**Evidence Note: Tourism Tax  - Independent tourism tax engagement meetings in Cardiff 18th October and Llandudno 20th October 2022**

*Organisers:*

Chairs of the four Welsh Government Regional Tourism Fora

Wales Tourism Alliance

UK Hospitality Cymru

*Additional Speakers:*

PASC

CLA

NFU

FSB

Prof Terry Stevens

*Attendees*

Individuals and representatives from different tourism and hospitality (“T & H”) sectors across Wales; including Tourism Associations and marketing groups.

Introduction

Welsh Government is holding a series of sessions with stakeholders in order to engage them in the consultation process prior to the proposed introduction of a tourism tax (“Visitor Levy”).  Whilst officials are present, attendees have been unable to address Ministers directly in these meetings

Recognising that numbers at these meetings were restricted for individual T & H businesses (and voices from representative bodies with a wider remit than T & H), it was agreed by the Partners that parallel meetings should be held to provide a greater number with an opportunity to discuss the consultation.

The purpose of the meetings was to share, first hand, views and evidence from attendees to help inform them (and their members) before responding to the Welsh Government’s consultation.    The document will also help inform the Partners in advising their own responses. The meeting was framed around two plenary questions and four questions addressed by attendees in seven breakout groups.

This note summarises the discussion at the meetings.  Quotation marks indicate verbatim or near verbatim submissions by attendees.  Attendees are invited to use this as a prompt to complete their own responses.  **We do not recommend cutting and pasting from this document as identical responses to the consultation will be treated as a single submission.**

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Setting the Scene

* Welsh Government’s stated aim is that it wants all taxes, pan-Wales, to be “clear, simple and stable.”   They have also framed this and other policies in terms of tourists and tourism businesses paying “a fair contribution” to local taxes.

* There is no longer a dedicated Minister or Deputy Minister with responsibility for fighting the corner of T & H within Welsh Government.  This leaves the industry dealing with more than one government department as “taxes abound”

               “No taxation without representation”

* The Labour manifesto committed to

*Consult on legislation permitting local authorities to raise a tourism levy, ring fenced to  support improving the visitor experience in Wales and to help the local economy.*

The Labour/Plaid co-operation agreement commits to *Introduce local tourism levies using local government finance reform legislation.*

“Suddenly a bed tax has appeared.”  There is no longer a commitment to hypothecation or, indeed, the visitor experience.

* Business balance sheets have been decimated by Covid.

“We need to be reducing the operational costs and burdens of businesses, not adding to them.”

This is the wrong time to risk any form of further taxation or negativity around the sector that will affect consumer confidence. The First Minister has stated that it’s not the wrong time as this tax is years away, yet consumer confidence and a nation’s image is both fragile and the damage it suffers can be long term, so this feels a false step.  In any event, as we are about to enter recession, it is clear that turning the UK’s fortunes round will take some time.

* There are so many interventions being made. 5 live major consultations on the table directly affecting tourism at today’s date.   There is no visible risk assessment made of any individually or the cumulative impact. Every tax change has an impact. No-one can see that anything has been done yet to assess the impacts that are being made by each tax or by all the changes combined.”

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Plenary Questions

1. **Do you agree or disagree that local authorities should have discretionary visitor levy powers to enable a more equitable base for the funding of local  services and infrastructure between residents and visitors? (Taken from the Welsh Government consultation document)**

1. **Should there be a comprehensive list of visitor accommodation providers available to the tax authority to support the administration of a levy, rather than there being no registration requirements in place?**

The answer to Question 1 was 100% **Disagree** i.e. disagreement was with the concept of the tax per se and not how it could be implemented.

The answer to Question 2 was 100% **Yes.** This is not to be read as support for a levy, however.

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Breakout Session Questions:

1. **Setting a levy rate.  What factors and evidence should be considered?**

1. “Until there has been a proper stock check of property available for commercial lets this whole discussion is rather worthless.”  WG has not explained how it will identify businesses operating exclusively via OTAs.

“Where is the prior compulsory registration of accommodation?  Where are the resources for local authorities to police those under the radar in their areas and compel them to register?”

“A level playing field is needed. Why are only legitimate businesses being affected by all of this?”

“What about wild camping? Would they be missed out completely and potentially do more

damage?”

1. There was fury - not too strong a word - from several attendees that there has been no full impact assessment yet, making the question difficult to answer.  Queries raised whether the three assessments, commissioned by Welsh Government and yet to report in full, had sufficient remits and whether they were sufficiently independent

“The possible impact of keeping more income within destinations, supporting local visitor economy enterprises should be monitored before implementing any form of visitor levy.”

        c)   Repeated observation that tourism is the most heavily taxed T & H industry in

the world, bar Denmark and, sometimes, Switzerland - both high tax economies. See Prof Annette Pritchard     <https://www.wta.org.uk/uploads/8/3/7/1/83716138/a_tourism_tax_for_wales.docx>)

Taxes already impacting on the high end serviced accommodation sector include: VAT; Employers’ NI; Employer’s Pension contributions; Insurance Premium Tax; Climate Change levy; Alcohol Duty; Sewage Charges; Licensing charges; charges for environmental compliance; PRS; PPL; TV Licencing; Sugar Tax and of course, Business Rates, with an unfair burden based on the property led sector.

               “Why more? Tax in Wales is supposed to be “fair”.”

               “This is discriminatory and unfair.”

Other countries who do have a Tourism tax also have an average rate of 11% VAT on T&H

businesses, not the 20% Wales has. VAT is Westminster controlled so what has Welsh Government done to encourage the UK Government to cut VAT?  Both governments saw the effect on business viability when VAT was temporarily cut during the pandemic.  Note: Local taxation is devolved.  The UK campaign re cutting VAT has been running for years.

This policy increases the burden of tax on the tourism industry in Wales, when it is already higher than in most countries. The optimal total taxation for a tourism industry is 21% or less. (Prof. Terry Stevens)

       d)   Fear from all border counties in both north and south that this bed tax would deter stayers

              and increase day visitors who would sleep in England and make trips into Wales for the day

              OR even not do this - which would be even worse.  The same point was raised re overnight

              visitors staying in a county which did not charge a levy, but travelling as a day visitor across

              county boundaries.

Taxes are usually imposed to raise money or change behaviours by stopping certain actions. “Like sleeping in Wales!”  It was felt that this would deter price-sensitive overnight visitors without any real idea of how much money this would raise, before we get near how it might be spent and by whom.

        e)  This tax is already being seen as anti-English which is frightening to business as guests from

              England are the main overnight stay market for Wales c. 80%

          f)  The discussion around the basis on which to charge revealed how difficult it is to identify a

               means which is both simple and fair.  It was posited that a fair tax was impossible to

               introduce.  There was no consensus in the groups on the following but ideas included:

* re: per person per night (PPPN) – differential rate suggested for different sectors.eg. caravan and camping versus 5 star Cardiff hotel rates.

“But if there are enough differentials the whole thing becomes unwieldy.”

“PPPN is impractical for all types of self catering as owners cannot count occupants daily and party size varies during a stay.”

In the event of booking online or through an agency “You are reliant upon the lead guest to provide the party size and status (adult/child.) Neither the owner nor agency can be responsible for actual numbers.”

* re: per unit per night- “Would a self-catering house for 25 pay the same as a tent for 2? Does not work”

* Percentage of the selling price was agreed by some as the simplest:  Others thought a flat rate was easiest.  Neither was considered nuanced enough to be “fair”.

                             “A percentage levy would mean that higher value businesses made a greater

                             contribution which would not seem fair to their guests who already contribute more

                             to the local economy.”  This was also seen by a number of attendees as a disincentive

                             to invest in their businesses or upgrade.

                  There was consensus, however, on the point that collected taxes must not be included in

                  the turnover/sales figures of a business. Turnover must show nett of collected taxes so as

                  not to impact on small businesses’ VAT thresholds.

             g)  On how much should be charged, attendees considered this impossible to answer without

                   knowing what it was for, how to guarantee that and who would be spending it.  Generally,

                   the view was “as low as possible”.

                   “Any tax must be fair and equitable – difficult to see how this could be.”  Estimated by

                   some participants that a family could have to add £100 or more to their 14-day holiday for

                   a 1% tax.

                   Suggestions varied re a cap on number of days charged; 7 and 14 days.  However, bookings

                   outside high season are more likely to be short stays so a cap set lower than this would be

                   less of a disincentive to book for longer.

                   “All LA areas which decide to tax must charge the same as all other areas or the whole

                    thing becomes highly unwieldy.”

     Some agreement that if a tourism levy is to be introduced it should be national not

     optional for local authorities - all should be obliged to charge - to avoid distorting

                    competition within Wales.  Others thought that it need not be obligatory for all councils

                    to charge, but that the charge should be the same across councils which did implement it.

                    A further point was put that, within counties, the pressure on services from day visitors

                    (who are not contributing through hosts already paying local taxes) is not countywide.

                    What scope is there for making any tax even more localised?

                    Further, if the rate itself is low, councils in non-hot spots, may not raise much and

                    conclude that collecting it is not worth the effort.

              h)  On how any tax would be collected:

* Views were expressed that it’s not businesses’ job to be tax collectors.  While they accepted that some collect VAT, they also made the point that they can claim VAT back on expenditure whereas there is no quid pro quo here to justify the extra work.  There were also worries about making genuine mistakes and retribution for that.

* “Who would be able to police tax collection from caravans , lodges, timeshares especially on parks when sub-let by their owners?”

* “ Agencies, especially OTAs, effectively charge guests a fee for collecting extras. Can owners do the same? Can OTAs be stopped from doing this?”

* “OTAs and agents must not charge commission on taxes”

* There was resistance around OTAs collecting the tax at all - partly because not all properties use them and couldn’t use the facility; partly because it would be an incentive to sign up to OTAs which bring nothing to the local economy or services (and can minimise their returns to  the Treasury) at a time when the 182-day rule is already pushing business their way; partly because they promote professional businesses and casual lets equally.  There was also a question about whether OTAs could be prevented from accepting listings in Wales where they *weren’t* asked to collect tax by the host.

* Using the current NDBR system was suggested, but this did not capture businesses on SBRR or paying council tax.  It led to an interesting question on rateable value.  As that is currently linked to the number of bed spaces available, would property owners get a discount since guests would now be paying their own way?
* It must not be collected through taxable income, or on any "predicted" basis.

* “Governments are turning a blind eye to online platforms (for accommodation, food delivery and event/attraction ticketing) that charge commission fees of between 15% and 30%, much of which leaves our shores and leaks from destinations.  They have no legitimacy for trying to extract more from visitors. A good intermediary step would be for Government to introduce legislation that forces online platforms to inform customers at the time of booking how much they are taking in both fees (including membership) and commissions.  This would provide the customer with information that might just encourage them to book direct and therefore keep more revenue within the destination. Enforcement of key, fire, H&S and hygiene regulations would also help local authorities rein in the phenomena of “pop-up” venues and “Sharing Economy” platforms such as AirBnB (and would also help to manage some of the worse cases of overtourism.)”

* Serious questions about the practical process of collecting and remitting taxes especially by small/micro businesses with unsophisticated admin. Software is required which should be provided free to all businesses by Welsh Government. This needs to be compatible with all the accounting packages such as Iris, Sage, Xero and the rest as well as with HMRC and VOA. These usually look at pounds and not units (people) so finding a way to quantify the number of guests being paid for/exempted will not be so easy.

* “Welsh Government are imposing an unfair additional financial burden on businesses by expecting them to collect the visitor tax – i.e. that as well as the additional administrative burden, businesses would be paying the additional bank/card transaction fees on the taxes paid by visitors.”

* “The tax is being considered as a separate tax issue rather than as part of a tourism strategy which would be far better.”

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**4)  If any tax take were to be ring-fenced**, **how should it be spent and by whom?**

There was greater consensus with this question, with total buy-in on the industry leading on decision-making

1. Main take-aways are  (i) any tax take should not lie under the sole control of councils and (ii) it must be clear, settled and specific how the tax take would be used before any implementation.

Local T & H-specific business must be heavily involved in the spending decision-making process. There must be absolute transparency about the amounts collected and spent, and it must be additional not used to displace current spend.  Attendees called for clear understanding of who exactly will receive this money and who will account for it. Great anxiety that it will vanish into local authority spending.

1. Must be used to enhance the visitor experience and local marketing of the area and not put into a wider pot used for general local authority spending. It’s too easy to use a very wide definition of “Tourism” to justify  spending decisions hence the need for industry involvement.  Improving the public realm is good for tourism *and* for local residents so they benefit from tourism-led projects.

1. There was less resistance to a tax where decisions should be industry-led with money raised locally being spent locally, but strategically, to demonstrate the link between payor and improvement.  This creates some tension with the view that there should be a pan Wales strategic approach to quality upgrades and marketing efforts but locally applied.

1. Strong suggestion that Destination Partnerships, where they exist meaningfully, in each local authority should determine spending of this tax  - and also whether to charge it in the first place, the latter being the subject of a local consultation in any event.   Small LAs with low tourism levels could possibly band together?  Other views include a more regional destination management approach (but tricky where some councils charge and others don’t), and the creation of a more strategic spending body, as in other countries, (but viability of this would be dependent on running costs, monies raised, and how to tailor the benefits to the councils who raise the most money).

In general this is seen as a negative business tax resulting in loss of product and a drop in standards due to a compensatory drop in net prices charged to the customer to maintain competitiveness.

Query raised about whether LAs who do not decide to tax could be regarded as unfairly providing state support?

Query about monies that are already sent as additional support to those councils who have extra needs for waste collection, toilets etc  due to existing high levels of tourism. This is the **Enhanced Population Grant** – make politicians aware that this currently exists for the purpose of supporting L.A’s in this space. The EPG is specifically designed to support waste collection / management, toilet provision and road maintenance. It was Stated that Gwynedd gets 4million pa. The meeting members had not heard of this . (Numbers not confirmed).

Note:  There is some confusion here as Welsh Government has confirmed that there is no such thing as an Enhanced Population Grant.  There is something called an Enhanced Population Multiplier which identifies a *notional* spend in three specific service areas but this does not equate to any actual income or expenditure by councils.

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**5)  Should any businesses be exempt?  Should any visitors be exempt?**

1. Micro businesses possibly  - however so many of Wales  accommodation businesses are in fact micro businesses with less than 5 employees that  this would therefore defeat the point of a tax. Exempting micro businesses would also create a new threshold which would stifle ambition and growth.
2. “ You cannot have exemptions unless and until there has been a stock check of businesses via well policed registration.”

1. Some of WTA/PASC/UKH list of exemptions re council tax premium also useful here eg charities

1. Should there be a lower age limit – children  under 16 or under 18? Mixed views in whether age was relevant as no-one entirely impact free.

1. Students?  How do you define a student? Who would police whether this status was genuine? No exemption for students seems best.

1. Sympathy toward exemptions for older travellers and the disabled but who could police this? No exemption seems best.

1. Were Welsh residency to be an exemption, who could police whether guests were really from within Wales or within the local authority area? No exemption seems best

Generally felt that **all** visitors should pay, including within country and within county travellers, but central point of “why bed tax?” still remained.

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**6. If not a bed tax, what?**

a)  Often repeated concern that just 11% of visitors to Wales stay overnight and already contribute     disproportionately to local services via taxation:

* host businesses pay NDBR or council tax.  Even where eligible for SBRR, they pay premium business (as opposed to domestic) costs on services such as waste collection
* via income tax, corporation tax and VAT, which come back to Welsh Government via the Barnetised block grant.  Due to a “funding floor” agreed with the UK Government,  Welsh Government receives a higher amount per head of population than in England (but less than in Scotland).  It allocates the revenues support grant (RSG) from that block grant to each council

If accommodation businesses did not exist, how much direct and indirect tax take would be lost to local authorities?

b)  Yet 89% who are day visitors have a more damaging environmental impact and spend less locally.  Lengthy discussions that this is a “lazy way to tax” . Easy to collect from visible stayers.

“ The low hanging fruit”.

“There must be ways of charging those who are much more of a nuisance.”

“The idea of “polluter pays” is completely lost”

Suggestions around car parking charges, public toilet charges, entry fees to sites or road tolls (which can be automated like the London congestion charge) in sensitive areas.   Proposal for compulsory or voluntary contributions (similar to museums and religious sites) for much-visited landscapes, esp well-used mountain trails.  Note: councils already have powers to pursue some of the suggestions

Further thoughts included a border tax – use of ANPR – this captures everyone coming into Wales, county or to a specific local area .  Fits with Welsh Government objectives. Carbon neutral, car sharing, public transport.  Different rates for cars, vans, coaches, motorhomes.  Also, leisure visitors using public transport should pay, although this reduces the incentive to use it, counter to Welsh Government objectives.

Locally registered vehicles and business vehicles exempted (especially important in border areas where same car may cross the border many times per day).

Referring back to day visitors, consideration that attractions should also be liable to charge but this caveated by a requirement on Welsh Government to assess the impact of each type of T & H sector on communities as well as their capacity to carry a tax without it affecting their viability.  This would also highlight the economic impact of each sector.

Suggestion that all National Parks and heritage attractions should attract a tax, whether subject to entry fees or not.  These are what people come to Wales to see.

"Just add a local tax to everything bought in-county

c)  Why aren’t all businesses which benefit from visitors, ie retailers and food providers, asked to apply a state/county charge?

"Just add a local tax to everything bought in the county which wants to introduce a levy just as many they do in other parts of the world so that every location and business that benefits from the visitor contributes"

d)  If and when a hypothecated tax is locally spent there should be suitable signage “These toilets were provided by and are operated because of....”

The discussion just confirmed how complicated it would be to administer any version of a “fair” tourism tax.

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**Other Observations**

1. No Minister of Tourism.  Ruling parties seem to think of “Tourism” as being second homes and Air B&B. Either deliberately not open to hearing **voters** or in need of education.
2. The design of this consultation

“Even more talk?”

There was considerable criticism about the design of this questionnaire, being heavily     slanted to give the answers that Welsh Government wants to hear. Even some Welsh speakers were appalled at the lack of understanding regarding the language, and the failure to recognise the role of local T&H businesses in retaining Welsh speaking families in the community and local economy.

Claims by Welsh Government that 37 countries impose a Tourism tax are disingenuous. Many are partial in that they apply to a specific locality or to foreign visitors only.  The existing tax burden borne by the UK tourism industry, as compared to T&H businesses in other countries, also goes unremarked

1. Accommodation Survey shows that Wales has the lowest occupancy rates in the U.K. and lowest average paid jobs. How would such a tax assist in alleviating these two issues? It would appear to make it all worse.

The tax is being considered as a separate issue rather than as part of a strategy which would be far better.

ENDS