conference Centre with a Penthouse Suite which has stunning views across the city and onto Edinburgh Castle and over the Firth of Forth to Fife and have hosted several high-profile guests such as Prime Ministers of various countries and many politicians and movie stars with the filming of movies and BBC Dramas and is also home to the iconic SkyBar Edinburgh.

The DoubleTree by Hilton Edinburgh City Centre welcomes the opportunity to make this formal contribution to the Scottish Government's National Discussion on Transient Tourist Taxes in Scotland.

The Hotels Position

The DoubleTree by Hilton Edinburgh City Centre is opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. The hotel which is also part of the Edinburgh Hotels Association has consistently supported UK Hospitality's opposition to the subject and fully endorses their separate, more comprehensive and detailed submission.

The hotel remains opposed to a Tourist tax for the following reasons:
Impact on Price-competitiveness:
• • The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate

of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.

• • The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.

• • According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

• • It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.

• • There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.

• • Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Challenging Economic Environment and Future Headwinds

• • As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.

Evidence Number	0.56
Name	Edinburgh Hotel Association
Permission to Publish	Yes

Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion".

Background

Edinburgh Hotels Association (EHA) is the official association of Edinburgh's hotel sector, representing approx. 65 of the city's principle hotels. Our members reflect the wide range of accommodation supply in the city, from the budget sector to luxury, from boutique (16 rooms) to large (circa 450 rooms), with varying operating models from independent owner operated, franchised, leased or large international chain management agreements. Our members also represent large to small food and beverage outlets, conference facilities as well as world class spa facilities.
Edinburgh Hotels Association welcomes the opportunity to make this formal contribution to the Scottish Government's National Discussion on Transient Tourist Taxes in Scotland.

EHA Position

Edinburgh Hotels Association is totally opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. The EHA has consistently supported UKHospitality's opposition to the subject and fully endorses their separate, more comprehensive and detailed submission.

The EHA remains opposed to a Tourist tax for the following reasons:

<u>Impact on Price-competitiveness:</u>

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

<u>Effectiveness of a Transient Visitor Tax:</u>

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.

- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Challenging Economic Environment and Future Headwinds

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- The costs of doing business are rising quicker than our ability to rise prices due to the competitive nature of the marketplace and increased supply. Brexit is putting inflationary pressure on our supply chain as well as wage inflation from the ever reducing pool of vital EU labour supply.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary

Edinburgh Hotels Association is totally opposed to the introduction of a transient visitor tax.

It fully endorses the more comprehensive and fully researched findings of UKHospitality's position and separate submission paper.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Visitors have choices and Edinburgh will lose out to other attractive destinations who are perceived to offer better “value”.

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.

Such a Tax would result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

There is too much uncertainty within the industry at present as it faces the strong headwinds of an increasingly fast rising costs of doing business, the pressures of Brexit on our customers, our supply chain and our shrinking pool of vital EU labour.

Evidence Number	0.57
Name	Surgeons Quarter
Permission to Publish	Yes

I write in response to the ongoing discussion re Tourist Tax, which should actually be referred to as bed tax as there is no differentiation between the purpose of a guests stay.

As the Scottish Government has requested permission to publish responses, I wish to be clear that I am more than happy to have my response published and I do expect to be contacted for additional information / discussion and I will also publish any failure to be contacted by the Scottish Government in this consultation.

Representing both an independent hotel company employing circa 150 people and additionally the owning organisation, The Royal College of Surgeons of Edinburgh, I am uniquely placed to give insight as to how the planned proposal for yet another tax on the hospitality industry would negatively impact both organisations.

In recent years, the hotel industry has faced growing costs from all three levels of government, Council, Scottish Executive and UK national.

- Sustained increases in national minimum wages above inflation.
- Introduction and increase to workplace pensions
- Escalating business rates
- Increases to employers national insurance
- Increases in waste collection charges via legislation including food waste collections
- Large increases in licencing costs including liquor licence annual cost, training and pavement licences

A number of the above I fully support and would like to go further on, however we cannot aim for our objective to be a real living wage employer whilst costs are being added into us outwith our control. Unlike Councils and governments we cannot simply pay people more and then complain we are not left with sufficient money, we have to make money and then pay it out.

The hotel sector already collects and pays more taxes than most other businesses.

- VAT
- Business rates
- National Insurance
- Liquor duty
- Corporation Tax
- Local Licencing charges

Do we really need to add in yet another administrative process rather than focussing on guest experience ?

Additionally the Scottish Hotel Sector is facing pressure on future business due to political issues relating to ongoing noise of Indyref2 and Brexit. We are already aware of associations that will not commit to coming to Scotland while so much political uncertainty prevails.

Collecting a tourist tax at hotels is not an effective way of raising a relatively low amount of revenue and puts the responsibility on to front desk agents that should be focussing on guest service rather than tax collecting. Nowadays a high proportion of hotel guests do not require to visit reception as group and conference guests can be checked in on a bulk basis and keys distributed away from reception. Do we really now need to go back in time and have each guest queue up to pay their £2 as they have probably already paid their hotel costs online.

The hotel sector is a large employer in Scotland and is viewed by many in the public sector as a cash cow that can be tapped on a regular basis to make up short falls, in local and national government finances. Perhaps if the Scottish Government controlled its expenditure and wage costs as the hotel sector has to then there would not be a requirement for more money to be raised and wasted.

The Scottish Government and local councils should look at other areas to raise revenue or reduce costs before penalising the hotel sector yet again.

- Charge for entry to tourist attractions such as galleries and museums.
- Drop the commitment to lower air passenger duty if money is tight.
- Tax properties used as pseudo hotels such as Airbnb effectively

The above three examples are easier to administer and would generate more than a hotel bed tax that penalises those visiting Edinburgh for the purpose of Education or business rather than tourism.

In our own situation, where we have regular groups of Surgeons staying at our hotel whilst they are acting as examiners overseeing professional exams, we would be in the bizarre situation that we would have to tax our own members, to stay in their own hotel whilst giving up their time to help progress surgeons of the future.

I strongly object to any proposals for a tourist tax to be introduced anywhere in Scotland as tourism is one of the few growth industries in Scotland and perhaps government should seek to cut costs and collect revenues fairly from other sectors before "biting the hand that feeds it" I would very much welcome dialogue with representatives and ministers from the Scottish Government to discuss this further. Our premises are a short walk from the Scottish Parliament and ministers are on site here for conferences regularly therefore I hope a suitable time can be found for face to face engagement.

Evidence Number	0.58
Name	Forest Holidays Ltd
Permission to Publish	Yes

EXECUTIVE SUMMARY

[1] Forest Holidays provides a genuine example of how a sustainable rural business can successfully balance economic, social and environmental interests.

[2] Since 2006, we have invested circa £100 million into rural economies across Great Britain of which £10 million has been invested in Scotland, we plan to invest a further £10.7 million in the Scottish borders within the next 2 years (see attached) and we have a strong desire to invest further, promoting social inclusion through employment and local business partnerships.

[3] Our experience over more than 40 years has given us a working knowledge of the challenges and opportunities faced by national businesses in bringing such investment to rural areas. This insight also extends to the needs of the local businesses with whom we partner.

[4] Forest Holidays has developed a proven model delivering quality jobs and income to local economies. Our track record and experience mean that replicating this success further across Great Britain poses no risks or uncertainty to regions, whilst the benefits are well known and demonstrable.

[5] Together with our partners, Forestry and Land Scotland (formerly Forestry Commission Scotland), Forestry England (formerly Forestry Commission England) and Natural Resources Wales (Formerly Forestry Commission Wales), we have identified significant opportunities to invest further in introducing cabin locations to more areas of Great Britain and to widen the benefits for people, nature and local economies.

[6] Nevertheless, we face specific barriers to this investment in Scotland. One of these barriers is commerciality. Scotland is clearly open for business, which we very much recognise and appreciate, and the country has tremendous natural assets for tourists in the form of stunning landscape and attractions, however, investing in Scotland has additional commercial challenges to investing in the south of Britain.

Construction costs are generally the same nationwide, however, Forest Holidays cannot charge as much per person/room and marketing costs per person are greater due to the demographics and drive times to access our sites and potential sites i.e. the number of potential customers living within a 2/3-hour drive time is lower, so the demand is lower. So, Forest Holidays must pay more to attract customers to Scotland, but we must charge less, in order to make the sale. Therefore, the Return on Investment (ROI) is lower. Like all businesses we face a continual increase in operational costs and another tax will increase the cost burden, further reduce the ROI and discourage investment in the rural tourism sector.

AN EXEMPLAR OF A SUSTAINABLE RURAL BUSINESS

10 cabin holiday locations

[7] Forest Holidays is a partner of Forestry and Land Scotland, Forestry England and Natural Resources Wales, with 10 cabin holiday locations based entirely within the Public Forest Estate across Great Britain. Our most recent location at Beddgelert, within the Snowdonia National Park, opened in June of last year.

[8] **Further investment planned** Forest Holidays has recently been successful in gaining several planning consents for new locations across Great Britain. These include Glentress Forest, Peebles, in partnership with Forest and Land Scotland (see attached), Garwnant, Brecon Beacons National Park in partnership with Natural Resources Wales and Delamere Forest, Cheshire, in Partnership with Forestry England.

£17 million non-seasonal year-round spend in the rural economy

[9] Our economic analysis continues to show that the spend of Forest Holidays' guests in local businesses is equivalent to £30,000 per cabin per year. Across our 86 cabins in Scotland, this equates to £ 2.5 million per year spent in the rural economy, rising to over £4.25 million per year when our next site at Glentress, in the Scottish borders, is delivered. Forest Holidays has an average occupancy of over 90% and given our model operates for 12 months of the year our guest spend is not just realised during the typical holiday seasons, bringing valuable non-seasonal income.

Supporting local businesses

[10] There is often an assumption that cabin-type holiday locations seek to keep visitors onsite. The Forest Holidays model actively encourages guests to explore the wider area and surrounding attractions.

[11] A collaborative approach working with other local businesses, both formally and informally, is a key aspect of thriving rural businesses. The experience that we offer guests is informal and centered around encouraging visitors to explore the local environment, attractions, shops, restaurants, cafes and businesses; supporting rural communities through their spending. We always seek to stock local produce in our shop and café as this differentiates our offering and showcases local specialties. Forest Holidays not only attracts new customers and custom for these rural businesses, but in addition, we market & promote them through our website and

other marketing channels. This offers local businesses a national shop window, whilst Forest Holidays guests are attracted to the individuality and provenance of regional goods. Forest Holidays will also use the services of local tradesman and other suppliers. Each site engages local electricians, plumbers, tree surgeons and so forth.

Supporting rural employment and social inclusion

[12] On average each location employs around 60 people; the jobs a mixture of part and full-time roles, ranging from managerial positions to support roles. These positions are drawn from the immediate rural community, with sustainability a high priority for the businesses. We aim to be socially inclusive and have a series of internal training programmes which support career progression, including NVQ courses. We employ, and are keen to encourage, more apprentices with the right attitude and aptitude to build a career with us. Our apprentices are paid well, as they are expected to do a "real job" in addition to their formal training. Our sites provide all year-round employment that can help prevent the loss of young people to urban areas due to lack of employment opportunities.

[13] Recruitment in a rural location is an ongoing challenge primarily due to connectivity and housing costs. Transportation issues and regularity of public transport impact on staff being able to get to work. To assist staff in getting to and from work, Forest Holidays provides mini-buses in some of our locations and up to 3 management accommodation facilities at each site.

[14] Whilst we are in a position to act as a catalyst for broadband to a section of the community who may be deprived of this, broader investment into broadband and mobile communications would enhance our ability to recruit and retain talented staff and operate our sites effectively. Rural road infrastructure tends to be more than adequate as sites are relatively small and any additional traffic tends to be dispersed and to travel during off peak hours.

[15] All of our sites are located within a rural setting, and we strive to put sustainability at the heart of all that we do, prioritising social inclusion and maximising the income multiplier effects of tapping in to local supply chains i.e. many businesses benefit from each customer. We are mindful that this could become even more important given the uncertainties surrounding Brexit.

Partnering to support of local initiatives

[16] In our experience, working in partnership and collaboration with key organisations that support rural economies is vital. Forest Holidays will soon have six locations within four National Parks – two in Loch Lomond & Trossachs; two in the North York Moors; one in Snowdonia and one being developed in the Brecon Beacons. A further four Forest Holidays locations are within an hour's drive of a National Park – Deerpark (Dartmoor); Blackwood Forest (New Forest); Thorpe Forest (Broads) and Sherwood Forest (Peak District).

[17] Great Britain's National Parks and Forest Holidays are running a pilot year of partnership that will connect up to 6,000 young people with nature in the coming year. From summer 2018 to summer 2019, Forest Holidays will help bring the

National Parks to life for over 3,000 young people by supporting three projects in the Loch Lomond & The Trossachs, Yorkshire Dales and Brecon Beacons National Parks. An additional c. 3,000 young people across Great Britain will benefit from paid-for journeys to their local national park, through a Forest Holidays travel fund to be used by a further twelve national parks.

[18] Forest Holidays has been working in partnership with the National Forest since 2016, to help to achieve its target of planting a further 90,000 trees to cover 185 acres of land.

[19] The National Forest has been steadily turning what was once one of the least wooded areas of England and previously used by the mining industry into a multi-purpose, sustainable forest. The National Forest provides environmental, social and economic benefits, including landscape enhancement, creation of new wildlife habitats and major new access and leisure opportunities for visitors and tourists. As such this location could be a suitable site for Forest Holidays in the future. Through this partnership and guest donations, Forest Holidays contributes to the rural regeneration of the area and the sustainable projects undertaken in The National Forest.

[20] Other partnerships and collaborations include those with: Grown in Britain, Ernest Cook Trust, Wildlife Trusts and many other local organisations.

[21] Each Forest Holidays location employs a Forest Ranger, whose role we are in the process of widening to include the provision of guest facing activities, as well as detailed ecological monitoring and community engagement through activities such as forest schools, which we are now trialing and rolling out. Our Forest Rangers are at the heart of the holiday experience, capturing the imagination of guests and sharing their enthusiasm and knowledge by promoting a structured awareness of the woodland environment.

[22] Being on site each day, the Forest Rangers undertake ecological monitoring and recording to ensure Forest Holidays locations remain in harmony with the woodland environment. Forest Rangers also represent Forest Holidays as part of the local ecological and wider community.

Championing local environments and culture

[23] In their feedback, we find that many of our repeat visitors comment on the way that their holiday has triggered a deep interest in the local forest environment and culture of areas. We have responded by ensuring that a carefully selected site-specific collection of books and other materials reflecting the local history of the area, and its regional significance, are made available to cabin visitors.

[24] Forest Holidays is engaged in a continuous process of enhancing our visitor experience, while ensuring that at the heart of our endeavors is respect for the texture of the unique space within which we operate. This ensures that the visitors appreciate a sense of place, and that it includes an educational element fostering an appreciation of the local culture, dialect, heritage, ecology, and geology.

[25] We champion the enjoyment of peace and tranquility, with its attendant benefits of health and wellbeing.

[26] Forest Holidays sites are an integral part of their local community – the locations are not fenced off and guests are actively encouraged to go out and explore. Forest Holidays forge links with communities and supports local initiatives, recommending experiences and attractions to guests. The locations remain part of the Public Forest Estate with full public access.

[27] Forest Holidays is committed to enhancing woodland environments, increasing biodiversity through planting more and diversifying the tree species, improving and creating habitats and adhering to principles of 'biodiversity net gain' across all locations. This is central to all aspects of design, planning and operation.

[28] We operate exclusively on the Public Forest Estate and as such all our sites are Crown Rights of Way (CROW) designated. All locations are accessible for local people and any day visitors as there are no fences. We cater for the same sort of people who want to visit the Public Forest Estate for the day, but who may wish to stay and dwell longer in the area. Our sites are designed to integrate and connect into the wider network of paths and trails which already exist in the area. For local communities or the day visitor there is no loss of amenity, it is enhanced.

BARRIERS TO INVESTMENT IN LOCAL ECONOMIES

[29] There are many positive reasons for investing in Scotland. The Scottish National and local Government including National Parks and Councils and Tourism bodies are generally aligned with a positive vision, strategy and policies for attracting appropriate high-quality tourism that is sensitive to the environment. The stunning landscape and Scottish history and heritage give Scotland a unique USP. Scotland's vast Public Forest Estate has many tourism opportunities for forest-based tourism providers. However, there are challenges and barriers as well. Investing in Scotland has additional commercial challenges to investing in the south of Britain. Construction costs are roughly the same nationwide, however, Forest Holidays cannot charge as much per person/room and marketing costs per person are greater. This is due to the demographics and drive times to access our sites and potential sites. Forest Holidays sells short break holidays. Our guests are predominantly ABC1 demographic and they will generally drive 2 to 3 hours to access a site. There are exceptions but generally this is the case. Population densities are lower in Scotland and, therefore, we must work harder to attract the customers in the catchment area and work harder to encourage those outside the natural catchment area to travel further to access our sites. Put simply there is less demand, so, Forest Holidays must pay more through sales and marketing initiatives to attract customers to Scotland but inevitably we will end up charging less due to the weaker demand. Therefore, the Return on Investment (ROI) is lower. Like all businesses we face a continual increase in operational costs and another tax will increase the cost burden, further reduce the ROI and discourage investment in the rural tourism sector. In addition to this the industry is also continually facing an upward trend of costs which further exasperates the situation. Business rates, the minimum wage, the apprenticeship levy and utility costs are just some recent examples of these.

SUMMARY

[30] Forest Holidays is a highly successful private-public sector partnership with a rich heritage spanning more than 45 years. Our cabins sit on just 0.02% of the Public Forest Estate in Great Britain, whilst the public benefits that this brings are considerable. It was an innovative model when the Forestry Commission began the business in the 1970s and this innovation continues today.

[31] Forest Holidays has a long heritage and strong track record in bringing tourism, jobs and sustainable income to rural economies throughout Great Britain, in addition to creating meaningful experiences for our guests in Britain's amazing forests.

[32] Tourism is a key contributor to Scotland's economic growth, and Forest Holidays' strategy to connect people with nature and communities has encouraged even more visitors into rural areas. Discovering regional specialties and attractions is part of our guests' holiday experience. It is our responsibility to champion the incredible richness and innovation of local food, drink and attractions on our doorstep.

[33] Scotland has a strong track record of attracting and supporting appropriate and sensitive tourism businesses which are sensitive to the landscape, ecology and heritage. Forest Holidays has two successful locations in Scotland and is at advanced stages of launching a third in the Scottish borders. Scotland's stunning landscapes, rich heritage and varied attractions are a fabulous USP for the Scottish Tourism industry. However, there are challenges to investing in Scotland. As a short break holiday provider has to work harder and receives less revenue per booking due to the lower population densities and potential drive times of guests. Hence Return on Investment for sites constructed in Scotland are less than those in other areas. Coupled with other cost pressures additional taxes will contribute to deterring inward investment.

Evidence Number	0.59
Name	Wild Scotland
Permission to Publish	Yes

Wild Scotland is the National Association for Wildlife and Adventure Tourism in Scotland.

Wild Scotland believe that by introducing another tax on top of the 20% VAT rate would have an overall negative impact across Scotland, particularly on those that rely on the tourism economy. Visitor spend would reduce across the whole industry - including **activity operators**, pubs & coffee shops, restaurants, visitor attractions and entertainment venues.

Scotland needs to remain a competitive tourism destination - it has never been more important to welcome visitors to Scotland. We want them to experience value for money, quality experiences. We want to encourage tourists to not only spend money on accommodation but enjoy experiences, good food and attractions. We also want them to come back and spread the word!

"Representing the Wildlife and Adventure Tourism Sector, we believe that this would have a detrimental effect across the sector and beyond.
Tax our visitors more and they will spend less." Ben Mardall, Chair Wild Scotland

Evidence Number	0.63
Name	Hillcroft Hotels
Permission to Publish	Yes

Hilditchc Inns Ltd T/a The Hilcroft Hotel, has been family owned and operated for the last 30 years. We have 32 en-suite bedrooms, a bar restaurant and function suites catering for up to 300.
We employ 61 people all from within a 7 mile radius.

Hilditch Inns Ltd is strongly opposed to the introduction of a Transient Visitor Tax, Transient Visitor Levy or Tourist Tax.

The company opposes a Tourist Tax for the following reasons:

Impact on Price-competitiveness:
* The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
* The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
* According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:
* There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
* Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Economic Environment and Background
* As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the

accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018. * Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis. * The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs. * Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out). In short.... Hilditch Inns Ltd is opposed to the introduction of a Transient Visitor Tax, Transient Visit Levy or Tourist Tax. Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Such a Tax would make a destination less price competitive on a global comparison with alternative destinations. Such a Tax would result in reduced local discretionary expenditure in other small businesses. Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

Evidence Number	0.66
Name	Inverness Hotels Association
Permission to Publish	Yes

Submission in Response to the Scottish Government Discussion Document - *'Transient Visitor Taxes in Scotland: Supporting a National Discussion'*

Inverness Hotel Association (IHA) welcomes the opportunity to make this formal contribution to the Scottish Government's National Discussion on Transient Tourist Taxes in Scotland.

The Inverness Hotel Association is strongly against a tourism tax as we think this will be damaging to tourism and affect our already poor price-competitiveness as UK has already the highest VAT for tourism in Europe (Ireland is 10% VAT)

A tourism tax will also place a significant demands on destination infrastructure and services but without conferring the more significant economic contribution attributable to higher-spending visitors who stay overnight in a destination.

It will apply equally to residents of the UK (including Scotland) as well as visitors from overseas – which means it will apply to all visitors and will increase costs for travellers including domestic (UK) tourists who comprise c60% of Scotland's visitor market. This means additional costs for residents of Scotland who holiday in the country and who are already hard-pressed because of Income Tax and Council Tax increases, inflationary price increases, potential interest rate rises and uncertainties surrounding Brexit.

To conclude, with Brexit coming up, we believe this this is the worst time to experiment with the introduction of a new tax on tourists!

Evidence Number	0.68
Name	Cairngorms Business Partnership
Permission to Publish	Yes

Introduction

Cairngorms Business Partnership (CBP)

The Cairngorms Business Partnership is a membership funded, private sector, not for profit organisation that acts as both a Chamber of Commerce (affiliated to Scottish Chambers) and Destination Management Organisation for the geography of the Cairngorms National Park. We have over 380 members (penetration c. 30% of businesses within the National Park). Our membership is representative of both the geographic and industry diversity of business within the National Park.

The Economy Of The Cairngorms National Park (CNP)

The economy of the CNP is entirely rural and dominated by the tourism sector. The 'pure' tourism sector accounts for over 43% of employment (5,000 FTE, STEAM 2017) though many other support sectors (such as construction and services) are very dependent upon the tourism economy.

The population of the National Park is around 19,000 people currently stable though the
working and school age population is forecast to decline significantly by 2035 (without
intervention). The vast majority of businesses are micro businesses with 97% employing less than 10 people, many are owner managed.

Wages are 26% below the national average whilst house prices are 30% above the national average. Whilst the tourism sector is relatively robust it faces many challenges including the affordability and availability of housing and transport that both impact availability of labour.

There is also a significant reliance on European labour.

Latest steam figures for 2017 show 1.9m visitors per year with c. 4m visitor days. If the CNP were classed as an attraction it would be in the top 3 attractions in Scotland. Whilst visitor numbers saw year on year growth of 7.1% in 2017, growth in visitor spend did not keep pace and economic impact grow by just 2.1% and employment in the sector fell by 0.6%

Summary Response
The CBP, on behalf of our members, are against the introduction of a transient visitor levy without significant structural changes to the current total tax regime in Scotland and the UK.

Our visitors are some of the most heavily taxed in the world; to add to that burden would
significantly impact the competitiveness of Scotland and the CNP. Particularly given current and continued uncertainty around Brexit and the UK's overall position and perception globally.

Detailed Response

The CBP has sympathy with local authorities, particularly those with a geography that has a significant tourism industry, as the current tax regime (and distribution of those taxes) does not seem to recognise the additional investment required by local authorities to facilitate the basic infrastructure and facilities required to support the additional burden of visitors on 2 those facilities. Overall we would like to see more public sector investment in this important sector.

Our view is well articulated by the Scottish Tourism Alliance position (July 2018) which we fully endorse:-

"While a tourism tax/visitor levy may work well for tourism businesses, destinations and
local authorities in other global destinations where the level of VAT on tourism services
is lower than that of the UK, the idea must be examined within the context of: the UK having the second highest VAT rate in Europe at 20%; the challenges which exist to the imposition of an additional tax; the impact on price-sensitive visitors and indeed the
impact on businesses already coping with the 'perfect storm' of rising costs that tourism
businesses in Scotland currently face. We would also highlight that whilst the exchange
rates are currently favorable for our international markets this may not persist beyond
the short-term and the fact remains that around 60% of Scotland's tourism spend comes from our already squeezed domestic visitors. Any further tax or levy applied could seriously dilute this market.

The UK is second from bottom in the World Economic Forum ranking, 135/136, when
measured solely on international tourism price-competitiveness; this is in stark contrast
to its overall ranking of 5th in the world when the full range of international tourism indicators are included. This underlines that the introduction of a tourism tax or any such visitor levy would further reduce the competitiveness of our already heavily

taxed
sector relative to competitor destinations. Any new tax on tourists or the businesses serving them could ultimately have a potentially devastating long-term impact on Scotland's tourism industry and local economies which could lead to potential job losses.

It would also in our opinion negatively impact businesses, beyond the accommodation
sector that would be expected to collect any tourist tax, that rely on the tourism economy by reducing visitor spending right across the industry; in pubs, restaurants, shops, cafes, visitor attractions and entertainment venues.

It should also not be ignored that tourism businesses already contribute significantly towards enabling public sector spending through high levels of business rates with many also contributing to local BIDs to which invest in the destination. Over and above
this many tourism businesses also provide direct funding support as members of their
local destination marketing bodies on top of investing in their own business marketing
and promotional activity which, of course, benefits the destination overall.

The need for Scotland to remain, and indeed become more competitive as a destination for visitors to travel to and spend money in is now greater than ever in relation to our impending exit from the EU. Applying any additional taxation or levy to visitors in the current economic conditions and tax regimes that are currently in force is
not the answer."

In a Cairngorms National Park context we would add:-
● We have a dominance of small and micro businesses within the Cairngorms National
Park. Those businesses consistently quote bureaucracy as one the top 3 barriers to doing business in the National Park (source Cairngorms Business Barometer https://visitcairngorms.com/barometer). An additional administrative burden collecting
a 'bed tax' or equivalent would disproportionately impact micro and small businesses.
Of course, businesses already contribute significantly to local authority funds through
taxation and act as a collector of VAT for the exchequer. There is a cost to business of collecting tax in this way through additional bank charges etc. Again, this disproportionately impacts smaller businesses.
● One of the statutory aims of the National Park legislation is to "To promote understanding and enjoyment (including enjoyment in the form of recreation) of the special qualities of the area by the public." This includes accessibility in broadest context and we are proud in the Cairngorms of the demographic spread of our visitors. Our accommodation offering, for example, ranges from bunkhouse to 5*. There has been much talk about a tax per bed. This would be a wholly regressive tax

that would penalise business that offer lower priced quality accommodation and the visitors they encourage and support. In summary we believe that placing an ‘additional’ tax burden on visitors to Scotland would be counterproductive. Steam figures for the National Park indicate that average visitor spend is already declining. Evidence would suggest that a 1% increase in UK prices or relative exchange rates would lead to a 0.61% fall in tourism expenditure; TTRI, Study of Tourism Demand in UK (2007).

Evidence Number	0.69
Name	Ayres Rock Campsite
Permission to Publish	Yes
I am against putting another barrier i.e.tax on tourism & visitors due to visitors cannot reach my destination without another night stopover in Kirkwall due to our limited boat service and limited infrastructure	

Evidence Number	0.70
Name	Mercure Edinburgh
Permission to Publish	Yes
Submission in response to the Scottish Government Discussion Document – “Transient Visitor Taxes in Scotland: Supporting a National Discussion”. **Background** Edinburgh Hotels Association (EHA) is the official association of Edinburgh’s hotel sector, representing approx. 65 of the city’s principle hotels. Our members reflect the wide range of accommodation supply in the city, from the budget sector to luxury, from boutique (16 rooms) to large (circa 450 rooms), with varying operating models from independent owner operated, franchised, leased or large international chain management agreements. Our members also represent large to small food and beverage outlets, conference facilities as well as world class spa facilities. Edinburgh Hotels Association welcomes the opportunity to make this formal contribution to the Scottish Government’s National Discussion on Transient Tourist Taxes in Scotland. **EHA Position** Edinburgh Hotels Association is totally opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. The EHA has consistently supported UKHospitality’s opposition to the subject and fully endorses their separate, more comprehensive and detailed submission. The EHA remains opposed to a Tourist tax for the following reasons:	

Impact on Price-competitiveness:

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Challenging Economic Environment and Future Headwinds

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- The costs of doing business are rising quicker than our ability to rise prices due to the competitive nature of the marketplace and increased supply. Brexit is putting inflationary pressure on our supply chain as well as wage inflation from the ever reducing pool of vital EU labour supply.

- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary
Edinburgh Hotels Association is totally opposed to the introduction of a transient visitor tax.

It fully endorses the more comprehensive and fully researched findings of UKHospitality's position and separate submission paper.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Visitors have choices and Edinburgh will lose out to other attractive destinations who are perceived to offer better "value".

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.

Such a Tax would result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

There is too much uncertainty within the industry at present as it faces the strong headwinds of an increasingly fast rising costs of doing business, the pressures of Brexit on our customers, our supply chain and our shrinking pool of vital EU labour.

Evidence Number	0.71
Name	Scottish Country Sports Tourism Group
Permission to Publish	Yes

Tourism Tax Discussion Events Exercise

Response

The Scottish Country Sports Tourism Group (SCSTG) promote Scotland as a country sports tourism destination and contribute to the development of country sports tourism in Scotland. SCSTG manage the website www.countrysportscotland.com where sporting providers, sporting agents, sport friendly accommodation and suppliers can list their businesses. SCSTG have not consulted directly with these business in the preparation of this response.

Applying a tourism tax equitably across the various businesses it would impact upon could be difficult. Those engaging in 'wild camping' or who pull over in a campervan would be at an advantage over those staying in paid for sites or in accommodation where a bed is provided. The additional 'tax' would inevitably be passed on to the customer.

Research by Tourism and Travel Research Institute (TTRI) at Nottingham University (Tourism Competitiveness: Price and Quality – March 2005) revealed that an increase in price of 1% relative to competitors reduces tourism by 1%.

Also by TTRI, Study of Tourism Demand in UK (2007) shows that a 1% increase in UK prices or relative exchange rates would lead to a 0.61% fall in tourism expenditure. Based on Scottish Government figure of £5.3 billion (overnight tourism spend 2017) this would result in a reduction of overnight tourism spend of over £32 million.

The Association of Scotland's Visitor Attractions recently published statistics which showed that the average visitor spend in the last quarter in attraction shops in Scotland was just £1.59. In catering outlets in visitor attractions in Scotland, the average spend was £1.19.

A tourism tax could negatively impact businesses that rely on the tourism economy by reducing visitor spending right across the industry; in pubs, restaurants, shops, cafes, visitor attractions and entertainment venues.

Sporting providers are already contributing through the recently introduced sporting rates.

VAT is charged at full rate on all accommodation providers (unlike many European countries) and funds should be ring fenced from VAT to increase facilities in areas where tourism activity requires extra services. The perception and reality felt by tourists would be Scotland is an expensive destination due to 20% VAT and an additional tourism tax. The UK is currently ranked 135/136 on price competitiveness by the World Economic Forum.

Unlike the tourism hotspots such as Edinburgh and Skye the majority of Scotland is receiving far less footfall. In addition many of the remoter areas of Scotland operate on a fairly short seasonal basis and profits are not high, any extra tax burden could make businesses unviable, reducing one of the few employment opportunities that exist in these areas.

Evidence Number	0.72
Name	Best Western Great Britain
Permission to Publish	Yes

Submission to the Scottish Government Discussion Document - 'Transient Visitor Taxes in Scotland: Supporting a National Discussion'

Introduction

Best Western Great Britain is the affiliate office of Best Western Hotels and Resorts, the largest collection of independent hotels worldwide with 4,200 members. Best Western Great Britain represents the largest group of independent hotels in Great Britain, supporting them with sales, marketing, revenue and technology solutions for 260 hotels across the country and specifically 30 hotels in Scotland in locations as locally unique as the Isle of Arran, Inverness, Dundee, Glasgow and Edinburgh. The 30 hotels have nearly 1500 rooms between them (1486).

The company welcomes this opportunity to contribute to the Scottish Government's National Discussion on Transient Visitor Taxes, or Tourist Taxes, in Scotland.

Position

Best Western Great Britain on behalf of its 30 independent Scottish hotels strongly opposes the introduction of a Transient Visitor Tax, Transient Visitor Levy or Tourist Tax.

We oppose a Tourist Tax for the following reasons:

<u>Impact on Price-competitiveness:</u>

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when

quoting prices in competition with other EU destinations.

- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Economic Environment and Background

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

In Conclusion

Best Western Great Britain is opposed to the introduction of a Transient Visitor Tax, Transient Visit Levy or Tourist Tax for the following reasons:

1. The UK is ranked 135/136 on price competitiveness by the World Economic Forum. If price and value for money are deciding factors in destination choice, where would we sit if we introduced another tax on the international visitor, and indeed our domestic tourists. Bottom of the list?
2. If a tourism tax was introduced and collected through accommodation providers, those businesses would be paying credit card commission and Online Travel Agent commission on two taxes (VAT and Tourist Tax) thereby increasing costs to businesses.
3. A tourist tax would put us at a competitive disadvantage to other countries with a lower VAT, who are not required to include taxes in public prices. So we would present perceived high prices. Competitor destination prices will always look more attractive.
4. Research by Tourism and Travel Research Institute at Nottingham University revealed that an increase in price of 1% relative to global competitors reduces tourism by 1%. Tourism, one of Scotland's biggest economic drivers cannot grow with the introduction of a tourist tax.
5. Tax our visitors more and they will spend less. Research - Study of Tourism Demand in UK (2007) shows that a 1% increase in UK prices or relative exchange rates would lead to a 0.61% fall in tourism expenditure. This affects every business who benefits from Scotland’s tourism economy.
6. A tourism tax could negatively impact businesses that rely on the tourism economy by reducing discretionary visitor spending in pubs, restaurants, shops, cafes, visitor attractions and other venues.
7. Scotland has one of the highest rates of VAT in the world and we also have the highest level of Air Passenger Duty in Europe. Our visitors are taxed highly at every point already.
8. Other destinations where a tourist tax has been introduced have significantly lower rates of VAT and APD. We cannot compare the UK to these destinations. We are simply far more expensive for tourists.
9. How would Scotland be perceived by investors - organisations who want to invest in our tourism economy by creating hotels, attractions, shops, restaurants, bars, all of which equal a boost to the economy if we were to introduce an additional tax on our visitors?
10. The UK gives Scotland 60% of our market. The tourist tax is not a tax on international travellers.
11. None of the facts around the ring fencing or distribution of a tourist tax have been made clear by proponents of the levy (or how the tourism industry would benefit from these additional funds). Where would the money go?
12. The logistics and costs of administering a tourist tax are important to consider. IT systems would need changing.
13. A two-night stay, might become one with the introduction of a tourist tax. Our domestic market is already feeling the pinch and we’re not able to spend as much on leisure activities.
14. What would the impact be on Scotland’s tourism economy if we introduced a

tourist tax? New Zealand will introduce a tourist tax later this year which could see 20,000 tourists spending up to $70M elsewhere. Can Scotland afford to take a hit like this? https://bit.ly/2ACONi8

15. City of Edinburgh Council want to introduce a tax on visitors while other destinations like Lanzarote look to lower local VAT in a bid to retain their attractiveness to UK travellers their core market as a destination. The UK sits 135/136 globally on price competitiveness. https://bit.ly/2M323RI
16. Cruise lines are now choosing to avoid Amsterdam (who have recently introduced a tourist tax on cruise passengers). Around 821,000 cruise tourists visited Scotland last year. Can we afford to turn nearly £1M visitors off visiting us? https://bit.ly/2QAZhn3
17. The need for Scotland to become more competitive as a destination for visitors to travel to and spend money in is greater than ever. Applying an additional tax or levy to visitors in the current economic conditions and tax regimes that are currently in force is not the answer. Inbound visitors to the UK are already in decline as the economy is weak. https://bit.ly/2MkM55n
18. Exchange rates are currently favourable for our international markets. This may not persist beyond the short-term; the fact remains that 60% of Scotland’s tourism spend comes from our already squeezed domestic visitors. A tourist tax could seriously dilute this market.
19. The UK is one of only three EU countries that to do not apply a reduced rate of VAT to accommodation and tourism services. We cannot compare Scotland to destinations where VAT is around half of that in the UK when considering the implementation of a tourist tax.

Evidence Number	0.75
Name	Carey Tourism
Permission to Publish	Yes

Drawing on 30 years professional experience of tourism management and development in 50+ countries for clients that include governments, tour operators and international organisations (ICA, UNDP, UNEP, UNESCO, UNWTO, World Bank), the following responses reflect a focus on the sustainable development and environmental management of tourism and emphasis on tourism as a driver of sustainable social and
economic development through co-operation and partnership for community benefit.

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?
• Permanent and inclusive jobs and affordable housing for local residents (especially young people) in both rural and urban areas
• Sustainable development of tourism in less popular seasons and less established destinations with tourism potential that combine significant heritage assets with social and economic disadvantage
• Redistribution of incremental growth to reduce pressure on more established destinations and share the benefits of tourism in emerging destinations (in time and space)

• Conservation and sustainable development of Scotland’s (tangible and intangible) heritage assets, with a particular focus on inclusive access for visitors and inclusive opportunities for businesses
• Promoting environmental best practice, enabling Scotland to become a truly sustainable destination

II. What are the global, local and national trends that will influence these?
• Climate change.
• Globally, competition from every other tourism destination in the world
• Globally and nationally, political policies to reduce taxation, preserving austerity and contributing to a lack of public finance
• Nationally, lack of co-operation between public and private sectors, between different government ministries and agencies and between neighbouring communities
• Locally, nationalism and nimbyism

III. What are the challenges posed by Brexit for the tourism sector?
• Profound uncertainty, loss of experienced European staff, deep economic depression
• Loss of European Union (EU) funds and foreign investment, especially in the Highlands and islands
• Loss of social and environmental protections, and loss of EU protected status (Designation of Origin, Geographical Indication) for Scottish products, including Scotch Whisky
• Potential loss of value added tax (VAT) receipts from EU visitors in the event of a ‘no deal’ Brexit, resulting in these visitors reclaiming VAT on a large proportion of their tourism spend
• Uncontrolled short-term growth in visitor numbers, as a result of a collapse in Sterling (GBP) exchange rates, which is neither desirable nor sustainable
• Massive reduction in the number of EU students, who could otherwise have become significant contributors to the Scottish economy and be key ambassadors for Scotland as a tourism destination

IV. What is needed to support tourism and the visitor experience at Scotland level, and in different parts of Scotland?
• Continued public support for destination management organisations (DMOs) to partially address the error of abolishing area tourist boards (ATBs) and centralising everything under VisitScotland
• Public support for community infrastructure, including less potholes, enhanced waste management, better broadband connectivity, more public conveniences and better enforcement of ‘right to roam’
• Policies to protect rural enterprises that enhance destinations as ‘places to live, study, visit and work’, especially pubs, cafes, petrol stations, local shops, sports facilities and playgrounds
• Improved and expanded foreign language teaching provision in schools and colleges, including all United Nations (UN) languages: Arabic, Castilian Spanish, French, Mandarin Chinese and Russian
• Celebrating and promoting Scotland’s linguistic diversity, make a short course on Gaelic and Scots a compulsory component of teacher training in Scotland with a financial merit award for those graduates that reach a certain level of proficiency in

Gaelic
• Focus on sustainable conservation and (responsible) monetisation of Scotland's tangible and intangible heritage to ensure authenticity and marketability of Scottish product
• Pending Independence (especially with UK government unilaterally considering withdrawal), associate membership of key UN agencies, including UNESCO (UN Educational, Scientific & Cultural Organization) and UNWTO (World Tourism Organization)
• Renewal of UNESCO Scotland Committee (established and appointed by Scottish Government, subsequently abolished by UK National Commission in London) to focus on Scotland's national heritage (including our current UNESCO designations: 6 World Heritage Sites, 3 Creative Cities, 2 Biospheres, 2 Geoparks, plus multiple academic chairs, research centres and listings in the Memory of the World)
• Scotland gaining independence from the UK and adopting successor membership of the EU could also be beneficial!

V. What are the positives and negatives of the general principle of a Tourism Tax?
• The principle is without foundation. Tourism is an easy target. The State already collects vast revenues through VAT, air passenger duty (APD), business rates, corporation tax, alcohol duty, fuel duty and other taxes, including income tax and property taxes for those working and investing in tourism and hospitality. If the Scottish Government truly recognises the power of tourism as a driver of sustainable social and economic development, especially in rural areas, then it simply needs to become smarter at how it applies these revenues.

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?
• Many countries have tourism taxes and they don't really undermine the visitor economy, but they are generally seen by visitors as "just another tax", whilst businesses consider them an unjustified distraction and "tax on enterprise"

VII. What are the characteristics of a successfully designed and implemented model of Tourism Tax?
• The best are *not* a compulsory state-controlled tax, but a private sector / community-led visitor payback scheme (VPS) involving optional "voluntary donations" being added to accommodation and restaurant bills and applied for (natural and cultural) heritage conservation and development projects that have been identified as priorities by local stakeholders and help to tell stories that emphasise the "local distinctiveness" of the destination

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?
• If implemented, it should be administered as a VPS by a local entity, which might be a community trust, co-operative society, community interest company (CIC), Scottish charitable incorporated organisation (SCIO), business improvement district (BID) or an arm's length local authority agency
• No new legislation is required to support any of these arrangements

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?
• It should contribute to the sustainable conservation and (responsible) monetisation of Scotland’s tangible and intangible heritage to ensure authenticity and marketability of Scottish product
• Success can be demonstrated through compelling new stories, a changing visitor narrative, social media assessments of the destination and sustainable tourism performance1 indicators
• A tax could be used to promote the ‘greenest’ tourism businesses by (for instance) only applying the tax to those businesses that have not achieved at least Silver in the Green Tourism Business Scheme (GTBS) and requiring the tax to be listed on invoices as ‘environmental performance levy’.

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1 Performance can be measured against benchmarking criteria and key performance indicators (KPIs) developed by the author for the Scottish Government through Scottish Natural Heritage, VisitScotland and other agencies.

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?
• Imminent challenges are primarily around the uncertainty of Brexit. See (III) above.

XI. What taxes, charges and other costs are currently levied on the tourism sector, and how do these compare internationally?
• See (V) above. Scotland is already a very expensive destination for visitors to reach and to travel around, and, compared to competitor destinations in Europe and beyond, tourism and associated sectors of hospitality and events are taxed extremely heavily in Scotland
• Post-Brexit (outside the EU), Scotland is likely to become even more expensive. Talk of a tax at this time is bonkers.

XII. How would tourism businesses and visitors respond to the introduction of a Tourism Tax, over the short and longer term?
• In the short term, there would be lots of complaints from private sector tourism businesses and a breakdown in trust and co-operation with the public sector
• In the longer term, there is a real risk of an increasing proportion of the tourism sector moving into the ‘grey economy’, leading to inadequate regulation and reduced tax revenues
• Visitors would be irritated, but tour operators would simply pass on the extra cost
• Above all, this approach would be a dreadfully missed opportunity, responding to the emerging ‘Airbnb’ phenomenon by using a sledgehammer to crack a nut and not thinking about how a VPS might contribute to the sustainable conservation and (responsible) monetisation of Scotland’s tangible and intangible heritage through exciting new narratives and imaginative revenue streams.

XIII. What the impact of tourism taxes has been on the tourism sector in countries that have adopted them?
• Modest new taxes have had a minimal impact on visitors, but have had a big impact on tourism businesses, often resulting in reduced revenues from existing taxes

• The unilateral introduction of ill-considered and uncoordinated new taxes on tourism has invariably been disastrous. During the early 1990s, Greece (then the second most popular tourism destination in the Mediterranean) introduced a new accommodation tax at short notice; the following year it was overtaken by Turkey as the fastest growing destination in the region. In the late 1990s, Caribbean islands independently increased landing fees, leading to many being dropped by cruise companies, who then picked them off individually, persuading them all to reduce their landing fees, so that in the end all the destinations lost this revenue stream and were unable to invest in visitor
infrastructure, making them less attractive to cruise companies and other operators.

XIV. What are the potential impacts of a tourism tax on the competitiveness of the tourism sector, both at regional and national level?
• If primarily an accommodation tax, it could encourage some budget independent travellers and mid-market tour operators to identify alternative accommodation options in neighbouring areas and in 'shoulder seasons'. This would have a limited impact and in fact could benefit neighbouring areas and reduce so called 'seasonality', which is desirable.
• It could however have a significant impact on the business meetings and conference sectors, as the private sector is increasingly price-sensitive and wants to be seen as economical

XV. What are the potential impacts of a Tourism Tax on visitor numbers, visitor expenditure and the wider Scottish economy?
• The impact on visitor numbers would be limited, but mostly felt at the lower end of the market.
• A new tax would reduce discretionary spend by visitors, so (because of administrative costs) the overall net impact would be negative for the 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?
• See (XV) above. This is not a good idea.

XVII. How might receipts from locally determined tourist taxes relate to wider local government revenues and expenditure?
• Suggesting a relationship indicates that the proposed tax is intended to subsidise the public sector (and its responsibilities) and not generate incremental revenue. This shows that it is ill-conceived.

XVIII. Would those local authorities where tourism is less developed be disadvantaged by not being able to raise revenues in this way?
• Absolutely! This is why we have a national budget that can transfer income collected in the most prosperous areas to contribute to the sustainable development of more disadvantaged areas.

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

• Local authorities do not have the capacity (or competence) to manage tourism destinations. See (VII) and (VIII) above. Any such 'tax' should be established and administered through a private sector / community-led VPS, using existing mechanisms and legislation.

XX. Should each local authority determine how receipts raised locally are spent or should local expenditure align with and contribute to national priorities?
• As long as 'local authority' does not mean statutory local authority, but rather VPS administrator defined above, then it would be desirable for local priorities to be aligned with Scotland's National Performance Framework (NPF) and the UN's Sustainable Development Goals (SDGs), but decisions should rest with the local entity comprising destination stakeholders with local expertise.

XXI. How could a local authority manage any revenue risks arising from receipts being impacted by wider events?
• This final question indicates another reason why such a scheme is beyond the competence of local authorities and should rest with a private sector / community-led entity.

Evidence Number	0.81
Name	Redwood Leisure
Permission to Publish	Yes

Introduction

Redwood Leisure is the owning and operating company of two hotels in Scotland, the Invercarse Hotel in Dundee and the Woodlands Hotel in Broughty Ferry.

The Invercarse Hotel is 68 bedroom, 3 star hotel with a restaurant & bar and meeting, event and wedding facilities for up to 300 guests. The Woodlands Hotel is a 3 star, 65 bedroom hotel with a restaurant & bar, event & wedding facilities for up to 180 guests and a members' health & leisure club. Both hotels are marketed within UK and globally by Best Western Hotels.

Position

Redwood Leisure is strongly opposed to the introduction of a Transient Visitor Tax, Transient Visitor Levy or Tourist Tax.

The company opposes a Tourist Tax for the following reasons:

Impact on Price-competitiveness:

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when

quoting prices in competition with other EU destinations.

- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Economic Environment and Background

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary

Redwood Leisure is opposed to the introduction of a Transient Visitor Tax, Transient Visit Levy or Tourist Tax.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT.

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.

Result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

Evidence Number	0.82
Name	Norton House Hotel and Spa
Permission to Publish	Yes

Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion".

Background

Edinburgh Hotels Association (EHA) is the official association of Edinburgh's hotel sector, representing approx. 65 of the city's principle hotels. Our members reflect the wide range of accommodation supply in the city, from the budget sector to luxury, from boutique (16 rooms) to large (circa 450 rooms), with varying operating models from independent owner operated, franchised, leased or large international chain management agreements. Our members also represent large to small food and beverage outlets, conference facilities as well as world class spa facilities.

Edinburgh Hotels Association welcomes the opportunity to make this formal contribution to the Scottish Government's National Discussion on Transient Tourist Taxes in Scotland.

EHA Position

Edinburgh Hotels Association is totally opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. The EHA has consistently supported UKHospitality's opposition to the subject and fully endorses their separate, more comprehensive and detailed submission.

The EHA remains opposed to a Tourist tax for the following reasons:

<u>Impact on Price-competitiveness:</u>

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when

quoting prices in competition with other EU destinations.

- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Challenging Economic Environment and Future Headwinds

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- The costs of doing business are rising quicker than our ability to rise prices due to the competitive nature of the marketplace and increased supply. Brexit is putting inflationary pressure on our supply chain as well as wage inflation from the ever reducing pool of vital EU labour supply.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.

- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary
Edinburgh Hotels Association is totally opposed to the introduction of a transient visitor tax.
It fully endorses the more comprehensive and fully researched findings of UK Hospitality's position and separate submission paper.
Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Visitors have choices and Edinburgh will lose out to other attractive destinations who are perceived to offer better "value".
Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.
Such a Tax would result in reduced local discretionary expenditure in other small businesses.
Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.
There is too much uncertainty within the industry at present as it faces the strong headwinds of an increasingly fast rising costs of doing business, the pressures of Brexit on our customers, our supply chain and our shrinking pool of vital EU labour.

Evidence Number	0.83
Name	Royal College of Surgeons
Permission to Publish	Yes

As President of the Royal College of Surgeons of Edinburgh, I would like to contribute to the discussion on the current tourist tax proposal for Scotland and Edinburgh.

The College has 25,000 Fellows worldwide and until 2005 was funded purely on examination fees, education courses and membership subscriptions. Since opening our Hotel in 2006 there has been a substantial shift in our sustainability. Profits from the Hotel and our venues are directed into training surgeons worldwide and improving patient care.

Although our Hotel is popular with tourists, it is also the accommodation provider for many of our conference delegates, office bearers, examiners and trainers. How do the Scottish Government propose to differentiate between tourists and professionals coming to Edinburgh to work? This would put us in a very difficult position asking our Fellows to pay a tourist tax whilst contributing to train surgeons for the future and enhance patient outcomes worldwide.

In addition we have launched an appeal in January this year to raise £50,000 for bowel cancer towards vital research here in Scotland. This includes asking guests in our Hotel for a donation on check-out. This would surely conflict with asking for yet another expenditure towards tourist tax.

I appreciate Edinburgh Council and possibly others believe they need to raise a substantial amount of money, but surely there has to be another way other than hitting the Hotels in Edinburgh yet again and damaging Edinburgh and Scotland’s reputation for high quality educational and accreditation of surgeons.

We have estimated that the financial impact to the Royal College of Surgeons of Edinburgh from this proposal would be in the region of £40,000 per year. As a charitable organisation there are far better ways we could use this amount of money.

Evidence Number	0.84
Name	Scottish Licensed Trade Association
Permission to Publish	Yes

The Scottish Licensed Trade Association (SLTA) welcomes the opportunity to further participate in the Scottish Government’s National Conversation on the introduction of a Tourism Tax/Transient Visitor levy.

The SLTA counts within its membership all types of Licensed On-trade premises, in general pubs, bars and hotels, the majority of which are independent operators. The Association also represents bartenders and bar workers who hold a Scottish Personal Licence Holder’s Certificate.

In 2018, the Association was a co-signature to a Hospitality Industry Joint Statement on the issue of a Tourism Tax/Transient Visitor Levy and the key points against the introduction of such a tax raised then, still remain.

“While a tourism tax/visitor levy may work well for tourism businesses, destinations and local authorities in other global destinations where the level of VAT on tourism services is lower than that of the UK, the idea must be examined within the context of: the UK having the second highest VAT rate in Europe at 20% and only one of three countries which does not have a reduced rate for accommodation; the challenges which exist to the imposition of an additional tax; the impact on price-sensitive visitors and indeed the impact on businesses already coping with the ‘perfect storm’ of rising costs that tourism businesses in Scotland currently face.

Whilst the exchange rates are currently favourable for our international markets this may not persist beyond the short-term and the fact remains that around 60% of Scotland’s tourism spend comes from our already squeezed domestic visitors. Any further tax or levy applied could seriously dilute this market.

The UK is second from bottom in the World Economic Forum ranking, 135/136, when measured solely on international tourism price-competitiveness; this is in stark contrast to its overall ranking of 5th in the world when the full range of international tourism indicators are included. This underlines that the introduction of a tourism tax or any such visitor levy would further reduce the competitiveness of our already heavily taxed sector relative to competitor destinations.

Any new tax on tourists or the businesses serving them could ultimately have a potentially devastating long-term impact on Scotland’s tourism industry and local economies which could lead to potential job losses. It would also, in our opinion, negatively impact businesses, beyond the accommodation sector that would be expected to collect any tourist tax, that rely on the tourism economy by reducing visitor spending right across the industry; in pubs, restaurants, shops, cafes, visitor attractions and entertainment venues.

It should also not be ignored that tourism businesses already contribute significantly towards enabling public sector spending through high levels of business rates with many also contributing to local Business Improvement Districts which invest in the destination.”

Having recently participated in the Edinburgh City Council Transient Visitor Levy (Tourist Tax) On-line Consultation, the SLTA has further concerns.

- If a TVL is introduced, it must be realised that many business sectors, other than accommodation providers, benefit from tourist spend so any TVL should not be solely directed at this sector. Targeting accommodation providers is disproportionate when other sectors have a greater impact on resources and the local infrastructure.
- If a TVL is introduced solely for accommodation providers, what will be the actual definition of an accommodation provider?
- Alcohol licensed accommodation providers already pay a disproportionate level of commercial rates compared with any other business sectors and already contribute to BIDs and other initiatives to attract tourists to the city. What other sector contributes 8.5% of its turnover in commercial rates?

- The Year of Scotland's Coasts and Waters will be celebrated in 2020. What will a TVL do for that? Will cruise liners be charged a TVL? Already there are reports that MSC cruises will no longer stopover in Amsterdam due to a new tourist tax being imposed. In addition to cruise liners, will small yachts/private boats be subject to a TVL?
- To use Edinburgh City as an example, only about a quarter of visitors actually stay overnight in the capital, what about the vast majority that visit the city, but do not book accommodation, perhaps staying outwith the city to avoid any TVL, yet still place a burden on the city's services and infrastructure.
- To use Edinburgh City as an example again in the Council's presentation on a TVL and its current position on the resources raised, it stated that priorities from additional areas of spend could include Transport, Theatres, Museums, Galleries, Additional Events or Festivals. Why then are these venues not being included in any proposed TVL? These are the ones that will directly benefit. One of the priorities also listed was "Council Services in General". If any TVL is introduced then this should not be used to offset council reductions in general services. Promises of ring fencing revenue raised to promote tourism means nothing unless it is "additional funding" and not an avenue to deliver council budget cuts.
- Administration of a TVL scheme is another issue. How will this be funded? Who will be responsible for the administration? Will a mandatory registration scheme need to be set up to enforce compliance?
- How will the level of a TVL be set in the future?
- The Scottish Government has a longstanding commitment to reduce Airport Departure Tax by 50 per cent to help tourism and business in general. It would be more than just a bit ironic if the same Government then allowed for a Transient Visitor Levy to be imposed.
- Considering Marketing Edinburgh's research on whether a Tourist Tax would deter visitors to the capital, 78 % of visitors said it ***"might not"*** deter them. That still leaves 22% who said otherwise and if even a small proportion of those chose not to visit the capital, the negative impact would be considerable to the city's economy.

In summing up, the Scottish Licensed Trade Association's view on introducing a Tourism Tax/Transient Visitor Levy is simply that an additional revenue stream for local councils will be created to raise revenue, for purposes other than it would seemingly be intended for. Tourism is one of Scotland's growth industries and does not need any obstacles if it is to deliver further job creation, economic growth and contribute to many of the campaigns promoting Scotland as a major tourist destination. If introduced, a TVL should not be focused solely on accommodation providers unless mitigated by a reduction in VAT levels for accommodation and a reduction in overall business rates.

Evidence Number	0.85
Name	The Glasshouse
Permission to Publish	Yes
I am writing to endorse the response of UKHospitality to the discussion on the imposition of a tourist tax in Scotland. I support the arguments in the response document and reiterate our opposition to the implementation of an additional tax on Scottish accommodation providers.	

Evidence Number	0.86
Name	Holiday Inn – Royal Mile/ Chardon Hotels
Permission to Publish	Yes

Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion".

Background

Holiday Inn

Express Edinburgh Royal Mile/ Cowgate is a family owned business that franchisees the name Holiday Inn Express from the global hotels company, IHG. The company Chardon has been owning and operating hotels in Edinburgh since 1972 when tourism and The Edinburgh Festival was NOT well attended.

Holiday Inn Express Position

Clearly we are totally opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. We have consistently supported UK Hospitality's opposition to the subject and fully endorses their separate, more comprehensive and detailed submission.

We remain opposed to a Tourist tax for the following reasons:

<u>Impact on Price-competitiveness:</u>

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.
- Penalise young travelers/ millenials

<u>Effectiveness of a Transient Visitor Tax:</u>

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, AirBnB/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties,

contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Challenging Economic Environment and Future Headwinds

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with a declining occupancy and rate of 5% in 2019
- The costs of doing business are rising quicker than our ability to rise prices due to the competitive nature of the marketplace and increased supply. Brexit is putting inflationary pressure on our supply chain as well as wage inflation from the ever reducing pool of vital EU labour supply. You only have to view the recent press reports on Any Murray's Perthshire hotel and the losses it is incurring
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary

Holiday Inn Express is totally opposed to the introduction of a transient visitor tax.

It fully endorses the more comprehensive and fully researched findings of UKHospitality's position and separate submission paper.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Visitors have choices and Edinburgh will lose out to other attractive destinations who are perceived to offer better "value". Glasgow & Fife hotels must be thrilled as you drive people out of Edinburgh. This in itself could impact the hotel earnings and hotels would be looking for a reduction in Property Rates which are based off sales/ turnover.

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations. Cities like Amsterdam who introduced it had to remove it as it had such an impact on tourism.

Why look at reducing or scrapping Air Passenger Duty then add a tourist tax??

If this is about clearing rubbish from the streets, how do you intend to tax coffee shops and food takeaways? Day visitors to the city?

Such a Tax would result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties (who are unlikely to be able to show the tourist tax).

Evidence Number	0.89
Name	ICAS
Permission to Publish	Yes

About ICAS

1. The following submission has been prepared by the ICAS Tax Board. The ICAS Tax Board, with its five technical Committees, is responsible for putting forward the views of the ICAS tax community, which consists of Chartered Accountants and ICAS Tax Professionals working across the UK and beyond, and it does this with the active input and support of over 60 board and committee members.

2. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants and we represent over 21,000 members working across the UK and internationally. Our members work in all fields, predominantly across the private and not for profit sectors.

3. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members in the many complex issues and decisions involved in tax and financial system design, and to point out operational practicalities.

General comments

4. ICAS is grateful for the opportunity to contribute its views in relation to 'Tourist Tax: discussion document' published by the Scottish Government on 23 November 2018. ICAS was also pleased to be able to participate in the round table discussion held in Edinburgh on 4 December 2018.

5. We have restricted our comments to general comments and to matters relating to taxation policy, rather than addressing the specific questions in the document.

6. In Scotland there is scope for new devolved taxes and there has been a series of discussions about tourist taxes instigated by both the Scottish Government and by some local authorities.

7. Proposals for any new taxes need robust public debate before proceeding – there are a number of issues to consider before seeking to introduce any new tax, including:

    - the authority to create a new tax
    - the objectives of a new tax, which could be to raise money; or to encourage/ discourage certain behaviours
    - whether the responsibility should sit at Holyrood or with the local authorities
    - the rationale for the individual tax being put forward
    - the revenues likely to be raised
    - the locus of the tax – i.e. local, regional or national
    - the potential for the tax to have perverse or undesirable effects, and
    - practical administrative issues associated with tax design and revenue collection.

8. The tax objectives and design features are discussed in further detail below.

The objectives of a new tax

9. If new tourist taxes are to be introduced, it is important that there are sound reasons for doing so. The Scottish Government has set out its commitment to the overarching principles underpinning Scottish taxes, based on the four Adam Smith principles. These are:

- certainty: so, for example, both taxpayers and those affected by the cost of the tax can take financial decisions from an informed position on future tax policy
- convenience: minimising administration for taxpayers and stakeholders such as accommodation providers
- efficiency: to minimise the cost of implementation and collection, and
- proportionality to the ability to pay.

10. Practical objectives are also important. The objectives of tax raising and the interaction between them need to be identified. Key objectives in tax policy design should be to:
    - be part of a broad but balanced tax base where the different taxes, both direct and indirect, interact cohesively
    - raise funds – or if it is to drive behaviour, recognise that the tax may not raise funds
    - be simple to understand
    - support other policies such as economic growth, with clear accountability to connect decisions on the spending of public funds with taxes raised
    - be cost effective to administer (i.e. high collection rates, predictable revenues and difficult to avoid) and
    - be best value (i.e. the government should not take more than it needs or be profligate with public funds).

11. There needs to be a clear articulation of the objectives of any new tax.

The mechanics of introducing new taxes

12. The process for deciding whether a new tax may be appropriate needs to be clear. First, there are the legalities - is it within the competence of Holyrood? The Scottish Parliament can create new taxes, but this process is subject to approval by Westminster (through an Order in Council). Secondly, what processes are required in implementing a new tax?

13. The powers of the Scottish Parliament to introduce new devolved taxes, or amend the provisions of existing devolved taxes, derive from Section 80B of the Scotland Act 1998 inserted by section 23 of the Scotland Act 2012. Provisions that relate to reserved matters (defined in Schedule 5 of the 1998 Act) are outside the Scottish Parliament's powers. Any proposed new tax will be within the Scottish Parliament's powers if its underlying purpose is within devolved

competence (defined in section 29(2) of the Scotland Act 1998). It is expected that a tourist tax could be introduced by Holyrood.

14. The following steps are required in the making of good tax law:

- Wide consultation on the policy proposals, in order to ensure that there is public support for the proposal to introduce a particular tax
- Wide consultation throughout the process of formulating legislation in order to ensure that the legislation is robust and as well drafted to meet its purpose as it can be
- Gaining knowledge of the practical experience learned by other countries who have already introduced similar taxes – in this case, for example, Belgium, France and Germany
- Close liaison between policy makers and administrators so that the tax design takes into account compliance and the ability of the tax authority to collect and administer the tax, and those responsible for collection such as accommodation providers. Tax administration procedures should be clear, efficient and cost effective
- Clear legislative provisions, clear guidance and thorough training for staff who will implement the policy
- Legislators need to be mindful of potential behavioural reactions by taxpayers and ensure that the scope for tax avoidance is limited as far as possible
- Setting out a long-term tax strategy may mitigate the potential adverse effects of uncertainty about what will happen in future years.

Should a new tax be raised by Holyrood or by local authorities?

15. A tourist tax may lend itself to being set and administered at a local level by local authorities because:

- the tax base may be localised, and
- there is little scope for the respective tax bases to relocate across local authority boundaries.

16. One of the reasons put forward by those in favour of a transient visitor levy is to reduce congestion during the tourist season – an argument which probably applies more to the city of Edinburgh than, say, Livingston. A locally based tax would make it easier for such boundaries to be defined.
17. On the other hand, if may be more efficient given the large number of local authorities to have one tax designed and applied nationally; or designed nationally but with, say, flexible locally applied rates.

18. With local tax raising, it may open up the possibility that such taxes create a cycle of funding inequalities between local authorities that increases over time – i.e. those local authorities with, say, strong tourist demand would be able to raise most revenue from a levy, which in turn enables them to strengthen the tourist offering further.

19. Clarifying the potential redistribution of any income raised would be appropriate

before any discussions become too advanced. It is clear from the consultation document that the Scottish Government would wish to retain a share of the revenue as recognition of its role/cost in promoting Scottish tourism nationally and that the potential for a tourism tax is realistically limited to a fairly narrow range of locations. Measuring the appetite for revenue redistribution and retention by central Government would be advisable.

Hypothecation – does this provide answers?

20. Tax is never popular – so how can more be raised if it is agreed that this is required to meet spending needs? Hypothecation is often put forward as the answer, on the basis that there will be greater public acceptance of increased or new taxes if they are raised for specific (popular) purposes.

21. Some of the potential local taxes perhaps lend themselves to hypothecation. Should a tourist tax pay for services for tourists (funding events) or contribute to the services that are most used by tourists (e.g. rubbish collection)?

22. Full hypothecation might mean inadequate funding if the tax did not produce enough revenue. The tax receipts might also vary from year to year – fewer tourists due to global recession (or if it is a local tax fewer tourists in the local area for a local reason).

23. More broadly, in terms of public policy regarding the levying of taxes, care needs to be taken, and there should be a full public debate, before this path is followed. Hypothecation implies that the taxpayer is simply paying for a particular item or service. Following this logic, taxpayers should only pay for what they use which undermines the notion of contributing to the common good. If taxation is levied for the common good, all funds should be collected together and then decisions made about their use. Hypothecation also limits flexibility for government policymakers.

24. From an operational aspect, restricting funds to the provision of certain goods or services is limiting, adds to the administrative burdens, and reduces flexibility around spending decisions.

Competition and behavioural consequences

25. Tax can drive behavioural change. For instance, would a tourist tax result in lower tourist numbers visiting an area? This might depend on the rate and whether surrounding areas had no (or a lower) tourist tax. Tourists might also decide to reduce the length of their stay. Likely behavioural responses need to be taken into account in deciding on the structure and rates of new taxes – and estimating the revenues which might be produced. This may sometimes restrict the options available.

26. However, in some cases a tax may be specifically designed to change behaviour – for instance if less tourists were wanted in certain areas or at certain times of the year and achieving that could be more important than raising revenue. There needs to be a clear analysis of the objectives of any proposed tax and

consideration of the likely behavioural change that may result from its introduction. Without this there could be unintended adverse consequences.

27. ICAS welcomes the opportunity to participate in further discussion as Scottish Government's policy develops.

Evidence Number	0.91
Name	Scottish Land and Estates
Permission to Publish	Yes

Introduction

Scottish Land and Estates (SLE) is a member organisation representing the interests of Scottish land owners, farmers and estates. Our vision is for profitable land-based businesses able to contribute to resilient rural economies helping rural Scotland thrive. Tourism is a key part of the diverse mix of businesses which our members are engaged in. From campsites, to historic houses and from adventure destinations to luxury accommodation these are just some of the activities SLE members are involved in. You can find out more here.

Summary

While SLE welcomes the opportunity to contribute to the discussion on Transient Visitor Taxes in Scotland (hereafter Tourist Tax), we question the merits of such a proposal particularly with the uncertainty of Brexit compounded by already rising costs squeezing the sector. In order to ensure that rural Scotland can thrive, it is our members' view that a Tourist Tax should not be implemented in Scotland and that now is not an appropriate time to take this discussion any further. We have set out in our reasons below using the questions in the discussion paper as a guide.

Response

Rationale

SLE is of the view that taxation should always be considered in the round rather than looked at as an individual tool. Considering the cumulative impact of existing taxes such as VAT and non-domestic rates in the context of an additional levy is vitally important.

It is our understanding that a motivating factor for this discussion has been perceived pressure on tourism hot-spots such as Edinburgh and Skye that have been making the headlines. While these areas are experiencing challenges, there are many other parts of Scotland (for example Scottish Borders) where footfall is considerably lower, and where the focus is on attracting more tourists to the area rather than managing or maintaining existing levels. Given the clear geographical differences in supply and demand for tourists across Scotland, it would be unreasonable to apply a generic Tourism Tax to rectify problems in hot-spot areas that would disadvantage tourism growth in others.

As noted in the Scottish Government's discussion paper, Scotland, and the UK generally, is already an expensive destination for visitors. With high VAT, both in terms of the standard VAT rate and the VAT rate applied to accommodation, the UK was 135 out of 136 countries in terms of price tourism competitiveness in 2017 according to the World Economic Forum. In our view, this significantly dilutes the justification for a Tourism Tax.

According to the Scottish Tourism Alliance (STA), a further disincentive to implementing a new levy is highlighted in research by Tourism and Travel Research Institute (TTRI) at Nottingham University and by BTA (now VisitBritain). Both of which point to increasing prices resulting in an equivalent decrease in tourism. STA also highlights that in its Study of Tourism Demand in UK (2007), TTRI found that taxing visitors more will result in them spending less.

As of March 2018, SMEs accounted for 99.3% of all private sector businesses in Scotland, with SMEs accounting for a larger proportion of employment in rural than in urban areas – 78.3% and 46.4% respectively. Any of those small businesses which are trading on the grace that they are exempt from VAT and or non-domestic rates will not welcome the possibility of being caught under a new Tourist Tax. We consider it more appropriate to address any specific pressure areas through more efficient spending of existing resources, for example, the Rural Tourism Infrastructure Fund or the recently announced £5m Natural and Culture Heritage Fund, rather than by adding another punitive tax.

Implementation

Any Tourist Tax would have to be well-designed and operated to ensure businesses, particularly those in rural sectors which can often be seasonal, are not disadvantaged. Given the wide variety of tourism businesses in the rural sector alone we consider this would be particularly difficult to implement. It is our view, that in order to bring an element of fairness to any levy it would have to be designed or fine-tuned to apply to only peak times and to specific locations. And even then, this approach would undoubtedly not work for all – for example, there may be businesses in Edinburgh City which fall outside the main tourist hot-spots.

For something like a campsite, a Tourist Tax operating on a per-head basis would require another complex system to account for. As well as financial accounting with limited staff, there would be a requirement for numerical counting of customers with potential age differentiations to account for.

If a Tourist Tax was to be implemented, then it would be appropriate to have a 10% rate of VAT for tourism accommodation. This would be in line with other countries who also operate a Tourist Tax and would mean businesses in Scotland would not be at such a disadvantage. It remains a fact that tourists/tourism are already being taxed very highly by existing government charges compared to their European competitors. Research gathered by STA in the last two years shows that rising costs of doing business remains the number one concern of tourism businesses in Scotland.

Impact

SLE members are of the view that there would be no real benefit to introducing a Tourist Tax. We consider the negative impact of a Tourist Tax would almost certainly resonate more with SMEs in the rural sector where seasonal and marginal businesses operate. Particular issues for rural businesses, include:

- Administrative burden – small businesses are already tax collectors for VAT which can be an onerous undertaking especially for operations with only one staff member. The remittance of VAT impacts on cash flow, and can be difficult for SMEs to overcome, particularly when taxes from the summer season remain to be paid after income has dried up. A Tourist Tax would only add to bureaucratic complexity and problematic cash flows to already overstretched SMEs.
- Additionally, many of our members' tourism businesses already pay non-domestic rates, Corporation Tax, National Insurance Contributions, Pension Contributions for staff, VAT and other fees relating to waste disposal, registrations, rent, insurance and utilities. Each of these is charged through different systems, all of which has to be worked out separately. A Tourist Tax would add to this burden.
- The impact on price sensitive customers is not consistent throughout the sector and is therefore difficult to account for. However, this factor is especially significant for the likes of paid-for wild camping sites, for example. At such campsites, businesses will be required to bear the cost of any additional levy rather than pass it on to customers who can already choose to wild camp for free in other locations. It is SMEs like this that would be less able to absorb the extra cost generated by a Tourist Tax rather than larger more established businesses. As tourism in remoter areas is mainly the domain of SMEs a one-size-fits-all Tourist Tax would disproportionately affect rural areas, decreasing the viability of businesses in remote areas more than in tourist hot-spots. We consider this would be counterintuitive to government regeneration efforts in these areas.
- Another example is in the country sports industry where any increase in tax (or additional tax) would undoubtedly be passed on to the customer as margins in this sector are very slim. This would result in trade almost certainly diminishing, which in tax terms, as well as from a business point of view, would be self-defeating.

The key message coming from SLE members is that from a rural perspective any reduction in trade can lead to closure. Rural businesses, particularly in remote areas, tend to operate seasonally which usually means margins are slim and they cannot afford to risk increasing prices or shouldering increased costs.

How it might be spent

Another important factor to consider is how any revenue from a Tourist Tax might be spent. However, we consider this subject raises more questions than answers. Much of this will depend on who has responsibility for collecting the revenues, will it be the local authority or central government?

COSLA's position paper suggested using revenue to support general infrastructure, transport and the roads network. This may not be the right priority for all local authorities. It would also be important to understand how these investments would positively impact tourism and how that could be measured. Central government may decide to collect all revenues in the target areas it feels are in greatest need of investment. This approach would undoubtedly disadvantage some areas in favour of others. We note that local authorities, VisitScotland and Historic Environment Scotland have spent millions of pounds (as highlighted by Scottish Government's paper) on support for tourism, however, hot-spots are still seen as problematic. We are of the view that part of the problem is that current tax revenues from the tourist sector are not being fully re-invested and/or effectively spent on the tourism sector. We hope that this will change and we consider initiatives like the Rural Tourism Infrastructure Fund and the Natural and Cultural Heritage Fund can be taken as positive examples of the type of re-investment we would like to see.

Evidence Number	0.92
Name	Macdonald Hotels
Permission to Publish	Yes
I am writing to endorse the response of UKHospitality to the discussion on the imposition of a tourist tax in Scotland. I support the arguments in the response document and reiterate our opposition to the implementation of an additional tax on Scottish accommodation providers.	

Evidence Number	0.94
Name	Scottish Wholesale Association
Permission to Publish	Yes
Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion". As the voice of the Scottish food and drink wholesale industry we are concerned that any increase to the cost of Tourists visiting Scotland will impact on the £2.9bn sales generated by our industry and the 6.5k directly employed. 39% (£1.13bn) of our members sales value comes from the Foodservice and Catering sector. These include hotels, guest houses, restaurants, cafes, pubs, clubs and other "out of home" eating places. These businesses are directly supported by the tourism industry, with £995m being spent on food and drink by tourists annually, in Scotland. The SWA sit on the board of Scotland's Food Tourism Strategy, the goal of which is to promote Scotland as a destination to sample and enjoy our food, drink, hospitality and the enjoyment these bring to people. This strategy also dovetails into Scotland's food industry Ambition 2030, designed to double Scotland's food and drink business turnover to £30bn by 2030.	

We agree with the Scottish Tourism Alliance (STA) and their concerns that any rise, either directly or indirectly, in costs to the tourist visitor will take Scotland to the bottom of the international price competitiveness table. This may discourage tourists from coming to Scotland, and risks reducing the disposable spend each tourist has to spend while visiting. This may impact on the £995m spent by them on food and drink. Ambition 2030 looks to double this spend to £2bn.

While a tourism tax/visitor levy may work well for tourism businesses, destinations and local authorities in some other global destinations where the level of VAT on tourism services is lower than that of the UK, the idea must be examined within the context of: the UK having the second highest VAT rate in Europe at 20%; the challenges which exist to the imposition of an additional tax; the impact on price-sensitive visitors and indeed the cumulative impact on businesses already coping with rising costs that tourism and wholesale businesses in Scotland currently face.

The cumulative burden on the wholesale industry and their customers in Foodservice, as well as food retail, is becoming critical to our members business survival. Recent cost increases caused by the tobacco display ban, minimum unit pricing, track and trace and forthcoming HFSS and Out of Home restrictions, in addition to the DRS scheme and Brexit have squeezed margins and business confidence to their lowest point in decades.
SWA would prefer to see a central government funding settlement which recognises the real impacts of tourism on local services particularly in rural areas and areas of tourism growth. The costs involved for local authorities and tourism businesses in setting up, administering and enforcing a local tourist tax might be better spent on improving facilities and support for the tourism sector.

Whilst the exchange rates are currently favourable for international visitors this may not persist beyond the short-term and the fact remains that around 60% of Scotland's tourism spend comes from our already squeezed domestic visitors. Any further tax or levy applied could seriously reduce the domestic market. Scottish Wholesale Association, 30 McDonald Place, Edinburgh, EH7 4NH

Brexit and the resultant fall in the value of sterling may provide both opportunities and challenges for the Scottish tourism sector however SWA would suggest this is not the time for Scotland to put up additional barriers to potential visitors. It's surely better for Scotland to continue to reach out to potential visitors with a clear message of welcome.
Any further impact on the cost base within our industry or to our customers will further compound the trading difficulties currently being experienced. We would recommend that any cost increases are countered with a similar reduction elsewhere. SWA would urge the Scottish Government to ensure that their initiatives to grow Scotland's food and drink businesses are not hampered by unnecessary restrictions such as a tourist tax that could impede growth and success.

Evidence Number	0.95
Name	British Holiday and Home Parks Association
Permission to Publish	Yes

British Holiday & Home Parks Association response to Scottish Government Discussion on Tourism Tax

The British Holiday & Home Parks Association (BH&HPA) is the only organisation established exclusively to serve and represent the interests of the parks industry in the UK.

Scotland's holiday park sector makes a significant contribution to the Scottish economy. An independent economic study in 2014 confirmed that the sector generated an estimated gross direct visitor expenditure impact of £491.1M and gross direct, indirect and induced visitor expenditure impact of £700.8M, thereby supporting 12,977 Full time equivalent jobs in Scotland.

The park owner members of BH&HPA welcome the opportunity to respond to this consultation. They have serious concerns regarding the possible introduction of a tourism tax for the reasons outlined below:

Tourism is a key economic sector in Scotland and the country is renowned as a welcoming destination. The introduction of a tourism tax has the potential to negatively impact on Scotland's reputation through being seen to seek extra funding from visitors to compensate for the shortfall in Local Authority funds. What other revenue raising options have Local Authorities considered to overcome their financial difficulties prior to deciding a tourism tax is the way to go? Why should the burden of austerity fall on tourism businesses?

Whilst a tourism tax/visitor levy may work well for tourism businesses, destinations and local authorities in other global destinations where the level of VAT on tourism services is significantly lower than that of the UK, there are many reasons why this is considered inappropriate for Scotland.

1. The tourism industry in Scotland operates in a climate where it (and the UK generally) is not viewed as a cheap destination. Not only does the UK have the second highest VAT rate in Europe at 20% but it is second from bottom in the World Economic Forum ranking, being 135th out of 136 countries, when measured solely on international tourism price-competitiveness; this is in stark contrast to its overall ranking of 5th in the world when the full range of international tourism indicators are included.

2. The economic uncertainty arising from Brexit means that the need for Scotland to be competitive as a destination for visitors is greater than ever and any taxation decisions need to take that into account. The introduction of tourism tax in the current economic conditions, particularly the uncertainty arising from Brexit, would be ill advised and would not contribute to economic growth.

3. Around 60% of Scotland's tourism spend comes from our already squeezed, heavily taxed domestic visitors and it is known that domestic holidays within

the UK are highly responsive to changes in price. Any further tax or levy applied could seriously impact on these price sensitive visitors and dilute this market.

4. It is likely that the introduction of tourism tax would reduce the attractiveness of Scotland as far as those who want to invest in Scotland's tourism economy (by creating hotels, attractions, shops, restaurants, bars and activities) are concerned. All investment of that nature creates jobs and boosts the economy but is it likely that they will be interested in investing in an economy that is likely to take a downward turn?

5. Unlike many of Scotland's competitor destinations where additional taxes can be hidden behind the room price advertised, pricing to the public in the UK must be inclusive of all taxes and compulsory payments. Scotland would be at a competitive disadvantage to other locations with a much lower rate of VAT, who do not include any tourist taxes in public prices. Scotland would be presenting perceived high prices in comparison to those displayed by competitor destinations, which will always look more attractive at first glance.

6. There are concerns about inequality in the application of any tourism tax if it is introduced. For example, how would a balance be reached between the likely cost applicable to a family of 4 in a tent or a caravan as opposed to one business person in a hotel room?

7. There would be a major impact on businesses, who are already coping with the 'perfect storm' of well documented rising costs that tourism businesses in Scotland currently face.

   The cost of adhering to regulation and legislation for tourism and hospitality industries is already significant and reduces the profitability of businesses and their ability to invest. Administering a tourism tax would increase the burden on such businesses both in financial and administrative terms.

8. Whilst exchange rates are currently favourable for our international markets, this may not persist beyond the short-term.

9. The amount that tourism businesses already pay in tax needs to be recognised, as does their support for BIDs and DMOs as well as the cost of their own marketing which brings benefit to their areas.

10. Realistically the revenue arising from tourism tax is not going to be able to fund road repairs, ferries and other infrastructure such as digital investment. None of the facts around the ring fencing or distribution of a tourist tax have been made clear by any of the proponents of the levy and nor have details of how the tourism industry would benefit from these additional funds if a tax was introduced. Where would the money go and how would it be distributed?

The above underlines that the introduction of a tourism tax or any such visitor levy would further reduce the competitiveness of an already heavily taxed sector relative to competitor destinations. Any new tax on tourists or the businesses serving them could ultimately have a potentially devastating long-term impact on Scotland's tourism industry and local economies which could lead to job losses in the wider arena – in pubs, restaurants, shops, cafés, visitor attractions and entertainment venues.

There is no credible evidence that the introduction of tourism tax would have anything other than negative impacts on the Scottish tourism economy in terms of visitor spending, the accommodation sector, employment within tourism and also in the other businesses which benefit from the tourism industry.

Evidence Number	0.97
Name	Loch Melfort Hotel and Restaurants
Permission to Publish	Yes

Tourism Tax Discussion

We are writing to endorse the response of UKHospitality to the discussion on the imposition of a tourist tax in Scotland. We support the arguments in the response document and reiterate our opposition to the implementation of an additional tax on Scottish accommodation providers.

Evidence Number	0.98
Name	British Marine
Permission to Publish	Yes

Response to Discussion on Transient Visitor (Tourist) Taxes in Scotland

British Marine Scotland would like to voice its concerns regarding the possible introduction of a tourist tax in Scotland. Marine tourism is a valuable part of the Scottish economy and there are significant concerns that this additional tax could reduce the competitiveness of Scotland as a destination and negatively impact on the marine tourism sector, both in cruising markets and related services such as marinas and the passenger boat sector.

British Marine Scotland is a region association within British Marine, the UK trade association for the UK leisure marine industry. British Marine Scotland represents the interests of more than 70 companies operating in Scotland.

UK and Scottish Boating Tourism – economic benefits

In 2015 Scotland launched a new marine tourism strategy, Awakening the Giant, which set out the sector's key objectives and provided a framework for the development of Scottish marine tourism through to 2020. Investment in

infrastructure, developing marine tourism networks and “destination development” are all key objectives for the strategy.
With the implementation of this strategy by 2020, Scotland is looking to further develop itself as an important hub for yachting, narrow boat and watersports enthusiasts that capitalises on the region’s heritage, natural beauty, and marine biodiversity.

In 2014 a British Marine report1 highlighted the value of the UK’s boating tourism industry to the UK economy (based on data for 2012/13). The total revenue for the industry was **£3.6 billion**, accounting for **3.2% of all tourism expenditure in the UK**. These expenditures are estimated to support approximately **96,000 FTE (full time equivalent) jobs** in the UK economy, through direct and indirect effects, and more than **£3.7 billion of GVA** in the UK economy, taking account of all direct and indirect effects. With over 85% of businesses in the UK marine industry being micro or small in size, this showcases just how remarkable and valuable a tourism sector boating tourism is.

In terms of average spend in the UK for day and overnight trips, British Marine estimates overall tourism expenditures of **£350 million for day visits** and almost **£2 billion for overnight trips**. The largest expenditures are associated with canoeing, as a result of high levels of participation, and canal boating, as a result of the longer duration of overnight trips.

In Scotland, the direct and indirect economic impacts of boating tourism accounted for **9.8%** of the UK total (the third largest region in the UK for boating tourism), with total tourism expenditure at **£294m**, a GVA contribution to the UK economy of **£323m**, and an employment contribution of **7,934FTE**. The overall value of Scotland’s boating tourism sector is huge. The figures provided below show the direct contribution of the different sectors of boating tourism in Scotland, without the wider economic impacts of tourism included. When combined with the wider impact of boating tourism, it is clear to see how much boating tourism delivers already to the Scottish tourism industry.

NB: British Marine is in the process of producing an updated report on the Economic Benefits of the UK Boating Tourism Industry. Early indications show strong growth in boating tourism since 2012/13. British Marine would be happy to share details of this report with the Scottish Government when it is published.

The Economic Benefits of Boating Tourism in Scotland

Indicator	Units	Marinas & Moorings	Coastal Charter	Inland Hire/ Passenger Boats[1]	Watersports & Canoeing	Sailing	Total
Turnover	*£ million*	24.0	15.7	13.5	0.7	1.1	55.0
Wages	*£ million*	14.6	12.6	9.4	0.7	1.5	34.8
Profits	*£ million*	2.4	1.6	1.3	0.1	0.1	5.5
Taxes	*£ million*	8.2	6.0	4.5	0.4	0.6	19.7
Businesses	*Number*	34	23	15	41	22	100
Employment	*FTE jobs*	694	503	374	28	48	1,647
GVA	*£ million*	21.5	11.0	9.4	0.5	0.6	43

1 *Economic Benefits of UK Boating Tourism (2012/13), British Marine*

[1] Due to the difficulties of disaggregating hire and passenger boat companies at a regional level in British Marine data, the categories for inland hire and passenger boats have been grouped together for regional reports.

Concerns about the proposed tourism tax

Options for collection of the tourism tax or transient visitor tax have so far focused on overnight accommodation, along the lines of a tax per person, per night. If implemented and extended to the marine tourism sector, this could have serious implications for visitor sailing markets, increasing the costs of cruising and visitor overnight stays for boat owners and charterers especially and creating implications for operators, especially smaller and community owned marinas in more remote locations.

As an industry, we are focusing on ways to increase participation in sailing and boating and encouraging longer stays and related spend in destinations. The figures provided above already show a considerable positive economic impact of boating tourism to the wider tourism expenditure and revenues. We are very concerned at the possibility of a tourism tax which could create additional costs for marine businesses, their customers and added administrative burdens for operators.

British Marine Scotland and British Marine would be happy to meet with the Scottish Government to discuss the industry's concerns and to work with it to secure the long-term future of Scotland's boating tourism industry and to secure the already considerable positive economic impacts of this sector.

Evidence Number	1.00
Name	Greater Glasgow Hotels Association
Permission to Publish	Yes

I am writing on behalf of the Greater Glasgow Hotels Association in my position as chair of the association.

I am writing to state that the Association in its entirety endorse the response of UKHospitality to the discussion on the imposition of a tourist tax in Scotland. I support the arguments in the response document and reiterate our opposition to the implementation of an additional tax on Scottish accommodation providers.

Evidence Number	1.02
Name	4C Hotel Group
Permission to Publish	Yes

I am writing to endorse the response of UKHospitality to the discussion on the imposition of a tourist tax in Scotland.

I support the arguments in the response document and reiterate our opposition to the implementation of an additional tax on Scottish accommodation providers.

Evidence Number	1.07
Name	Crieff Hydro
Permission to Publish	Yes

Submission to the Scottish Government Discussion Document - 'Transient Visitor Taxes in Scotland: Supporting a National Discussion'

Introduction

Crieff Hydro has been in the Leckie family for five generations. Dr Meikle opened Scotland's maiden hydropathic establishment in 1868: the company is now the oldest trading registered company in Scotland. Stephen Leckie the CEO is the great great great grand nephew of Dr Meikle.

The family of hotels has now expanded and Crieff Hydro Limited now own six hotels, plus the operation of The Peel Café at Glentress all of which are in Scotland – Crieff Hydro, The Murraypark Hotel both in Crieff, Peebles Hydro and The Park Hotel both in Peebles, The Ballachulish and Isles of Glencoe both in Glencoe. Crieff Hydro Limited also manage Kingshouse Hotel in Glencoe which is re-opening after a major refurbishment in February 2019 and the Green Hotel in Kinross.

CHL turned over £29.8m during the year to February 28 2018.

The company welcomes this opportunity to contribute to the Scottish Government's National Discussion on Transient Visitor Taxes, or Tourist Taxes, in Scotland.

Position

Crieff Hydro Ltd is strongly opposed to the introduction of a Transient Visitor Tax, Transient Visitor Levy or Tourist Tax.

The company opposes a Tourist Tax for the following reasons:

Impact on Price-competitiveness:

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Economic Environment and Background

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation

research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary

Crieff Hydro Ltd is opposed to the introduction of a Transient Visitor Tax, Transient Visit Levy or Tourist Tax.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT.

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.

Such a Tax would result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

Evidence Number	1.08
Name	Caithness Chamber of Commerce
Permission to Publish	Yes

Introduction

The Chamber welcomes the opportunity to contribute to this national discussion on behalf of our members.

Caithness Chamber of Commerce is the foremost business networking organisation in the North Highlands and aims to support every type of business, from sole traders and small businesses to large corporate companies. Our members are drawn from a vast range of industry sectors including energy, tourism, retail, transport, food and drink and manufacturing.

Our vision is to be a unified business voice directly contributing to the economic growth of the North Highlands and its individual members, and we are committed to a vibrant North Highland economy that is successful, sustainable and diverse.

Overview
In preparing to submit a response to this national discussion, the Chamber surveyed its members and the wider local business community to gather their thoughts on the issues under discussion. The profile of respondents to the survey is as follows (percentage figures rounded to nearest whole number):

- 47% accommodation providers
- 16% other hospitality or tourism-related business
- 21% other private sector
- 3% other public sector
- 13% other third sector

Broadly speaking, around 40% of respondents would support some form of levy on transient visitors to accommodation providers in the North Highlands. 60% would not support a levy in this form.

If we break this down into accommodation providers vs. other businesses, we see the following:

	Would support	**Would not**
Accommodation	17%	83%
Other	60%	40%

Similarly, around 35% of all respondents would support some form of levy not specifically on accommodation providers, and 65% would not.

This clearly shows that there remains a general feeling against the introduction of any form of transient visitor tax.

While we appreciate that at this stage this remains a "national discussion" rather than a formal consultation, we would emphasise that should this work progress it must be done through detailed and close consultation on all issues with local businesses.

As the introduction to the national discussion document notes:

> "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."

We would expect Scottish Government to stand by this principle as discussions continue.
Finally, we would note that many of those we surveyed felt that a levy on tourism would not be the most appropriate mechanism by which local authorities could raise revenue from the industry. One suggestion was to implement some form of revenue-sharing on the VAT raised from tourism activities, with a percentage of this going to local authorities

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?

- To make Scotland as a whole, and the North Highlands as a region, an attractive destination for tourists
- To ensure that adequate support and promotion is given to all of Scotland's regions, and that promotional and funding efforts are not concentrated around a few central areas

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

One global trend which has been raised with us by survey respondents is the rise in alternative accommodation provision via "sharing economy" platforms such as Airbnb. In particular, there is a concern that Airbnb and similar platforms are generally less regulated than the traditional tourist accommodation industry. Going forward, this is something which must be considered by both local and central government to ensure a level playing field.

National research conducted by bodies such as UKHospitality has suggested that the industry is underperforming compared to the UK average in key metrics such as RevPAR and occupancy rate.

Locally, there has been an increased interest in tourism in the North Highlands, driven in large part by the North Coast 500 initiative. While increased tourist numbers are generally seen as a positive, certain concerns have been raised by our members as a result of this – in particular, the increase in demand for one-night stays.

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

Many of our members in the industry employ EU nationals, and the ongoing uncertainty around Brexit may cause some concern. The possibility of losing access to EU labour is compounded by other concerns which have been raised with us, such as young people not viewing the tourism and hospitality industries as career choices.

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

Within the North Highlands, connectivity remains an issue, both in terms of transport connectivity and digital connectivity. A concern which was raised by some survey respondents around the growth in tourist numbers is the impact on local infrastructure, including roads, and the appropriate means to address this long-term.

On digital connectivity, much of the provision of tourist information is moving online. This excludes a significant demographic who are unable to engage with digital technologies, or who lack the confidence to do so. It is also of concern in the North Highlands, as broadband speeds remain variable and mobile signal in many areas is patchy or unavailable.

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

Many of our respondents are concerned that any form of tourism tax would lead to a reduction in visitor numbers. Many respondents also identified that the tourism industry is already subject to high levels of taxation, for example through VAT, Air Passenger Duty, etc. The concern is that an additional tax will simply add further burden to the industry.

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

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

This is an exceptionally difficult question to answer, as even looking just at European countries no two have adopted exactly the same model. As far as we are aware, only Romania and Ukraine apply this solely as a national tax, with the majority of countries leaving it up to municipalities or regions to set rates.

It is important to note that these models are largely applied to cities and busy resorts and, as such, will not necessarily be applicable to remote regions of Scotland such as the North Highlands.

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

Based on the responses to our survey, we can summarise some key concerns around any possible model of tourist tax:

(a) Leads to a drop in tourist numbers
(b) Increases the administrative burden on businesses
(c) Does not recognise the unique needs of the North Highlands

It would seem to us, then, that a successful model would be one which addresses these concerns.

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

We asked those surveyed their preferences as to certain models of tourist tax and how these might be implemented. Approximately 40% of those we surveyed would prefer a levy charged as a percentage of the room cost, with around 60% preferring a charged on the basis of some form of banding structure based on season, star rating, etc.

Amongst those who preferred the second option, the most popular bases for differentiation were:

- 40% implemented on a seasonal basis

- 40% exempting certain categories of stay e.g. business travel
- 30% based around type of accommodation (e.g. hotels but not B&Bs)
- 20% based on duration of stay

As previously discussed, a point raised with us was the impact of short-term visitors, and the relatively limited economic benefit they bring.

A number of respondents also felt that some form of levy on motorhomes and camper vans would be appropriate, as this is the group of tourists least likely to make additional contributions to the local economy.

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?

There was strong feeling on this amongst the respondents to our survey, with 95% feeling that any revenues raised should be ring-fenced to support the tourism industry. There was some division on how this revenue should then be managed, with 55% feeling it should be directly allocated e.g. to local authorities, with 45% feeling it should be made available through some form of "challenge fund".

The general feeling amongst respondents was that any revenues raised should be used to support local tourism infrastructure. Suggestions for this included improvements to roads and parking facilities, and funding for local facilities such as public toilets.

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

- One of the highest rates of VAT in Europe
- High levels of Air Passenger Duty, disproportionately affecting remote regions such as the North Highlands
- Ranked 135th out of 136 in the world for price competitiveness in travel and tourism
- Increased competition from peer-to-peer / sharing economy
- Concerns around Brexit

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

See our answer to *X* above

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

Based on the responses as to whether or not they would support the introduction of such a tax, it seems safe to say that many tourism businesses would not respond favourably to one being introduced.

We would again emphasise here that any discussions on introduction of a tax must be in close consultation with businesses in the industry.

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

There appears to be little evidence one way or the other on the impact of such taxes. However, we would again caution that it is not possible to take a model which works in, say, Barcelona, and apply this wholesale to a region like the North Highlands.

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

The Highland Council in 2018 estimated potential revenues at between £5 million and £10 million per year. Without knowing the model used to reach these figures, we will have to assume that this is an accurate assessment.

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

We are not in a position to answer this question.

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

We are not in a position to answer this question.

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

We are not placed to speak as to the legislative mechanisms by which local authorities could do the above. However, we would expect this to be done in close consultation with affected businesses and industry bodies.

Given that local authorities have not historically been set up to collect taxes in this fashion, we expect this would result in significant administrative burden.

We would also note the concerns raised earlier about the under-regulation of platforms such as Airbnb. This was identified as a concern by survey respondents, in that those providing accommodation through such platforms would not be impacted by the tax.

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

There was a very strong preference amongst our survey respondents that receipts should be collected locally (90%) and ring-fenced for a specific purpose (95%). While not directly answering the question, this nonetheless suggests that most would be in favour of the local authority determining how the receipts raised locally are spent.

Evidence Number	1.09
Name	Scottish Environment Link (Marine Group)
Permission to Publish	Yes

Scottish Environment LINK Written Evidence for the Scottish Government's Tourism Tax Discussion

by the Scottish Environment LINK Marine Group

Introduction

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 35 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.

Its member bodies represent a wide community of environmental interest, sharing the common goal of contributing to a more sustainable society. LINK provides a forum for these organizations, enabling informed debate, assisting co-operation within the voluntary sector, and acting as a strong voice for the environment.

Acting at local, national and international levels, LINK aims to ensure that the environmental community participates in the development of policy and legislation affecting Scotland.

LINK works mainly through groups of members working together on topics of mutual interest, exploring the issues and developing advocacy to promote sustainable development, respecting environmental limits.

The LINK Marine Group vision is of healthy, well-managed seas, where wildlife and coastal communities flourish and ecosystems are protected, connected and thriving, and coastal communities are sustained.
LINK members welcome the opportunity to contribute to this discussion.

Background
Scottish Environment LINK does not actively work on tourism policy at present, although tourism is related to many of the policy areas in which its working groups are engaged, including national parks and coastal and marine environments. It is for this reason that the Marine Group have developed a response to the Scottish Government's tourism tax discussion. It should be noted that this response is mainly framed in the context of sustainable development and the natural environment, particularly marine, and we focus primarily on question 1.

What would be the reasons for introducing a transient visitor tax?
Scotland's natural environment and cultural heritage underpins the majority of reasons that tourist travel to visit, from food and drink, to outdoor activities. For example, one of the primary reasons that marine and coastal recreational users come to Scotland is '…the presence of attractive scenery and the possibility of seeing wildlife' (Scottish Marine Recreation and Tourism Survey 2015, p9).

As detailed in the Tourism Tax discussion paper there are broad aspirations for Scotland to grow its tourism sector. Various niche markets have specific ambitions and targets, including marine recreational tourism[1] and the food and drink sector[2]. Particular niches of wildlife tourism, such as marine wildlife-watching, in Scotland are also increasing (e.g. Ryan et al. 2018). Any targets for growth must be reached within environmental limits to ensure the sustainable development of the industry and the future preservation of the natural environment, cultural heritage and areas of archaeological importance, including as consideration of assets and ecosystem services.

A tourism tax is accepted by tourists to many busy destinations worldwide as a worthwhile contribution to the upkeep and preservation of the very qualities of those destinations that they are visiting to experience. With a growing profile, and regularly topping polls of places to visit, Scotland is no different. Whilst there may be some additional administration for attractions and operators, the cost of doing so would be far outweighed by the benefit of increased revenue to be reinvested into social and environmental preservation and by a tourist population that increasingly recognises the intrinsic value of their destination, through their tax contribution. A proportionate tax would not cause a decline in visitor numbers but would instead assist in keeping the pressure arising from growing number of visitors to Scotland within environmental limits.

References

Ryan, C., Bolin, V., Shirra, L., Garrard, P., Putsey, J., Vines, J., & Hartny-Mills, L. (2018). The Development and Value of Whale-Watch Tourism in the West of Scotland. Tourism in Marine Environments, 13(1), 17-24.

This response was compiled on behalf of LINK Marine Group and is supported by: Hebridean Whale and Dolphin Trust, Marine Conservation Society, SCAPE Trust, Scottish Wildlife Trust, and Whale and Dolphin Conservation.

[1] http://scottishtourismalliance.co.uk/uploads/TS2020%20Marine/Awakening_the_Giant_final.pdf

[2] https://connectlocal.scot/wp-content/uploads/2018/06/ambition-2030.pdf

Evidence Number	1.10
Name	Waldorf Astoria
Permission to Publish	Yes

Waldorf Astoria Edinburgh – The Caledonian
Princes Street
Edinburgh
EH1 2AB

Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion".

Waldorf Astoria Edinburgh Position

Waldorf Astoria Edinburgh is opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. Waldorf Astoria Edinburgh has consistently supported UK Hospitality's and the Scottish Tourism Alliance's opposition to the subject and fully endorses the data, conclusions and recommendations outlined in their submission.

Waldorf Astoria Edinburgh remains opposed to a Tourist tax for the following reasons:

Impact on Price-competitiveness:

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, AirBnB/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. We are concerned that the burden will unfairly fall on hotels, whose guests contribute the most to spending in the city.
- There is little clarity about what the revenues from a tourist tax would be used for. It is vital that those Councils calling for the introduction of a further tax set out clearly how revenues will support local tourism, and how they would ensure those paying the tax understand where their money is going. This is particularly important given the restructuring of local authorities following significant budget cuts.
- The hospitality sector is a significant investor in local communities and across Scotland at a national level. Beyond the substantial costs faced by industry such as business rates and VAT, the sector also spends considerable sums on marketing and promotional activities to support destinations. This investment would be put at risk by the introduction of a tourism tax.

Challenging Economic Environment and Future Headwinds;

- As a result of economic uncertainty caused by the uncertainty of future travel trends and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR shows negative growth in Edinburgh, with a declining occupancy for 2019.
- The increased costs of doing business are challenging and our ability to increase prices is limited due to the increased competitive nature on the marketplace and the growth in accommodation supply. Brexit is putting inflationary pressure on our supply chain as well as wage inflation from the ever reducing pool of vital EU labour supply.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax has potential to result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. Any additional cost to manage this situation may fall on the accommodation establishment therefore further increasing financial burden.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Conclusions

Waldorf Astoria Edinburgh is opposed to the introduction of a transient visitor tax.

It fully endorses the comprehensive and fully researched findings of UK Hospitality's position and separate submission paper.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Visitors have choices and Edinburgh will lose out to other attractive destinations who are perceived to offer better "value".

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.

Such a Tax would result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

There is too much uncertainty within the industry at present as it faces the strong headwinds of an increasingly fast rising costs of doing business, the pressures of Brexit on our customers, our supply chain and our shrinking pool of vital EU labour.

Evidence Number	1.11
Name	Scottish Wildlife Trust
Permission to Publish	Yes

"*We would welcome the introduction of a Tourism Tax if it can be designed in a way that helps Scotland deliver on its environmental commitments."*

The Scottish Wildlife Trust welcomes the opportunity to contribute to the national discussion on a Tourism Tax. Rather than respond to every question in the discussion document we have focused on those issues that are most relevant to us and our commitment to healthy, resilient ecosystems across Scotland's land and seas. More information on the Scottish Wildlife Trust's policies and conservation strategies can be found at scottishwildlifetrust.org.uk.

1.1 Key Points

- We would welcome the introduction of a Tourism Tax if it can be designed in a way that helps Scotland deliver on its environmental commitments. In particular, the tax must help in delivering the objective of the Scottish Government's Economic Strategy to '*protect and enhance our natural capital*' and as set out in the National Performance Framework.

- The Trust recognises the important contribution the tourism sector makes to the Scottish economy and the Scottish Government's Economic Action Plan highlights the role that the Cairngorms National Park, Loch Lomond and The Trossachs National Park and the Royal Botanic Garden Edinburgh play in supporting the tourism sector. However, the industry's competitive position cannot be maintained if our natural environment continues to degrade. The tax could be fundamental to developing a sustainable tourism sector in Scotland that can continue to grow but not at the detriment of our natural environment.
- The revenue from the tax should not be used solely to invest in general infrastructure or traditional visitor attractions. It must be available to invest in our green and blue infrastructure and the natural assets which are the fundamental attraction for visitors to Scotland. The ecosystem services that flow from our natural assets are the natural support network for activity across the whole economy, not just tourism. The tax could play an important role in continuing to move Scotland towards more sustainable development.
- Whatever the nature of the investment undertaken with the revenue from such a tax, it must be in keeping with the objective of the Economic Strategy that:

> *Investment must also be sustainable, not only in terms of tackling emissions, enhancing our natural capital and supporting the transition to a low carbon economy, but also through ensuring the sustainability of our communities.*

- The nature of the environmental challenges Scotland faces and the impacts of tourism on our natural environment are complex. In addition, our natural assets are widely dispersed across the country so it would be pragmatic if the revenue from a tourism tax could be used for local and national policy, to meet the environmental priorities at both levels.
- The detailed design of a tourism tax should be sensitive to the impact on sustainable tourism businesses, particularly those in remote rural areas that are critical for the well-being of the communities based there.
- The Trust would be pleased to be involved in future consultations and could facilitate further discussion either through the Scottish Forum on Natural Capital, for which we run the Secretariat, or the Conservation Finance Project, in which we are one of two lead partners alongside SEPA.
- The Trust is also a signatory to the submission from Scottish Environment LINK.

Evidence Number	1.12
Name	Thorley Taverns Ltd
Permission to Publish	Yes

I am writing to endorse the response of UKHospitality to the discussion on the imposition of a tourist tax in Scotland. I support the arguments in the response document and reiterate our opposition to the implementation of an additional tax on Scottish accommodation providers.

Evidence Number	1.13
Name	COSLA
Permission to Publish	Yes

Transient Visitor Tax

Our Ask:

We want to strengthen local democracy and local choice, starting with the discretion to introduce a Transient Visitor Tax.

- Local taxation has not changed for decades, it is time to empower local authorities to deliver choice for local communities
- We need to be innovative about funding for public services
- This is not a national tax, but a tax that could be introduced locally <u>if the circumstances are right</u>
- This is not a replacement for existing funding but will provide additionality over and above existing funding streams

Empower public services and create opportunities for Scotland to flourish

COSLA

#stayalittlepayalittle

Why a Transient Visitor Tax?

2 overarching reasons:

The cost of maintaining the local environment and public services, which draw tourists, falls heavily on the public purse. Sustaining this is at significant risk without new ways to invest.

Whilst recognising the cultural and economic benefits of tourism, the cost of tourism is borne by the local citizen. There is a case for this to be shared more widely.

A Transient Visitor Tax (TVT) would:

- be a tax on visitors and not on businesses
- generate revenue which contributes to the cost of:
  - maintaining public services vital to tourism
  - enhancing the tourist experience
- support and enhance local strategies, not work against them. i.e. Local Outcome Improvement Plans, Community Plans, economic strategies and tourist strategies
- provide an opportunity to strengthen the ability of both local areas, and Scotland as a whole, to compete in global tourism

Councils would do this by:

Working with:

local citizens
local industry
local tourist sector

No tax would be introduced without **comprehensive local consultation**

Design, implementation and practice will be subject to local democratic accountability

What would TVT look like?

The idea of a levy or tax on visitors is increasingly common across the world, but what could it look like in Scotland?

The answers to questions about the operation of TVT will – rightly – vary depending on local circumstance and be agreed through consultation.

Q. What is the rate?	The tax could be collected as percentage of accommodation, or as a flat rate. It could also be progressive depending on the accommodation star rating. It does not need to be limited to accommodation, the tax could be collected as a use of infrastructure but most importantly be pertinent to local circumstances.
Q. How will it be charged?	There are various models which could apply: • Per person per night (e.g. Lisbon, Prague) • Per room per night (e.g. Athens, Belgrade) • Proportion of total accommodation fee paid (e.g. Amsterdam, Berlin) • Liability per room (e.g. Brussels) • One off charge (e.g. Aeolian Islands in Sicily)
Q. What guarantees can be given that it will be proportionate?	No local authority would progress an option for TVT without extensive consultation and consideration of the impact on local tourism and economic strategies. Price sensitivity will be considered as a key component.
Q. Where does it apply?	Each local authority will take a decision about what is right for their area and community. The tax could apply: across the whole local authority area; zones within a local authority; or not at all.
Q. Will it be applicable all year round?	In line with demand and local strategies, the tax could apply on a full year or designated seasonal basis.
Q. Would it apply only to hotels?	The tax could apply to all accommodation including hotels, B and B's, AirBnB, campsites or to designated forms of accommodation. It does not necessarily need to be limited to accommodation; there are other aspects which local authorities could determine based on local circumstances. Local consultation would take account of the local market.
Q. Are there exemptions?	A local authority could decide on exemptions which suit their local circumstances – for example seasonal exemptions.
Q. How will the income be used?	Could be: • 100% local services (no ring-fencing) • 100% reinvested in tourism related support/infrastructure • Could be a hybrid of the above.
Q. How would it be administered?	The most efficient method to collect the tax will vary locally, and would be a core subject explored with stakeholders in consultation.

Benefits

The financial pressures faced by the public sector over successive years has placed significant pressure on supporting Scotland's infrastructure including tourism.

A cumulation of diverse factors draw tourists to Scotland and work of local authorities is fundamental to maintaining the standards that underpin them.

The introduction of a TVT would not compensate completely for any shortfall in funding streams, however, it could offer an opportunity to ensure investment in all that attracts tourists to Scotland as a whole and to local areas.

Revenue generated from TVT could ease pressures across Scotland and enhance the tourist experience. Specifically, a locally designed TVT would prioritise investment to meet local need but could support:

General infrastructure

Items that include improvements in services that are both used by locals and tourists. Includes such items as:

- roads network
- public transportation
- cleanliness
- congestion
- traffic
- safety and security
- community welfare

Tourism superstructure

- improving capacity and services such as toilet facilities; additional refuse collection required at peak times arising from increases in visitors
- improvements in signage in foreign languages
- investment; restoration and maintenance of local attractions
- digital infrastructure

Tourist services

Items that improve the overall experience in the destination could include:

- support to local information services
- additional recreational facilities
- events and festivals
- Wi-Fi services for tourists

Benefits

Examples in other countries

Barcelona
Barcelona City Council assigns 50% of each transfer received to the Turisme de Barcelona Consortium and reserves the other 50% for municipal management projects. Their tax is progressive depending on accommodation rating:

- €0.75 per person per night for 3 star hotels,
- €1.25 per person per night for 4 star hotels and
- €2.5 per person per night for 5 star hotels

Antwerp
The City of Antwerp uses generated revenue for clean streets, information services, the maintenance of museums, improved mobility, safety and urban renewal. Local tax is fixed at €2.25 excl. VAT (€2.39 incl. VAT) per person per night. A reduced tax of €0.5 excl. VAT (€0.53 incl. VAT) will be levied on camp sites and sites for campervans.

Istanbul
As part of the process to explore the introduction of a local tax, visitor ideas were captured and analysed in a study conducted in late 2016. The ideas for the allocation of tax revenue was split into four categories: general infrastructure; tourism superstructure; tourist services; community welfare.

Potential Revenues

The revenue generated within an individual local authority will vary depending on the model which works best for the local economy, influenced by local consultation.

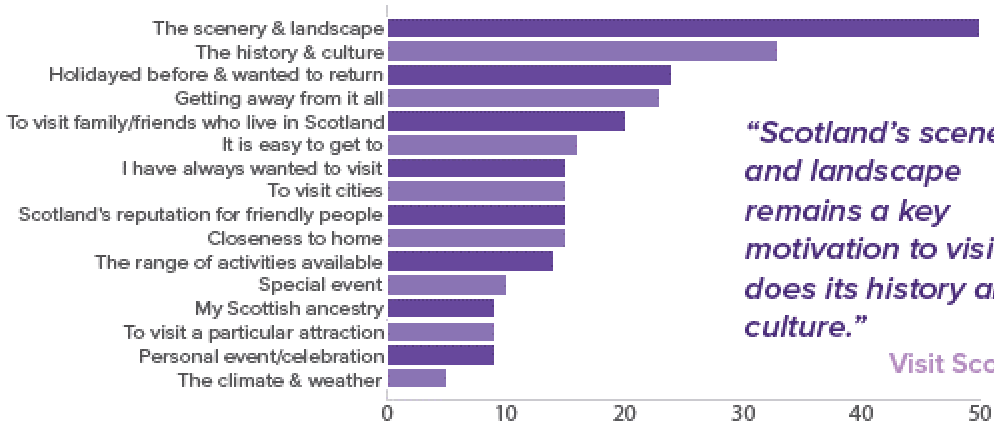
Addressing risks and concerns

Concern: The tax could stop tourists coming to Scotland/local authority areas.

- No local authority would progress an option for TVT without extensive consultation and consideration of the impact on local tourism and economic strategies.
- Price sensitivity and elasticity will be a key component of any local cost benefit analysis.
- Review periods could be built in to assess impact.

Tourism to Scotland is growing year on year. The evidence from existing studies on the relationship between price changes and visitor demand suggest that more factors than the cost of accommodation affect the choice of destination.

What attracts visitors to Scotland?



"Scotland's scenery and landscape remains a key motivation to visit, as does its history and culture."

Visit Scotland

Case Study: Rome

A tax was introduced in Rome in 2011. The rate nearly doubled in 2014 following a review, becoming the highest tax levied per night in Europe. Despite this, tourism continued to grow from 6.76m international overnight visitors in 2014, to 7.05m visitors in 2015.

Concern: It could be difficult/costly for business to administer

Following the COSLA principles of taxation, the tax will be:

- Easy to understand; and
- Easy to administer.

Again, ways in which this will be done will be subject to extensive local consultation.

Legislation is required

Local Government needs the support of the Scottish Parliament to make this happen—local authorities do not currently have the power to introduce anything like this. COSLA has undertaken extensive work to investigate options:

- Byelaws are about the good rule and the prevention of nuisance and so are not an option.
- The 'power of wellbeing' the wellbeing power does not permit a council to levy a new tax. Similarly, the wellbeing power does not confer new powers to borrow money or to charge for services it provides in pursuit of well-being objectives.
- Licencing of any kind is not a viable option.
- Voluntary schemes would not ensure adherence to local design.

For TVT to work, it has to easy to understand, easy to administer and difficult to avoid. Taxation is the only way to achieve this: the only way that a legal requirement to pay is established.

This means that the introduction of TVT cannot happen without legislation.

- The Scotland Act 1998 devolved local taxes to fund local authority expenditure (for example, Council Tax and non-domestic rates). Primary legislation establishes the tax with detail and amendments made by Regulation.
- Primary legislation would therefore be required for the establishment of a Transient Visitor Tax—whether as a Government Bill or a Private Members Bill. This could form part of the legislation which flows from the current Local Governance Review.

Legislation will take time. We cannot wait any longer. We must start the debate now to make meaningful progress.

Lessons from Europe

Ahead of the introduction of any tax, careful consideration of price sensitivity and the economic impact of the decision is crucial.

There is **live experience to learn from**. International tourism demand is influenced by a range of different factors including: income, currency exchange rates, prices in the host country, substitute prices in competing destinations, marketing, and one-off events.

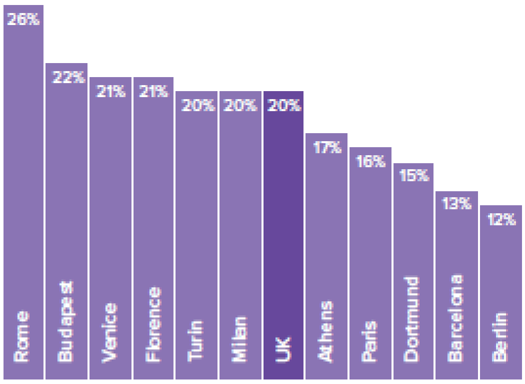
The potential impact on visitor demand from price increases in Scotland also depends on how Scotland is viewed against other countries. In economic theory, the existence of close substitutes as one of the most important factors that influences the price elasticity of demand for a destination.

The **normalisation of a tourism tax** is also another important factor. With taxes commonly applied across Europe and the rest of the world, there is an increasing acceptance of tourist tax and with that a minimisation of the impact that learning of an applicable tax will have.

Tax across Europe

Critics of taxing tourists often raise a concern that levying a rate on top of the UK's rate of VAT would push tax payable by UK tourists beyond other countries and cities. However, it is important to consider the package of taxation which tourists experience in combination.

Combined tax rate (VAT on hotels plus visitor levy) by city



Source: EY (2017) The impact of taxes on the competitiveness of European Tourism; and Booking.com for live visitor levy charges. Note: calculations are based on an average €100 per night for two people in a four-star hotel for up to four nights

Many cities although claiming to have very low initial tax rates have adopted local measures to substantially increase their tax base.

Italy charges 10% VAT on hotel rooms, but in cities like Rome, with the addition of the city tax of €6 per person per night, this increases the effective tax charge to 26%. In similar conditions, the effective combined charge would be 20% in Turin, and 22% in Venice and Florence, and 21% in Milan.

Hungary charges 18% VAT on hotel accommodation, but in Budapest with the addition of the 4% city tax increases the effective tax charge is 22%.

Lessons from Europe

Occupancy tax rates in the EU-28

The UK is one of only nine countries from the EU-28 that does not charge a tourist tax as of 2018:

	Tax Base	Tax Rate	Notes/Special Features
Austria	Per person, per night	€0.15 to €2.18	Varies by municipality
Belgium	Typically, per person	€0.53 to €7.50	Varies by city. In Brussels, hotels must pay annual fees for each room (which vary by type) this is passed to guests on a per person per night basis.
Bulgaria	Per person, per night	€0.10 to €1.53	Varies by municipality. In some locations an €8 tax is applied per person per stay.
Croatia	Per person, per night	€0.27 to €0.94	Varies by municipality. Revenues are retained by local tourist boards to fund their activities.
Cyprus	No occupancy tax		
Czech Republic	Per person per night	Up to €1.00	Varies by location
Denmark	No occupancy tax		
Estonia	No occupancy tax		
Finland	No occupancy tax		
France	Per person, per night	€0.22 to €4.40	Varies by municipality. Tax can be applied on actual visitor nights, or a flat rate due by the accommodation providers based on capacity. Revenues are hypothecated to be used on activities to encourage tourism.
Germany	Per person per night or based on the room rate	€0.25 to €5.00, or 5% of the room rate	Varies by city. VAT is applied on top of this tax. In some spa towns this allows access to certain facilities (spas, attractions, transportation)
Greece	Per room per night	Up to €4.00	Varies by hotel quality rating
Hungary	Percentage of room rate	4% of room rate	Applies to room rate before VAT is added.
Ireland	No occupancy tax		
Italy	Per person per night, or per stay	Up to €7.00	Varies by city, and by accommodation type.
Latvia	No occupancy tax		
Lithuania	Per room, per night	€0.30 to €0.60	Varies by city. In Palanga, proceeds are used to fund improvement of the city's infrastructure and marketing of tourism
Luxembourg	No occupancy tax		
Malta	Per person per night	€0.50, capped at €5.00	No regional variation. Proceeds are used for the maintenance of touristic zones.
Netherlands	Per person per night, Percentage of room rate	€0.55 to €5.75 or up to 6% of room rate.	Varies by municipality
Poland	Per person per night	€0.37 to €0.55	Varies by city. In Warsaw the Hotel tax is not compulsory, money is to support the Warsaw Destination Alliance.
Portugal	Per person per night	€1.00, capped at €7.00	Applies to Lisbon
Romania	Percentage of room rate	1%	Varies by municipality
Slovakia	Per person per night	€0.5 to €1.65	Varies by municipality
Slovenia	Per person per night	€0.60 to €1.25	Varies by city.
Spain	Per person per night	€0.45 to €2.25	Varies by city and/or region. Up to a maximum of 7 nights.
Sweden	No occupancy tax		
UK	No occupancy tax		

Source: EY (2017) The impact of Taxes on the Competitiveness of European Tourism

Evidence Number	1.14
Name	Scottish Beer and Pub Association
Permission to Publish	Yes

The Scottish Beer & Pub Association (SBPA) is the leading body representing brewers and pub companies in Scotland. The Association exists to promote and protect one of the nation's most iconic and important industries. In Scotland, 66,830 jobs are reliant on our sector and we contribute £1.66bn to the Scottish economy every year.

The SBPA is of the view that applying any further regulated costs to visitors within the current climate of UK and Scottish taxation is not the right approach to take. There are a number of pubs across Scotland which include accommodation and would be directly impacted by the introduction of any Tourism Tax. This would include the risk of reduced visitors, but any system would also incur an administrate burden which could be substantial for smaller business.

A larger number of pubs – and a majority in some areas – would be impacted in an indirect way through a potential reduction in trade and footfall from tourism. It's no secret that the pub industry in Scotland has had its challenges over recent years with many closing their doors for good, there is now 838 less pubs in Scotland than there was in 2010[5]. Margins for Pubs remain tight with rising costs across spending areas (staff, stock, energy costs, tax burden) all rising, while the recent non-domestic rates revaluation disproportionately hitting pubs with 2019-20 bills up 21.1% on average[6].

Many pubs across the country are still under threat from closure with a growing number reliant on the tourism market[7], this includes pubs in our cities but also in rural areas due to the nature of our tourist appeal. This is highlighted by the fact that 70% of visitors to Scotland visit a pub during their stay, significantly higher than the rest of UK (48%) with a growing number choosing to dine during their visit[8]. Any fall in tourism numbers would have a negative impact on a significant number of pubs who are already facing a perfect storm of pressures.

Pubs would also be impacted through a potential reduced spend from tourists who now face a tourism tax. Price-competitiveness for tourism is also an important factor, unfortunately the UK is consistently behind neighbouring destinations, even when there is favourable exchange rates for our international markets. This underlines that the introduction of a tourism tax or any such visitor levy would further reduce the competitiveness of our already heavily taxed sector relative to competitor destinations. Any new tax on tourists or the businesses serving them could ultimately have a potentially devastating long-term impact on Scotland's tourism industry and local economies which could lead to potential job losses.

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[5] CGA.

[6] Scottish Assessor Association / Valuation Office Agency

[7] https://www.bbc.co.uk/news/uk-scotland-highlands-islands-46795114

[8] https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/research-papers/insights-food-and-drink-2017.pdf

While a tourism tax/visitor levy may work well for tourism businesses, destinations and local authorities in other global destinations where the level of VAT on tourism services is lower than that of the UK, the idea must be examined within the context of: the UK having the second highest VAT rate in Europe at 20%[9]. Any new tax on tourists or the businesses serving them could ultimately have a potentially devastating long-term impact on Scotland's tourism industry and local economies which could lead to potential job losses.

We are aware and sympathetic of the financial pressures also being felt by local authorities at this time, however we believe that with the particular high level of uncertainty at the moment with the UK's exit from the European Union still unclear – 27% of pub staff are migrants (with 23% from the EU)[10] combined with the prospect of several other pieces of legislative action impacting our industry, we believe that now is not the time for the introduction of such a tax.

Evidence Number	1.16
Name	Destination Orkney
Permission to Publish	Yes

I am writing on behalf of the members and Board of Destination Orkney Ltd, the industry group for tourism operators in Orkney. The consultation document has been distributed to some 350 member operators and their views sought. The paper has also been discussed at a meeting of the Board of Directors.

The balance of views from those responding was against any general taxation of visitors. There was very little support for a bedroom tax in particular. Generally the view is that we have an expensive enough destination and we would not wish to disadvantage ourselves further. The already high level of VAT in proportion to other competitor destinations is a relevant factor.

There was a strong view that any bedroom tax would miss the day trip market which is a very significant part of the Orkney visitor mix. Directors discussed this point and agreed that any charging system would have to be very carefully designed in order to include the wider range of visitor types and to include coach and cruise passengers. There was some discussion around the feasibility of some form of arrival/landing/disembarkation charge that might better spread any tax revenue and increase the contribution of the day markets.

There was concern too that a bedroom tax may not differentiate between leisure visitors, those on business, friends and families returning to the islands and indeed islanders themselves, for example on stopover when travelling to and from the outer isles. Were the transport system and arrival/landing/disembarkation infrastructure to be used, systems such as the existing Air Discount Scheme and NorthLink Islander scheme might be used to differentiate between types of 'visitor'.

[9] European Commission (2017a), Database of Key Taxes on the EU Tourism Sector, August 2017
[10] British Beer & Pub Association Survey

There is concern around the difficulties associated with collection. In particular, there was no support for having accommodation operators serving as tax collection points. There is a strong sense that there are enough administrative burdens, including various other forms of taxation collection, which accommodation operators already face. There is a further concern around the difficulty in ring-fencing any revenue collected. How would we know what had been collected and how it would be spent? Generally, the feedback received reflects a more positive response where there can be guarantee that the revenue collected would be spent directly on visitor infrastructure and services in the local community. In that regard, there are some who have passed on their own experience of paying a local tax when on holiday themselves, and in each case the respondents felt quite positive about having contributed to improved facilities and services from which they could benefit and which had added to their holiday experience. There may well be wider support for the development of other systems of charging where these are directly related to service provision, where the administrative burden of collection does not fall on individual operators, where the impact is not detrimental to the competitiveness of the destination, where the revenues collected can be ring-fenced and reinvested efficiently in infrastructure and services, the direction of which investment the industry can play a guiding role. The Destination Orkney consultation also took more detailed feedback from a number of individual operators. Inputs range from encouragement of positive income generating opportunities as opposed to taxation, through to specific thinking on experience elsewhere in the world where visitor levies are common, and setting out detail of how such charging could work in Orkney in practice. I understand that a number of the more detailed responses have been supplied directly to Scottish Government and we would urge that they be considered carefully. Finally I must make clear the general view that a ‘one size fits all’ solution would be wholly inappropriate and that the ‘Edinburgh model’ of the bedroom tax which has received significant media coverage recently, is not one that would find general favour in Orkney.

Evidence Number	1.17
Name	The National Trust for Scotland
Permission to Publish	Yes
Thank you for the invitation to contribute to discussions on a possible transient visitor tax, or “tourist tax.” The National Trust for Scotland cares for many of Scotland’s most significant cultural and natural heritage sites, and we encourage visits by Scots and visitors as part of our mission to support access, learning and enjoyment. We also provide a range of accommodation for visitors. Finally, as custodians of this heritage, we are familiar with the costs of conserving and interpreting this heritage, and the impact that visitor	

numbers can have on assets. We are therefore well placed to contribute to the discussion.

Currently, the Trust is neutral on the various proposals for a levy on visitors, to be raised through additional charges on accommodation. However, we would make the following points:

- We welcome the recognition that visitors, whether domestic or overseas, can have an impact on our visited assets, and that these impacts have to be managed, including through public investment.

- We estimate that the levy itself would only raise a relatively small amount of money in comparison to needs.

- We think there are particular funding needs for cultural and natural heritage assets, which are affected by environmental changes, as well as visitor impacts. These are the basis for much of Scotland's visitor economy, but the time, costs and expertise required to sustain such assets is not always appreciated.

- To raise awareness among visitors, and the wider public, of the benefits of any levy, and to connect provision to need, the funding should be directed to currently underserved areas of expenditure, perhaps through a dedicated fund administered nationally or locally. The levy should preferably not be used to duplicate or replace existing public spending.

- Any visitor levy needs to be simple to administer and comply with, should be progressive to avoid dis-advantaging lower income visitors (e.g. a percentage rather than a flat payment), and should cover all types of visitor accommodation.

- Consideration could also be given to a voluntary scheme, where visitors would have the option to contribute to assets affected by environmental impacts or otherwise at risk. This would raise awareness of the costs of maintaining our built and natural heritage.

Evidence Number	1.18
Name	Air B&B
Permission to Publish	Yes

Airbnb Submission to the Scottish Government's National Discussion on Transient Visitor Taxes

Founded in 2008, Airbnb uniquely leverages technology to economically empower millions of people around the world to unlock and monetise their spaces, passions and talents to become hospitality entrepreneurs. Airbnb's accommodation marketplace provides access to 5+ million unique places to stay in more than 81,000 cities and 191 countries.

1. Introduction
1.1 Airbnb is a global platform that provides access to accommodation and local experiences. Travellers (who we call "guests") and providers of accommodation and local experiences (who we refer to as "hosts") can meet, connect and transact directly with one another.

1.2 Airbnb is committed to help spreading the benefits of tourism and driving sustainable travel. We are proud to be part of Scotland's thriving tourism sector, providing a more affordable way to travel and economically empowering people across Scotland via technology.

1.3 Since hosts in Scotland on Airbnb first welcomed guests into their homes in 2009, Airbnb has worked in partnership with Scotland's tourism industry and other stakeholders to promote responsible hosting. It is not only the most popular tourist destinations in Scotland that are thriving on Airbnb, but also guests who are keen to travel the less trodden path and meet real families. This benefits local businesses and communities across the country, with hosts and guests using the platform contributing an estimated £500m to Scotland's economy over a year long period.

1.4 Due to the widespread debate in Scotland on the issue of a tourist tax, Airbnb welcomes the Scottish Government's decision to facilitate a national discussion and are pleased to respond to the associated discussion paper.

1.5 As a major online marketplace, and one which has a strong track record in helping users navigate the regulatory frameworks, Airbnb is pleased to offer the Scottish Government some practical insights drawn from our experience as a significant business in the collaborative economy.

1.6 The evidence supplied here is in addition to our participation in the stakeholder roundtable exercise and complements our separate programme of engagement with national and local policymakers in Scotland. We thank the Scottish Government for the opportunity to provide evidence of our experience working with other countries and cities.

2 Airbnb on Tourism Tax
2.1 We have historic track record of working with governments to champion progressive and fair rules for home sharing. We launched the Airbnb Community Compact in 2015, outlining a set of policy principles and commitments guiding how we engage with cities around the world. This Includes: ensuring our hosts pay their fair share of hotel and tourist taxes; working with communities to create bespoke rules that support each community's specific policy needs and; providing information

about our communities to enable cities to develop fair home sharing policies.

2.2 We have made the commitment to help ensure our community pays its fair share of tourist taxes, by engaging in productive dialogue to find the right approaches. As a global platform operating in many jurisdictions, Airbnb has experience of working with a range of tax authorities, each with different approaches. Our experience of approaches to tax matters, particularly collection and remittance of tourist taxes (e.g. taxes levied specifically on the provision of accommodation), shows the potential for platforms and governments working together to ensure that home sharing delivers tax revenues to local and regional authorities.

2.3 Over the last few years, we have entered into more than 400 agreements with cities and regions worldwide, where we collect and remit tourist taxes on behalf of hosts and guests. To date, Airbnb has collected and remitted more than $1bn in tourist taxes , helping cities and our host community around the world. We have announced that we will be extending tourist tax collection in France to 23,000 municipalities. With every new jurisdiction, we leverage our growing base of knowledge and our world-class engineering capabilities to help all involved realise the benefits of home sharing more easily.

2.4 In tandem with our approach to a tourist tax, we have consistently championed new regulations in the short-term letting sector where it sets proportionate, clear and fair rules for short-term rentals – including our bespoke and tailored policy recommendation for Edinburgh .

2.5 Through broader initiatives such as Airbnb's Office of Healthy Tourism , we foster programmes which drive economic growth in communities, empower destinations from major cities to emerging destinations, and support environmental sustainability.

3. Tourist Taxes and Levies: The Debate in Scotland
3.1 In Scotland, there has been an increasing level of debate over the merits of introducing a tourist tax or levy, with most of the discussion focusing on the proposals put forward by City of Edinburgh Council to introduce a Transient Visitor Levy (TVL), which would require powers to be devolved from the Scottish Government.

3.2 Consistent with our global commitments to engage directly in dialogue with governments, Airbnb has been in contact with the Scottish Government, Members of the Scottish Parliament, and City of Edinburgh Council for many months on the issue of a tourist tax to discuss the product solutions we have implemented in countries and cities across the globe.

3.3 Specifically, Airbnb have a continuing dialogue with representatives from City of Edinburgh Council on their plans for a Transient Visitor Levy (TVL) and we provided evidence to the council's separate consultation on their proposal for an Edinburgh-TVL in December 2018. The Council have proposed the introduction of a £2 or 2% per room per night charge.

3.4 In our response to City of Edinburgh Council's consultation, we highlighted that both percentage based and a flat amount per person, per night were simple tax systems to apply to bookings made through our platform – as long as there is a flat rate for all accommodation types. We also stated that the levy should be applied all year round and be capped at 7 nights this is the least burdensome

3.5 Regarding the process put in place by the Scottish Government, we understand that it is not the intention to set out a policy position either for/against a tourist tax at a national or local level, but rather to seek views, generate debate, and encourage stakeholders to share evidence. In relation to the latter in particular, we have included information in section four on examples of where our platform collects and remits tourist taxes.

4. International Examples of Collection and Remittance of Tourist Taxes
4.1 By handling collection and remittance of tourist taxes, Airbnb ensures that its community pays its fair share of such taxes and helps ensure a streamlined process that lightens the administrative burden for hosts and governments. We have provided some notable examples below from Europe and the US.

4.2 **France** : Airbnb were the first platform to implement tourist tax collection in France in 2015. By July 2018, Airbnb extended its automatic tourist tax collection tool to around 23,000 municipalities, becoming the first short-term rental platform to significantly contribute to city revenues. Airbnb will remit €24M in tourist tax to French cities for the year 2018, nearly twice the amount collected in 2017 (€13.5m). Like any traveller who stays in France, Airbnb guests are liable for tourist tax, collected by hosts before being transferred to authorities. With this tool, Airbnb automatically collects the tax in the name of hosts, sparing them a complex process.

4.3 **United States** : In December 2018, we announced that since a voluntary collection agreement[1] was established with the City of Los Angeles in August 2016, more than $100m has been collected and remitted. In Pennsylvania, where we have collected and remitted $21.2m, 2018 marked the three year anniversary of a collection agreement and in Maine, after a year of collection, we remitted $5.3m by spring 2018. And in 27 counties across New York, nearly half of the state, we have collected and remitted $2.7m in tax revenue supporting local tourism efforts.

4.4 **Germany** : In August 2018, Airbnb concluded a joint agreement with Frankfurt am Main to automatically collect tourist tax via the platform, becoming the second German city after Dortmund to introduce the automated collection procedure by Airbnb.

4.5 **Portugal** : Through an agreement between Airbnb and the City of Lisbon to promote responsible home sharing and to simplify the tourist tax, Airbnb has remitted over €6m in tourist taxes.

4.6 **Italy** : In March 2018, following extensive dialogue, we signed an agreement with the Municipality of Milan – the largest city in Italy to enter into such an agreement – to collect their tourist tax on behalf of hosts. The funds generated from this tax will be used for tourism services and to restore and maintain cultural assets. After a year-long negotiation, Florence had entered into a similar arrangement starting in January 2018, with municipal offices predicting they will collect up to € 6.5m that will go straight into city funds.

5. Conclusion
5.1 Airbnb are committed to working in partnership with governments across the world, as they address the challenges and opportunities of managing the success of their tourist industries. We therefore thank the Scottish Government for the opportunity to provide evidence to the national discussion on the matter of a tourist tax.

5.2 In this submission, we have included examples of communities around the world that have implemented tourist taxes and we offer our industry-leading expertise and proficiency in these matters to inform the Scottish Government's consideration of this key public policy issue.

5.3 We hope the information shared in this submission provides a useful context about our business and how we work collaboratively with policymakers on tourist taxes, an issue that is being closely examined by local and national policymakers in Scotland. We would be happy to provide supplementary evidence if required.

5.4 Given our prominence in the global marketplace and our longstanding experience on taxation, we stand ready to share our industry-leading knowledge with the Scottish Government (as well as local authorities in Scotland) should they decide to proceed with introducing a tourist tax or levy by devolving the necessary powers.

1. A Voluntary Collection Agreement (VCA) is to ensure that proper taxes are collected and remitted, while relieving hosts of onerous tax filings and governments of the burden of collection and enforcement. When a jurisdiction signs a VCA with Airbnb, we collect and remit appropriate local taxes from guests as part of their booking transactions and remit the tax revenue directly to the proper tax administrator on behalf of hosts.

Evidence Number	1.19
Name	Aberdeen and Grampian Chamber of Commerce
Permission to Publish	Yes

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

For Aberdeen and Grampian Chamber of Commerce, the debate around the Transient Visitor Tax centres around regional empowerment, and providing City Regions with greater ability to be reactive to their economic circumstances and drive their own futures.

Our region and business community are ambitious about our future and recognise that now is the time for change. With a rapidly evolving regulatory and energy environment, complacency at this vital moment could consign the North-east towards a path of decline. Fortunately, the public and private sectors in the region are committed to pursuing a strategy which both delivers our diversification agenda and reframes perceptions of our region.

Burness Paull, in its Urban AGE report, outline the following challenge:

"Perhaps the biggest challenge for politicians and policymakers is to trust Aberdeen, Glasgow and Edinburgh to take control of their own destiny."

Our region has engaged enthusiastically with delivering the commitments of the City Region Deal, which is held in high regard as a model example of partnership between the public and private sectors, and between local and national government.

However, initiatives such as the Northern Powerhouse in England, were accompanied with devolution agreements which allowed for substantive control over a range of areas. Further devolution of powers to City Regions in Scotland could act to unlock economic growth and ensure that taxation policy is reactive to the needs of the region it covers.

A well designed, locally appropriate Transient Visitor Tax could enable City Regions to take control of their own economic affairs, and could allow consultation to take place directly between relevant stakeholders and the policymakers responsible for taxation development, with both parties keenly aware of local economic conditions.

The North-east of Scotland has already experienced the downside of when national tax policy fails to reflect, or be adaptive to, local conditions, with the tone date for non-domestic rates at the last revaluation failing to reflect our economic reality.

The close link between revenue and purpose also lends itself to supporting specific activity, with draft TVT plans from local authorities and COSLA already closely linked to supporting functions that drive tourism.

In summary, a TVT could be introduced to provide:

- Greater flexibility to city regions to be reactive to economic circumstances, driving their own futures rather than being constrained by broad national policy.
- Local devolution to enable closer consultation between policy makers and firms impacted by the tax / its collection.
- A clear link between revenue obtained and its purpose, would act to drive tourism activity and ensure a sustainable destination marketing organisation for our region.

What positive and negative impacts could a transient visitor tax have?
Any tax would have to balance a range of impacts. Positively, such a tax, if devolved in a proper way, would allow for a local authority to be reactive to their economic circumstances.

As outlined above, such a tax could:

- Greater flexibility to city regions to be reactive to economic circumstances, driving their own futures rather than being constrained by broad national policy.
- Local devolution to enable closer consultation between policy makers and firms impacted by the tax / its collection.
- A clear link between revenue obtained and its purpose, would act to drive tourism activity and ensure a sustainable destination marketing organisation for our region.

There are several potential negative impacts on key sectors and regional perception that demand careful consideration.

In particular, there are well-founded concerns around fairness. Traditionally, TVTs have taken the form of occupancy taxes. Effectively, this only captures a specific portion of the visitor economy, with day visitors difficult to capture. Local authorities, and the Scottish Government, have to continue to be imaginative in terms of the structure of such a tax, and take care not to default to an occupancy tax without proper analysis and consideration of alternatives.

If one was to follow the route of an occupancy tax, then it must be considered that the hospitality sector already contributes significantly in areas such as non-domestic rates, contributions to local Business Improvement Districts, and continues to experience pressure on margins. As outlined at the discussion events, the UK Hospitality sector also experiences a rate of VAT which is above the majority of comparator countries.
The impact of a TVT, both in terms of regional perception, and in terms of impact on firm’s own margins and customer buying behaviour, would have to be carefully monitored and managed. There also must be consideration as to the costs borne by a firm to comply with the process of administering the tax, and the technical considerations which this would have around surfacing information to consumers, and how this would impact on regulation, disclosure obligations in terms of pricing, and interactions with booking agents.

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

Revenue should undoubtedly be ring-fenced for specific tourism activity. Activity should be geared at providing an ROI which significantly outstrips any revenue impacts on hospitality organisations, or others, who have joint responsibility for administering / collecting the tax.

In the Aberdeen City Region, this should focus on providing sustainable, ideally additional, funding for our destination marketing organisation, Visit **Aberdeen**shire, to provide a clear marketing offer for the region.

Consideration should be given as to whether any revenue could also be accessed by local hospitality firms, to augment their existing offers.

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

AGCC will reserve comment on the in-depth structure of the tax until final principles around devolution are outlined. In terms of broad principles however, such a tax should be:

A. Locally devolved and accountable
B. Able to be reactive to the local economic environment
C. Cognisant of the multiple elements of the visitor economy
D. Structured to minimise impact on the businesses involved in its roll out
E. Ring-fenced to support high ROI activity centred around supporting tourism activity in our region

Evidence Number	1.21
Name	Outer Hebrides Tourism
Permission to Publish	Yes

We are the destination management organisation for the Outer Hebrides. In general, we oppose the introduction of a transient tourism levy:

- Our VAT and passenger air duty regimes mean our visitors are already among the highest taxed of any destination
- It exacerbates the cost challenges for remote part of Scotland, adding an additional cost on top of increased transport costs
- It risks a perception in the minds of visitors that they are being exploited, which means they are more likely to choose competitive destinations
- If operated at a local level, it encourages price-based competition between our regions, with the less affluent regions losing out
- It is a complex tax to administer meaning collection costs are high relative to the amount received
- It is difficult to apply fairly given the range of accommodation options - in particular day
- visitors, campers, self-catering visitors and non-traditional accommodation providers. The burden will therefore fall again on traditional hotels, who already face a tax and regulation disadvantage
- • Any promise of dedicating the funds received to improving tourism infrastructure is likely to be eroded over time, and this will be seen as general legislation

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?
• We need to offer visitors a superior visitor experience, that encourages them to stay longer, spend more and return again and again
• We need to ensure visitors can easily access all areas of the country to encourage a longer stay and spread the benefit of tourism around the country. In remote parts a thriving tourism industry is key to maintaining and growing population levels.
• We need to manage visitor behaviour and develop infrastructure that means the number of visitors does not detract from the residents' quality of life, nor the natural environment

II. What are the global, local and national trends that will influence these?
• Increased competition in choice of destinations available to our existing visitors - both
domestic and those from overseas
• Growth in the global market in destinations remote to Scotland, with longer travel times and less well developed transport links
• Increased independent travel with changes in industry structure with non-traditional accommodation and experience providers, entering based on consumer preferences for
authenticity

III. What are the challenges posed by Brexit for the tourism sector?
• Staff availability. The reliance on EU staff is highest in the Highlands and Islands,

and the roles are unlikely to qualify for the skills worked scheme proposed by the UK government
• Grant availability - ERDF has been a major source of tourism development in the Highlands and Islands, and it is not clear how this funding will be replaced
• Risk of delays due to increased border checks and perception among visitors that it is not easy to visit
• Reduced growth in the economy - tourism is a discretionary spend, and the majority of
spend is from domestic visitors

IV. What is needed to support tourism and the visitor experience at Scotland level, and in different parts of Scotland?
• Our transport infrastructure limits the ability of some regions to fully benefit from visitor
numbers. In some cases this is a physical limit on travel (e.g. ferries) and in some cases it is a deterrent due to longer travel times.
• Our digital infrastructure limits our ability for data communications with visitors outside the home. This may limit their ability to get information on particular destinations
• Our infrastructure within the immediate area around popular destinations is insufficient to manage visitor numbers, leading to a deterioration in residents' standard of living, loss of support for tourism and deterioration of the natural environment.

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

- The tourism tax provides the opportunities to generate additional funds to address the shortcomings in our national tourism infrastructure at a time when other sources of funding are being squeezed
- The tourism tax increases the cost burden on existing players and is likely to exacerbate the tax burden between formal and informal providers
- A local tax would risk different parts of the country competing, leading to less affluent areas missing out
- It is a complex tax to apply and to collect, meaning costs of collection will be high
- It is likely to be absorbed into general government funding and not address the tourism priorities of the country.

VI. What countries have adopted tourism taxes, and what models have they adopted?
• Tourism taxes have been more predominant in destinations in developing countries, where the tax base of the local market is very limited, or destinations with lower levels of general taxation

What would a well-designed and operated transient visitor tax look like?
VII. What are the characteristics of a successfully designed and implemented model of Tourism Tax?
Limiting the negative impact of a tourist tax would involve:

- Applying it at a national level, where

- Simple to collect to minimise collection costs
- Covers the broadest proportion of visitors
- Promotes good behaviours among tourists (e.g., transferring from cars to public transport)
- Visitors can clearly identify the improvements in the visitor experience resulting from the 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?
• We operate a small, self-employed entrepreneurial sector. Many businesses are not limited companies or registered for VAT, so this will introduce a major new burden on small businesses and will be difficult to monitor and enforce

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?
• Updating infrastructure that improves the visitor experience
• Encouraging the distribution of visitors around the country

What positive and negative impacts could a transient visitor tax have?
We have not responded to the individual questions X-XXI in the discussion, but point out the disproportionate cost burden on the islands of running a tourism business and an opinion that a national levy would be less disruptive than a local levy. We also believe that it is important to link any revenue raised as being dedicated to improving tourism experience and infrastructure and ringfenced from general government revenue. Ideally priorities would be set by an independent body led by the tourism sector.

Evidence Number	1.23
Name	Holiday Inn Express – Edinburgh Airport
Permission to Publish	Yes

Submission in response to the Scottish Government Discussion Document – "Transient Visitor Taxes in Scotland: Supporting a National Discussion".
Background

Edinburgh Hotels Association (EHA) is the official association of Edinburgh's hotel sector, representing approx. 65 of the city's principle hotels. Our members reflect the wide range of accommodation supply in the city, from the budget sector to luxury, from boutique (16 rooms) to large (circa 450 rooms), with varying operating models from independent owner operated, franchised, leased or large international chain management agreements. Our members also represent large to small food and beverage outlets, conference facilities as well as world class spa facilities.

Edinburgh Hotels Association welcomes the opportunity to make this formal contribution to the Scottish Government's National Discussion on Transient Tourist Taxes in Scotland.

EHA Position
Edinburgh Hotels Association is totally opposed to the introduction of any form transient visitor tax, transient visitor levy or tourist tax. The EHA has consistently

supported UKHospitality's opposition to the subject and fully endorses their separate, more comprehensive and detailed submission.

The EHA remains opposed to a Tourist tax for the following reasons:

Impact on Price-competitiveness:

- The UK has one of the highest rates of VAT on visitor accommodation in the EU. All but three EU countries (the UK, Denmark and Slovakia) apply a reduced rate of VAT on hotel services. To apply a Tourist Tax on top of already high VAT would result in greater disparity in hotel pricing compared to other EU destinations.
- The countries which levy a tourist tax apply a reduced rate of VAT on hotel services, often around half of the 20% VAT rate applied in UK. Visitor accommodation in the UK already has to account for higher taxation when quoting prices in competition with other EU destinations.
- According to the World Economic Forum Travel & Tourism Competitiveness Report for 2017, the UK ranks 135 out of 136 countries in terms of price-competitiveness. This position is as a result of higher rates of VAT and property taxes levied on hotel accommodation in the UK compared to other countries in the EU and indeed globally. We should not aspire to move to position 136 as a result of increasing taxation further.

Effectiveness of a Transient Visitor Tax:

- It is proposed by City of Edinburgh Council that a Tourist Tax would be paid by visitors staying in commercial accommodation in the city. This method of imposing a tax on tourists does not capture all tourists visiting the city as it is only applied to overnight stays. This ignores the majority of visitors to Edinburgh who are day visitors, visitors who are staying in accommodation outside Edinburgh or disembarking cruise visitors. There is also no clarity on what visitor accommodation such a tax would apply to e.g. Hotels, Bed & Breakfasts, Airbnb/Self Catering, Guest Houses, Hostels, University Accommodation, Camp Sites and Caravan Parks. It is suspected that a Tourist Tax burden would fall most heavily on hotels which would be unfair.
- There is no clarity on what any Tourist Tax revenues would be used for and it is suspected that a Tourist Tax would be used to augment Council budgets with no direct benefit to the marketing or promotion of the location.
- Our company contends that a Tourist Tax is not necessary as the hospitality industry already contributes heavily and sufficiently via local and national taxes through Property Taxes (Rates), Excise Duties, contributions to local BIDs, membership support of local destination marketing and management organisations, also, individual businesses and companies spend considerable sums on marketing and promotional activities to support destinations. This is ignored by proponents of a Tourist Tax.

Challenging Economic Environment and Future Headwinds

- As a result of economic uncertainty caused by global factors and closer to home, by Brexit, now is not the time to impose further costs and barriers to trade on the accommodation sector. Data produced by the accommodation research company STR, show a fragile situation in Edinburgh, with flat line or declining occupancy for 2018.

- The costs of doing business are rising quicker than our ability to rise prices due to the competitive nature of the marketplace and increased supply. Brexit is putting inflationary pressure on our supply chain as well as wage inflation from the ever reducing pool of vital EU labour supply.
- Visitors do not have an unlimited budget and any additional taxation incurred will result in reduced spend in other areas. Extra spend in accommodation businesses as a result of higher tax will result in reduced spend in small businesses such as cafes, bars, restaurants, retail, attractions and taxis.
- The imposition of a Tourist Tax will result in additional costs to businesses to reprogram computer systems, train staff and collect, account for and remit the Tax. This obviously assumes that computer system vendors will be willing and able to update software to manage such a tax. The cost of doing this will inevitably fall on the accommodation establishment, further increasing costs.
- Accommodation businesses will have further costs over and above a Tourist Tax as a result of increased commission paid to Online Travel Agents (who receive a commission based on the total room price) and financial processing commission paid to credit card companies (payable on the transacted invoice amount on check-out).

Summary
Edinburgh Hotels Association is totally opposed to the introduction of a transient visitor tax.

It fully endorses the more comprehensive and fully researched findings of UKHospitality's position and separate submission paper.

Such a Tax will impose additional costs on guests of visitor accommodation thereby making such businesses less competitive compared to EU competitors who have a much lower rate of VAT. Visitors have choices and Edinburgh will lose out to other attractive destinations who are perceived to offer better "value".

Such a Tax would make a destination less price competitive on a global comparison with alternative destinations.

Such a Tax would result in reduced local discretionary expenditure in other small businesses.

Such a Tax would result in increased administration costs in accommodation businesses as a result of computer system changes, staff training, accounting administration and increased commissions to third parties.

There is too much uncertainty within the industry at present as it faces the strong headwinds of an increasingly fast rising costs of doing business, the pressures of Brexit on our customers, our supply chain and our shrinking pool of vital EU labour.

Evidence Number	1.25
Name	Glasgow Life

Permission to Publish	Yes

Derek Mackay MSP
Cabinet Secretary for Culture, Arts and Tourism

Dear Cabinet Secretary
Following your meeting with the Glasgow Economic Leadership Board on 27 June 2018 and the subsequent announcement by the First Minister of a consultation on the introduction of a tourist levy, Glasgow's Tourism Leadership Group, established to support Glasgow's ambitious Tourism and Visitor Plan, recently considered some of the questions relating to the introduction of a Transient Visitor Levy.

The group recognised that tourist levies are an increasingly routine feature in Europe and that the United Kingdom is one of only nine countries within the European Union that does not charge a tourist tax. They also noted that these levies are commonly used to support a range of local infrastructure vital to tourism and that in some countries levies are ring-fenced to help maintain and develop local cultural provision.

Glasgow has identified tourism as a key growth sector of the city's economy. Tourism currently supports in the region of 30,000 jobs and last year tourists contributed £708 million in expenditure to the local economy. With Glasgow's ambition to grow the number of visitors to the city to three million by 2023, the group felt that the citizens of the city may want to see that there is a benefit of the increase in visitors beyond the jobs and associated visitor spend. They also recognised that there is an increasing pressure on the city's events programmes, cultural infrastructure and activity as a result of reductions in the level of public resources to support them.

Overall, the group supported the principle of exploring the merits of a levy on visitors to the city where it was used to support the tourism infrastructure that was shared by citizens and visitors alike. In particular, they noted:

- the cost of supporting the local "attractions" which drive tourists to the city is primarily borne by residents and public resources;
- tourists contribute significantly to "wear and tear" of local public and civic infrastructure;
- that there was an opportunity to establish a complementary revenue stream to support infrastructure and programmes which drive growth in tourism and which are increasingly difficult to fund via core public sector budget given ongoing spending constraints;
- such funds that are raised can be used to support improvements to the visitor experience and in areas with limited infrastructure and facilities
- a transient visitor levy would bring Glasgow into line with other European cities where tourism taxes are largely normalised and expected by visitors

The members of the group felt that it was important that if any levy was to be introduced it should not be seen as a 'government tax' but as a "contribution" towards the enhancement of the city's visitor experience from those who use and benefit from it. The phrase 'contribution to the common good of the city' is one that the group felt resonated with this purpose. By defining the contribution in this way the group also considered that transparency around the allocation of any funding generated through a 'levy' should be a fundamental principle. Any locally-generated income from visitors should go towards the activity and infrastructure that attracts visitors to the city and that they share with the citizens of the city. The funding should not be allocated to 'general activity' but targeted towards the city's visitor attractions, events, historic buildings. It should be seen as a locally-based income stream that benefits both citizens and visitors alike. Where funding is invested will vary across different areas of Scotland and this is right; it is for local areas to determine the allocation of any funding and the local tourism industry should have a role in how the funding raised is invested to ensure that it drives and supports growth in the local visitor economy.

These principles would hopefully go some way to counter the view from industry that this is a further tax burden on local business, but rather a way that business, including digital platforms such as Airbnb by collecting the levy, can actively support Glasgow's visitor economy which drives visitors to come and stay in Glasgow – and Scotland more generally.

The group did not consider the detail of how much should be charged or the mechanism for doing this but focused its comments on the principles that should be adopted should such a charge be introduced and what it should be used for. In particular, it felt that the language around the introduction of such a charge is critical and that it should be used to create a positive narrative around the visitor economy, making the case for investment in local services that supports growth in the local visitor economy rather than around a revenue raising tax. It should be viewed as an opportunity, at least in Glasgow, to promote the fact that the majority of the visitor infrastructure in the city is free to access and that the income generated would contribute to its continued sustainability.

Glasgow's Tourism Leadership Group are happy to participate in the forthcoming debates and discussions on this matter.

Evidence Number	1.29
Name	Fort William Marina
Permission to Publish	Yes

Dear Sirs

At the recent joint meeting with the CPG on Recreational Boating and Marine Tourism and the CPG for Tourism, we were made aware of the suggested tourism tax for marine visitors and would like to make the following comments:

- We feel that this would be a serious discouragement to visitors coming to Fort William via Loch Linnhe.
- The Highland Council already charge cruise ships for anchoring in Loch Linnhe based on tonnage (these charges go straight to Inverness and don't benefit FW or Lochaber at all) and we (FWMSC) charge for the use of the pontoons based on passenger numbers (our charges enable us to manage, repair and maintain the pontoons which are available to all to use). Any additional cost will just end up being superimposed onto marine visitors thus making it more expensive to come to our beautiful area.

- We want to encourage tourists to come to Fort William via the Loch and thus reduce the impact on the A82 which is already a huge issue during the summer months with the number of people using it.
- Marine tourism is a fledgling industry in Fort William and we are just a small group of volunteers trying to encourage tourists to come to our beautiful part of Scotland via the water.
- If a tourism tax were imposed then who would pay for the management and administration of it? We do not have the resources to do this.
- Would marine tourists paying this tax see any benefit to the area that they are visiting from this tax? In USA national parks it is obvious that the entry fee to the park provides good car parks, toilets, cafes etc. What would the benefit be to Fort William and the visitor experience to the Heart of the Highlands?

I hope this is of interest and would be very happy to be involved in any discussions regarding this matter.

Evidence Number	1.30
Name	Glasgow Chamber of Commerce
Permission to Publish	Yes

Dear Sirs

Transient visitor taxes in Scotland

Glasgow Chamber of Commerce (GCOC) has been the voice of business in Glasgow since 1783. As well as offering support to our growing membership of more than 1,200 organisations, the Chamber's role is to promote Glasgow as a great business location to potential investors and to encourage economic and business growth locally, nationally and internationally.

GCOC is an active and collaborative city partner and has participated in a range of economic interventions including the development of the City Centre Strategy 2014 - 2019, the Glasgow Economic Strategy 2016 - 2023 and the Glasgow Tourism and Visitor Plan to 2023.

GCOC welcomes the opportunity to input to this consultation and would like to highlight, as have other industry organisations including UK Hospitality, the Scottish Tourism Alliance and the Glasgow Hotels Association, that we are yet to be persuaded about the merits of a tourist tax for Glasgow given tourism and visitor aspirations and the competitive dynamic in the industry. Further explanation of our position is outlined below.

Tourism and Visitor Plan – one million additional visitors by 2023
The most recent tourism and visitor plan sets a target of 1 million additional visitors by 2023 aiming to take annual numbers from 2 million to 3 million and growing annual spend from £482m to £771m. GCOC is supportive of this aspiration and actively engages in the delivery of the strategy as a strong visitor economy delivers significant direct economic benefit and also supports sectors including the retail, leisure and cultural sectors.

Glasgow has achieved a much larger tourism economy in recent years, now attracting many different types of visitor – with particular interest from North America, Western Europe and the rest of the UK. The most recent annual statistics show that visits and spending by international tourists in Glasgow rose to its highest level on record in 2017, with the number of international visitors rising by nearly a fifth (19%) to 787,000, while expenditure increased by more than a third (36%) to £319m. While international figures are positive, more that 1.6 million visits to Glasgow are from the rest of the UK.

The most recent visitor statistics are going in a positive direction, however GCOC is concerned about any additional taxation given the competitive dynamic within the sector and the likely impact that Ryanair cutting the majority of its routes at Glasgow Airport in 2018 will have on the upcoming visitor figures and strong progress that has been made.

In addition, we charge tourists VAT at 20% and this is one of the highest in Europe - other countries do have tourist levy but charge less than half on VAT for tourism. This, accompanied with a lack of progress on the reduction of Air Passenger Duty / Air Departure Tax, makes Scotland an increasingly expensive destination for visitors.

Key sector - city marketing and promotion
The city has put considerable effort behind its marketing and promotional efforts to increase visitor numbers and spend. This included the creation of the Glasgow City Marketing Bureau with a dedicated team for attracting major conference business, a team for attracting major events and a steady record of building brand image for the city, notably with the launch of Glasgow: Scotland with style in 2004 and the crowd-sourced People Make Glasgow brand in 2013.

In addition, Glasgow has made significant investments in its tourism and visitor assets including cultural assets such as Kelvingrove Museum and Art Gallery, host venues for the 2014 Commonwealth Games, and the SEC which is home to the SSE Hydro - ranked as the second busiest live entertainment arena in Pollstar’s 2017 Global Arenas.

Tourism is one of Glasgow’s key sectors, defined as a sector where there is the most potential for economic growth and collectively represent 30% of the city economy. Tourism is the second largest employer of the key sectors and accounts for almost 32,000 jobs in Glasgow. For the reasons outlined above, GCOC would be concerned at any new tax that would negatively impact a sector which is important to the wider economy and which provides significant training and employment opportunities.

In summary, GCOC has yet to be persuaded about the merits of a tourist tax for Glasgow given tourism ambitions and competitive dynamic. GCOC is supportive of the Tourism & Visitor Plan, with the city attracting over 2 million tourists per year while pursuing an ambitious multi-agency strategy to reach a target of three million overnight stays per annum by 2023.

GCOC welcomes the opportunity to respond to this consultation and if you require any further information, please contact us.

Evidence Number	1.31
Name	European Tourism Association (ETOA)
Permission to Publish	Yes

Submission to Scottish Government Consultation on Transient Visitor Levy (TVL), January 2019

The European Tourism Association (ETOA) is a trade association founded in 1989 comprised of private sector members and some public sector members, including Visit Scotland. Its membership includes operators bringing visitors to Europe from origin markets worldwide. It works at EU, national and local levels, operating working groups in major tourism cities including Amsterdam, Barcelona and Paris. One of ETOA's main policy competences is tourism and tax, with particular focus on indirect taxation including VAT and related margin schemes, access charges and overnight taxes. At time of writing, it has over 1100 members. Further information may be found at www.etoa.org

ETOA was grateful for the opportunity to participate at a round table event in Aberdeen on 11th January 2019 chaired by the Minister for Public Finance and Digital Economy. Further to remarks made at that meeting and subsequent exchanges we are pleased to make a written submission to the consultation. We commend the Scottish Government for its approach to this topic. Ensuring broad stakeholder engagement that encourages a range of views to be presented and explored before any formal legislative proposals are evolved is welcome, and deserves wide recognition. We also note that a range of relevant material was made publicly available, such as information about approaches to taxation taken by other destinations, in order to provide relevant context to the debate.

At a time of heightened political tension in the UK, the ability to talk about vexed issues in a constructive and respectful way is ever more necessary. To an outside observer it was very clear that, while opinions differed widely, discussions were managed in a way likely to promote a collaborative approach. Whatever the points of difference, those present seemed united in the wish to contribute to an outcome that would enjoy broad support. ETOA has evolved the following inter-related principles in its discussion with destinations as they consider fiscal measures that affect tourism.

1. **Need for an adequate notice period: ideally 18 months**
    - The tourism industry, both buyers and suppliers, operate with long planning cycles.
    - Many long-haul operators have budgeted 2020 programmes already.
    - It would be a very welcome innovation, and a way for Scotland to positively distinguish itself in terms of destination management, were it able to give sufficiently advance notice in order that industry can price in the change in good time.
    - This will minimise risk of reputational damage to destinations, suppliers and buyers.
2. **Scope and length of stay**
    - Will the tax also be imposed on all accommodation providers, including peer-to-peer?
3. **Seasonality**
    - Thought should be given to the possible effect of variable rates to address seasonality. ETOA has no fixed position on this, but notes that the wish to encourage low-season travel is widespread. Levers of influence include price.

4. **Hypothecation**
    - Any 'tourism tax' should contribute to services which visitors will appreciate.
    - We recognise that statutory services will always take priority, and that local authorities are under financial pressure.
    - The use to which the revenue will be put may benefit residents and visitors alike. A recent example is hypothecated revenue to improve low-carbon transport in Florence.
5. **Visitor as stakeholder**
    - Visitors do not want to be perceived as unwelcome, nor to contribute to negative perception of tourism. Thought should be given as to how the purpose of revenue raised directly from tourists could be something visitors may know and support.
    - It is notable that voluntary initiatives, like the opt-ins for paying extra to fund a historic venue's renovation when booking tickets, have some success. A mandatory tax (or levy) is different, but its purpose could potentially enjoy wide support if it is felt by both local communities and visitors alike, contributing to tourism's sustainability.
6. **Good governance**
    - **Process.** Both collection and remittance should be as easy as possible, and the cost of administration made publicly available so that the net benefit may be assessed.
    - **Purpose**. Following from above, the TVL's purpose should be publicly disclosed to counter the suggestion that it is a 'stealth' tax to shore up stretched public finances.
    - **Cumulative effect.** At the round table we mentioned work carried out by the OECD in its biannual report of 2014 on Tourism Trends and Policies which drew national governments' attention to the cumulative effect of local tax raising as it affects visitors.[1]
    - **National control.** The right to raise a TVL should be subject to national limits in its value (or calculation formula), its frequency of review, its rate of change and minimum notice period of any upward revision.
    - **Competitiveness and fairness**. In this regard, the level of VAT paid by both operators and suppliers in relevant in assessing overall tax burden, thus competitiveness. As the overall price paid by consumer will often include a commission, a TVL calculated as a percentage of the price paid in becomes in part a tax on a commission which may not subject to domestic taxation.
    - **Local discretion.** Local destinations should not be required to impose a TVL.
    - **Evidence-based policy making.** To understand the benefit and burden arising from tourism, an analysis should be made of all business models in order that the net effect may be assessed. Online intermediation has brought more product to market and enables suppliers of any size to reach a global market; this has been transformational. Related commission revenue may or may not be subject to domestic taxation.[2] Since 2018, Slovakia has made efforts to require foreign platforms to register for tax.[3]

European Tourism Association AISBL, 25 January 2019.
For further information or comment, please contact: policy@etoa.org

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[1] See Chapter 3 of: http://www.oecd.org/cfe/tourism/oecdtourismtrendsandpolicies2014.htm

[2] For an example of an alternative model of online distribution whose profit is applied to local causes, see https://www.vivafirenze.it/
On behalf of more mainstream online channels, a report sponsored by the European Travel Technology Services Association (ETTSA) analysed actual distribution costs of hotels, comparing online intermediation favourably to direct sales. See:
http://www.ettsa.eu/uploads/documents/ETTSA%20Hotel%20Distribution%20Cost%20(Summary)%2002052018%20(1).pdf also http://www.ettsa.eu/policy-issues/publications.
Declaration of interest: VivaFirenze's original founder and sponsor is an ETOA partner; various online intermediaries are ETOA members.

[3] Source: https://spectator.sme.sk/c/20881663/slovakia-is-pushing-on-digital-platforms-including-booking-com-to-pay-taxes-here.html

Evidence Number	1.32
Name	Inverness Chamber of Commerce
Permission to Publish	Yes

Dear Sirs,

TRANSIENT VISITOR LEVY DISCUSSION

I am pleased on behalf of the Board of Inverness Chamber of Commerce to make some comments within the context of your discussion on the 'Transient Visitor Levy.' It goes without saying that the tourism sector is of critical importance to the whole of the Highland economy.

Inverness Chamber of Commerce truly and deliberately connects Highland Businesses in a way that no other Highland based organisation does. We believe that we are the most ambitious and effective business membership organisation in the Highlands. Our current membership of 420 members are based throughout the Highlands and Islands, Scotland's main cities and the UK. Our purpose is to connect, support and represent our members and the wider Highland business community.

Our membership comprises a significant number of the Highland's tourism operators and I am sure they will have responded directly and through their various Trade Associations. In addition to their input, the Inverness Chamber of Commerce Board have asked me to strongly make the following points.

The tourism sector is already facing unprecedented challenges with recruitment and retaining of skilled staff. In the Highlands, this has been a real challenge for many years and has been critically exacerbated by Brexit. We have a real concern that there is a danger of 'killing the goose' with this proposed levy. The sector has been under some significant and well documented cost challenges in recent years, particularly around business rates. Regardless of how the levy is framed, this would act as a further unwelcome tax on this hard-pressed sector.

We are aware of some surveys which portray 'significant support' for such a levy. However, a cursory examination of the data shows that whilst this may be a headline conclusion, the responses from frontline businesses operating in the sector are firmly against such a levy. In addition, much is made over internationally comparative nations, particularly across Europe, who have successfully implemented similar 'Tourism Tax' policies. Your own analysis makes it clear that the overall fiscal regime in such countries is fundamentally different and much lower. If implemented in Scotland, this would add to an already burdensome tax structure.

It would be reasonable to reflect that all local authorities and governments are under significant and increasing financial pressures as they seek to balance budgets and deliver public services. As we understand it, the general intention would appear to be for the funds from a 'Tourism Tax' to be collected by local authorities, who would then 'ring-fence' and oversee the use of these funds on 'tourism projects'. We have a real concern over imposing this additional administrative burden on over-stretched local authorities and, have a concern whether in fact these funds would be used in the entirety to deliver 'tourism related' investment.

Finally, many businesses in the Highlands and Islands travel to other parts of Scotland to do business. Likewise, the Highlands and Islands also attract many inbound business men and women. In both scenarios, overnight stays are the norm. Whilst these stays are unlikely to impact on 'tourism pinch points,' they will presumably also be subject to the surcharge a 'tourism tax' would bring. This is perhaps an unintended consequence of the 'Tourism Tax' that will be an additional burden on Highland businesses as well as giving out a message that the Highlands could be an increasingly expensive place in which to do business.

I would be more than happy to provide further clarification as required and look forward to the conclusion of your conversations.

Evidence Number	1.35
Name	Explore Kintyre
Permission to Publish	Yes

1. Introduction

Explore Kintyre and Gigha is the local tourism marketing group for the remote west coast peninsula of Kintyre. Our area of work is from Tarbert at the north end of Kintyre all the way to Southend and the Mull of Kintyre in the south and includes the island of Gigha, off the west coast of Kintyre. It is outlined in red on the map below. Whilst less than 50 miles from Glasgow as the crow flies we are at least a 2½ hour drive from Glasgow and about 2 hours from Oban. Campbeltown is the largest settlement with about 5,000 residents. Kintyre itself has around 8,500 residents across an area of over 200 square miles and is located toward the southern end of Argyll & Bute.

Tourism Employment in Argyll & Bute is very important. It accounts for in the region of 15% of the area's employment. The highest percentage in Scotland and about 6% more than the national average. So anything that impacts on tourism may have potentially greater economic effects in Argyll & Bute than elsewhere in Scotland.

Explore Kintyre and Gigha has a membership of 44 businesses involved in tourism in the area. This includes accommodation providers, tourist attractions, and businesses catering to tourists such as shops and cafes. We are members of the Argyll wide Argyll & the Isles Tourism Co-operative which is an 'umbrella group' for 11 locally based groups / partners including Explore Kintyre & Gigha. Its aim, and our aim, with support from Argyll & Bute Council and Visit Scotland and a number of other partners is to build the profile of Argyll as a place to visit and in turn support the local economy – making Argyll stronger together and recognising the challenges of promoting tourism in remoter parts of Scotland.

This response to the Scottish Government's discussion paper draws from a survey of members of Explore Kintyre and Gigha to gather their views and opinions on the initial discussions and considerations of a Transient Visitor or Tourist Tax for Scotland.

2. Views on a Tourist Tax

More than 90% of members are not in favour a tourist tax. Suggesting that much more work will be required by the Scottish Government and local authorities (including their umbrella body CoSLA) to demonstrate what or how a tax may be good for Scotland and not damaging to the tourist industry.

Several issues were raised by members when responding to this. It was noted that the UK already has one of the highest taxes on tourists in Europe, because unlike many other countries it does not apply a discount to VAT for the tourism / hospitality industry. The imposition of a tourist tax would make Scotland possibly the highest taxed tourism destination in Europe. Suggestions were made by members that a Tourist Tax should not be considered without a commitment to reduce VAT. An alternative approach could be to 'skim-off' 1%-2% of the VAT raised from the sector to go toward supporting tourism investment. Whatever, there is a clear view that the tax rate paid by tourists should not be increased.

One respondent went further in their opposition to the tax "*these proposals would amount to the reintroduction of the much hated Poll Tax in Scotland. It would be a Poll Tax on tourists - a non-means tested charge being levied for simply being in Scotland. Whether you are rich or a budget traveller people will have to pay the same. What message does that say about Scotland being a welcoming place and promoter of equality and fairness?*".

Those who expressed support for a Tourist Tax did so because they felt it would help to fund vital infrastructure that would support the tourist economy. "*It should be aimed at boosting not controlling tourism and if implemented would need to set at a sensible level*." They were not convinced that the local authority was the right body to oversee this. Suggesting that if ideas for a Tourist Tax were to be further developed the role of local authorities may need to be reassessed. (See below for more on this).

Further issues were raised by those opposed to the tax. There was a fear that they would become "unpaid tax collectors" and that it would impose an administrative burden on their business that would they would find hard to cope with, especially small businesses.

There is a fear that this could be a colossal own goal. One respondent said "*At this time of uncertainty when we need to strive to keep the tourism public's view positive and our tourism products customer friendly, such a tax will result in a negative perception of the destination. It will be seen as predatory and can only be harmful.*" There was real concern that it would make us uncompetitive and drive tourists elsewhere with a respondent saying "*Tourism businesses, especially those in more rural areas, are pushed to attract and sustain bookings at present. To add another tax would mean an increase in prices which would impact on all bookings which is not what is needed in the current economic climate.*"

Many providers have not raised the prices of their products (food, drinks, rooms etc.) for several years despite economic pressures to do so with higher supplier costs and increased taxes such as Business Rates. This has been because of a recognition of the need to stay competitive particularly in a remoter rural area. One said "*Keeping prices in check is key to attracting customers and ensuring customer satisfaction (value for money is always a feature in reviews on TripAdviser etc.). A knock on effect of this is a challenge of being able to then invest in improvements to the hotel as returns are squeezed. To then have to charge people more but see that extra go somewhere when it could be spent in the hotel would be quite galling.*" Again with the customer experience in mind there is a sense that a tax may be counter productive "*having no positive benefit to the customer in enhancing their experience. Instead of finding ways to foster net promoters and ambassadors for our regions we will be fostering negativity.*"

In a more general sense it was noted that running a small business in a remote rural area is a difficult challenge for many and additional tax burdens, additional administrative burdens and negative images to potential tourists lead to an exasperated comment "*It's hard enough for small businesses in this remote area to survive!* ". One which is perhaps compounded by a view that the sector in this area feels that it receives little or no support from the local authority or Scottish Government (see below).

3. Effects of a Tourist Tax

Members of Explore Kintyre and Gigha are in general optimistic about about the outlook for the sector. 50% see the potential for growth with a further 43% expecting it to stay much the same. Views include that although "*growth has steadied off but* [it] *still has potential as long as barriers are not put in place to deter more visitors*" *and* "*still room for growth*". With regard to more specific issues comments were made regarding performance in the sector "*with more collaboration across our local area we can grow but the government needs to support the west of Scotland and the remote areas with better IT connectivity*" and "*unless a proper ferry service to Cambeltown is established and maintained with a user friendly timetable, and there are links to Ireland as well as the Ayrshire coast, things in my opinion will stay much the same.*"

In general there is a positive outlook in Kintyre and Gigha and a sense that tourism is performing well and will continue to do so with some additional support. But when asked how a Tourist Tax might impact on this fear and pessimism become very evident. Over 90% said that a Tourist Tax would most likely discourage tourists as they will have to pay more to visit.

This links in part to the value for money observations made above and also to a view that "*it will result in a negative perception for those looking at Scotland as a potential destination*" and that "*visiting Scotland can be an expensive exercise at the moment, most visitors tour whilst here and the cost of fuel already means a more costly trip.*" In general this reflects concerns around value for money and how competitive we can be against our tourism competitors in the rest of Scotland ("*whilst they may still come to Scotland they may stay for a shorter time resulting in them only staying in cities and better known areas*") the UK, the Republic of Ireland and other European countries.

This leads to other concerns in relation to the current economic and political climate well summed up by one respondent as "*there are too many variables in the market at the moment to make plans for a tourist tax. Now is not the time, if ever.*" And by another on a more local level as "*the population of Argyll is in serious decline. To reverse this decline there is a need to strengthen the economy and tourism is a key requirement*".

A further concern is one of trust an issue looked at below as well. But here it is a concern that "*the money will never be spent in our community. We will never benefit from it and guests will be put off*".

Looking at the wider economy of the area it was felt that, even though the tax would be levied on visitors at their accommodation, it would have wider implications for other businesses in the area. 85% felt it would discourage visitors from spending locally. It was asserted that "*visitors already* *find Scotland expensive for food and drink as VAT on meals and duty on drink"* and that it may not so much be *"the financial cost but it is the perception this creates with potential customers. They know there is airport tax, tax on car hire tax on just about everything they do, then a "tourist tax". Such a tax will be viewed as predatory and mercenary"*.

4. Implementation - (in the event of a Tourist Tax)

Collection

Under the current considerations of a Tourist Tax the plan would be for accommodation providers to collect it. 50% of members of Explore Kintyre and Gigha have no experience of collecting taxes (e.g. VAT). They will need significant assistance to either be in a place to or to feel comfortable collecting the tax. This will include the provision of training, guidance, IT support and ongoing support. It also brings up issues of who bears the cost of collection – one respondent summed up these concerns, worried that it may fall upon small businesses themselves, saying that there would need to be an *"administrative body* [which] *would have to financially cover, completely, the cost(s) of collecting (including time spent) the tax"*. For some others it would be step into the unknown for them and when asked what help or assistance they may need replied *"don't know, it's beyond my ken"*. A clear message here is that many in the sector are not currently in a position to collect the tax and will require significant investment, support and time from the Scottish Government and local authority to make them ready to do so.

The other 50% who have experience of collecting taxes on behalf of Government express some more fundamental concerns that strike right at the heart of business viability. Many concerns revolve around the implications for time and administrative burdens to the business. *"It would be a nightmare. Yet another layer of red tape"* and *"we would be responsible for collecting and passing on the tax. I don't want another tax job!"* are common refrains. It is noted that there may be a cost in terms of having to divert time from core functions or the need to employ someone to provide the tax collecting service again at a cost to the business and all resulting in *"extra time in admin and no return on a small business with on the edge profit margins. Maybe large chain groups could cope with an extra work load"* meaning that smaller businesses may not be able to. This shows there is real fear that some small providers would struggle to or may not be able to absorb or afford this additional costs as the tourism sector tends to operate on small margins and limited staffing. As another provider puts it, it may lead to stagnation and decline in the sector because *"small businesses in particular are often working to the limits of time available as it is - more regulation/ collection of taxes obviously means more time spent recording and forwarding this meaning less time for business development"*.

Overall it must be recognised by the Scottish Government and by the local authorities that a Tourist Tax will place significant burdens on the sector. There will be IT needs, support needs, advice and training needs and support to ensure the burden is not financially precarious for many in the sector. It would appear that a major cost / benefit analysis study is required here.

Coverage

The Tourist Tax proposals focus on taxing 'bed spaces' in recognised providers. If a tax were to go ahead it was felt this was too narrow and for it to be fair and equitable the tax should also look to achieve a return from in particular camper van / mobile home owners not using recognised sites (e.g. parking up lay-bys) 60%. Also wild campers (enabled to camp freely by the Countryside Access rights) 50%. Two groups who are seen to contribute little or nothing to the local economy being largely self-sufficient but leaving a footprint; be it in terms of litter, use of free public facilities (e.g. toilets or not so public hotel toilets) etc. 40% of members also felt that some consideration should also be given to taxation on day trippers, e.g. by car, train, coach party, cruise ship, who again may well be contributing less to the local economy than people who are staying over. People who stay over in hotels, B&Bs, self-catering, on reconsigned campsites are contributing directly into the local economy. Their spend locally sustains businesses, provides employment and through this contributes to local authority income and the welfare /wellbeing of Kintye and Gigha. But overall there is a sense that a tax itself is ill-conceived and only proposes targeting accommodation providers because it can see how to collect a tax from them but does not know how to collect a tax from those highlighted above who may be net- takers from the area; whereas people staying over are generally net-contributors.

Trust and Responsibility
Several times this response has touched upon trust issues. These are with regard to the ensuring that whoever holds the tax income can be trusted to re-invest it in local tourism to enhance the experience of visitors. This incudes some quite cynical (but understandable views) *"we know damn well the tourist tax will not be used to re-invest in the local area. You* [the Government and local authority] *need to invest in us before we collect more money for the government. W-ifi / Roads / Public transport (ferries) / Jobs / tax relief for seasonal employment"* and *"the money will never be spent in our community. We will never benefit from it and guests will be put off"*. Another commented *"no such tax should be contemplated unless the authorities are bound by law to ensure that 100% of the revenue raised is recycled into the industry locally and that at no time may any of it be used to supplement existing government costs or services. The accounting, (pound for pound) must be totally transparent and relevant authorities held to account under the law. They must not be allowed to unilaterally decide how the funds are spent."*

Whilst this cynicism may at first glance seem extreme it to some extent reflects a widely held view of mistrust in the sector in Kintyre & Gigha. Not one respondent had faith in the local authority to carry out the function of spending the income from a Tourist Tax. Between 7%-10% would trust the Scottish Government or Visit Scotland, although 60% and 50% respectively would not. Perhaps more surprisingly 50% would place their trust in the local tourism group or the regional tourism co-operative to spend the tax on benefiting and encouraging tourism and making provision for tourists.

Some of this feeling may go deeper than just the unease of the spectre of a Tourist Tax. Members of Explore Kintyre and Gigha were asked to consider how well supported they felt by Argyll & Bute Council and by the Scottish Government. 50% did not feel well supported by either and a further 35% were more ambivalent saying they felt neither supported nor unsupported. Only 15% feel well supported by the Scottish Government and under 8% by the local authority. It is difficult to draw wide conclusions from this, all that can be said is that for some reason the tourism sector in a remoter area of Scotland feels fairly unsupported at a national and local level, despite their important contribution to an often fragile local economy. Ways to promote or improve engagement between the local tourism industry and Argyll & Bute Council and, on a national level, with the Scottish Government would benefit from some consideration, before any further discussions are taken forward on a Tourist Tax.

5. Conclusion
It is clear that as things stand there is no appetite or support from within the sector for a Tourist Tax. Moreover there is currently strong opposition and the sector is feeling rather put up on and unsupported. One respondent sums this up rather well *"It would seem an unfair situation that businesses involved in tourism were singled out for this tax. Surely it is unacceptable for one*

section of the economy to be targeted this way? I feel the benefits of tourism to Scotland are of such an impact on the economy that steps should be taken to support and increase it rather than try and raise more tax from it!"

The sector and Explore Kintyre and Gigha are keen to engage with the Scottish Government and the local authority on developing plans for tourism in Scotland. Plans which have at their heart a real ambition to improve further this important sector of the Scottish economy in terms of income and employment, particularly in rural areas. Not plans that seek to penalise a sector that is working hard, in often adverse conditions, to present Scotland's well regarded welcoming face to the world.

Evidence Number	1.36
Name	The Orkney Islands Conservation Trust
Permission to Publish	Yes

The Orkney Islands Conservation Trust An Open Response to add to the Debate
Doc Ref: C:DB/Docs/OICT_20190120

To the Cross Party Group on Tourism:

Scottish Government Consultation - Tourism Tax Discussion

A note of Support in the Principle - Given that Scotland has succeeded in attracting Tourists and recognised the need to maintain and ensure that the whole of "the attraction" remains a quality experience, it is essential that the whole of the experience offered is properly funded.

This is not a new problem in the world of travel and tourism. It therefore makes a deal of common sense to take working, proven examples from elsewhere in the world. The Scottish Government appears to accept the realities that, over the past 40 years, we all have access to low cost global travel. Those that have been fortunate enough to travel widely are quite used to paying both Visitor Taxes (Government) and Conservation Charges (Trusts). There are many examples within the UK, Scotland (including Orkney) and Europe without the need to look elsewhere.

Whilst some may protest that any added cost is a disincentive to travel, the reality is that despite increasing regulated and unregulated costs within the UK and world-wide, the travel and tourism sectors continue to grow. The appetite for those with the cash to travel and hunger to visit has been undiminished. Indeed, independent forecasts continue to project growth, particularly as the "new world order" finds the need to reverse past travel trend e.g. visitors to the UK **from** China, India and Africa where volumes already far exceed the numbers from the UK going the other way.

So who pay? On the well-established democratic principle that the Primary User Pays of a facility or service pays, a nominal tax levied by the Public Sector (Government) specifically on Tourists and Visitors (not Residents) is fair and prudent fiscal policy.
However, the devil is in the detail. All are aware that HM Treasury hate the idea that any "new taxation" is hypothecated, much preferring all Taxation to be collected to the consolidated central budget and an annual round of bidding.

The above observation does not mean that such “new taxation” could not be collected by the Scottish Government or Local Government under existing rules and regulations; just that the principle requires political motivation to advance the system to meet demand.

Happily, there exist precedence within the UK and, logic in the motion is simply that this solution is required to fund the much needed public sector contribution to the Tourism Sector.

However, tax revenue can only (under published HM Treasury / Scottish Government Accounting Rules) be used specifically to maintain *publically owned infrastructure* (e.g. Car / Coach Parking) and built assets (e.g. Monuments and Buildings) that themselves are located on publically owned land.

Whilst revenue from tax collection could make a significant contribution, to meet the increasing demands by tourism related traffic on the environment and places of interest, the hard fact is that that whilst some of the infrastructure and some of those places of interest (to tourist’s) are on public land, the vast majority in Scotland/ Orkney are privately owned or on private land.

Therefore only very limited amounts of tax based revenue (i.e. money collected by Government) can be granted to support the many sites and situations that tourists seek to visit.

In the circumstances of the Orkney Islands, logic suggests a combination of a nominal Tourism Tax and a nominal Conservation Charge, levied under Byelaws, collected at the point of sale of the ship, ferry, air ticket (per non-island resident) landed, would enable the whole of the Orkney Islands Communities, Farming and Tourism Sector to benefit.

In summary, the revenue from the Tourism Tax, collect a the point of sale by any one of the Travel Industry Clearing Houses (e.g. IATA) could be paid direct to OIC; with OIC tasked to fund with other Institutions (e.g. Historic Scotland) those aspects of the infrastructure that that are publically owned. It is not possible to spend public funds on private property.

The revenue from the Conservation Charge collect a the point of sale by any one of the Travel Industry Clearing Houses (e.g. IATA) could be paid direct to an independent, not for profit, Trust (i.e. The Orkney Islands Conservation Trust), the Trust (not Government) being tasked under new Byelaw to fund from that revenue, together with Financial Institutions, other Trusts and Societies (e.g. Orkney Historical Society), those aspects of the infrastructure that that are privately owned. This would bridge the gap on many situations that Orkney faces (e.g. toilets at Yesnaby).

Retaining Public confidence can only be achieved if the amounts levied or charged are based on specific projects where project funding is required. Planning on success, all Funds collected in the first year should be used to establish through joint Public and International consultation at County level a series of key projects. Given the application for simple metrics needed to identify and order in priority infrastructure and conservation projects, the level of taxation and or charges can the promulgated. Further, a rolling programme that uses planning activity levels and actual visitor revenues would enable a range of short, medium and long term solutions to be engaged. This should not be detrimental to any existing initiatives or projects indeed, this may provide a robust opportunity for many good ideas to be given firm financial footings and convert into realities.

In conclusion, through the Scottish Government adopting working examples from elsewhere in the world, from the realities of the tourism industry and global travel, whilst some will protest that any added cost is a disincentive to travel, the evidence is not there. The reality is that despite increasing costs world-wide the sector continues to grow and with that the pressure on keeping quality in the reception. That costs money and requires an integrated solution.

The tourism sector in Scotland will only grow where the infrastructure is able to accommodate and meet expectations – that requires funding. Nominal, fully accounted taxation and charges are the way forward.

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