

Outer Hebrides Visitor Levy Report

Investigating the feasibility of a levy
on overnight accommodation

PREPARED FOR



COMHAIRLE NAN EILEAN SIAR

Executive Summary

Urban Foresight were commissioned by Comhairle nan Eilean Siar to investigate the feasibility of an overnight accommodation visitor levy.

Background

The Outer Hebrides are renowned for their stunning landscapes, rich history, and vibrant cultural heritage. These islands attract a significant number of visitors each year, contributing substantially to the local economy. However, tourism also brings challenges, such as increased pressure on infrastructure and the need for enhanced services to support both residents and visitors.

The commissioning of this report follows the enactment of the Visitor Levy (Scotland) Act 2024, which grants local authorities the discretionary power to introduce a visitor levy on overnight stays. This legislation was introduced in response to the growing pressures of tourism on local areas and the need for additional funding to support tourism-related infrastructure and services. The Act allows local authorities to apply a percentage-based charge on various types of accommodation, including hotels, bed and breakfasts, holiday cottages, and camping sites. The Act does not cover cruise ships, day trippers, motor homes not staying on a registered site, or campers 'wild camping'.

Methodology

Urban Foresight took a mixed method approach to investigate the feasibility of a visitor levy in the Outer Hebrides. This included an economic assessment, and research into the attitudes towards a potential visitor levy on overnight accommodation among key stakeholders, local residents, visitors, and businesses. The research included three main phases:

- **Desk Review:** This included analysis of primary and secondary data to understand the Outer Hebrides' tourism economy and the evaluation of case studies of visitor levies implemented elsewhere in the United Kingdom and internationally.
- **Engagement:** An extensive community and stakeholder engagement phase was undertaken, which included a survey, online and in-person public engagement sessions, 1-1 interviews, a roundtable, and email correspondence.
- **Cost Benefit Analysis:** A detailed cost benefit analysis of various visitor levy scenarios was undertaken to model the potential costs and benefits of implementing a percentage based visitor levy on overnight accommodation.

Findings

Desk based review: Structure of Outer Hebrides' tourism economy and the implications for design of a visitor levy

Tourism in the Outer Hebrides is growing, with over 389,000 visitors in 2023 — up 21.8% from 2022 — and a total economic impact of approximately £93 million. The sector is highly seasonal, with most visits and accommodation occupancy concentrated between July and September.

Accommodation is dominated by small-scale self-catering providers, with 1,246 businesses offering around 7,900 bedspaces, mostly located in Lewis and Harris. The average visitor stay is 3.9 nights, and prices vary widely across accommodation types. Key transport access is limited to ferry and air routes, creating natural capacity constraints that should also inform levy design.

The Visitor Levy (Scotland) Act 2024 allows for local discretion on where and when a levy is applied and this local context is central to the design of a visitor levy.

Stakeholders' views on the implementation of the visitor levy

Concerns over impact on visitor numbers

Participants cautioned about potential negative impacts on tourism demand if the Outer Hebrides become perceived as more expensive. There is a concern that an added levy could make the destination less competitive, possibly diverting cost-conscious travellers to alternative locations. Several respondents noted that travel to the islands is already costly, so any further price increase must be handled carefully to avoid deterring visitors.

Business concerns regarding administrative burden and VAT implications

Local businesses – especially small B&Bs, guesthouses, and self-catering operators – expressed significant concerns about administrative load and tax implications. Many feared the levy could push their turnover above VAT thresholds (currently £90,000), forcing VAT registration and added costs. Owners also worried about effectively becoming “unpaid tax collectors,” or having to absorb the cost of the visitor levy themselves in order to remain competitive.

Preference for a cruise passenger levy and point-of-entry charge

Residents, visitors and businesses also showed majority support for levy models that ensure all types of visitors contribute. About 70% of respondents expressed support for a “point of entry” levy collected as visitors arrive, considering it fairer to both visitors and businesses and less burdensome on accommodation providers. Participants in the public engagement sessions and stakeholder roundtable session also clearly expressed a point of entry charge as their preferred option should a levy be introduced. The same percentage of respondents supported a cruise passenger levy (alone or in combination with an accommodation levy) versus 48% who support an accommodation-focused levy. These alternatives were seen as easier to administer and more equitable than an accommodation-only tax.

Support for reinvesting in infrastructure to benefit visitors and residents

There is broad consensus that any visitor levy revenue should be reinvested in core infrastructure and services that benefit tourists and locals alike. 84% of all respondents (including 88% of visitors) identified improvements to roads, public toilets, signage, and footpaths as top priorities for levy funding far outpacing other suggested uses

Support for a consistent rate across the Outer Hebrides

The majority of respondents favoured a consistent rate across the region. For instance, 71% of residents and 72% of visitors supported applying the same percentage rate on all islands (business support was lower but still a majority). Although attendees at public engagement events emphasised the variation in visitor numbers, tourism infrastructure and needs across the Outer Hebrides, there was a consensus that funds from the levy be fairly distributed across the islands and that an uneven application of the levy could cause community tensions. However, an island impact assessment of the levy would need to be carried out to fully assess the impact of a levy on each island. Nearly half (49%) of all respondents also supported capping the number of nights a visitor would be charged, to avoid perception of penalising longer stays.

Support for seasonal flexibility among accommodation providers

Views were split on whether to charge the levy year-round or only in peak season. Overall, respondents were almost evenly divided (about 47% for year-round vs 43% seasonal). Notably, a majority of businesses – particularly accommodation providers – preferred a seasonal model (charging only during peak tourist months), whereas most visitors and residents leaned toward a year-round levy. This suggests businesses seek relief in the off-season, while the public prioritises consistency.

Consensus on key exemptions for residents and medical travel

There was wide agreement that certain groups should be exempted from paying the visitor levy. In addition to the single statutory exemption for disabled people, exemptions for local residents, and those seeking medical treatment were widely supported. Participants felt it important that locals and those visiting for essential purposes (such as healthcare) not be burdened, and that the levy remains focused on leisure tourists

Notably however, 1 in 5 businesses favoured no exemptions and qualitative questions highlighted a concern over how these would be administered. Clear and simple exemption criteria and verification methods would therefore be needed to avoid confusion for both visitors and businesses.

Visitor profiles - long stays and self-catering popularity

The engagement data revealed that most visitors to the Outer Hebrides tend to stay for longer durations and favour certain types of accommodation. 75% of surveyed visitors stayed longer than one week on their trip, and half of respondents had opted for self-catering accommodations like rental cottages or Airbnb's rather than hotels. This has important implications for any visitor levy design — for example, per-night charges could have a greater financial impact on long-stay visitors, whereas flat-rate or capped systems might better balance revenue generation with perceived fairness. The data also suggests that long-stay tourism may be a defining feature of the visitor profile in this region and should be supported accordingly in policy and infrastructure

planning. Further research should be conducted into applying a cap on the number of nights a levy should be applied.

Cost Benefit Analysis

The results from the cost benefit analysis estimated that both a year-round visitor levy and seasonal levy are expected to generate positive net benefits at a 5% levy or greater over a 10-year implementation period.

However, the sensitivity analyses indicated that the return on investment may be significantly affected by any exemptions to the levy, increases in costs, and decreases in the number of rooms available, presenting significant risk to the revenue generating potential of the levy.

In the public engagement sessions and survey, it was clearly highlighted that there is an expectation that Outer Hebrides residents and those travelling for healthcare should be exempt from paying a levy. For the year-round visitor levy, if 20% of visitors are exempt at the 5% levy rate, the costs of a levy scheme become greater than the revenue generated. For the seasonal 5% levy, if 40% of visitors are exempt, then the scheme does not generate net benefits. Full analysis should be conducted to understand how many people would be exempt from paying a levy under any proposed exemptions, as this can significantly affect the profitability of the levy.

Similarly, for the year-round levy, a 5% visitor levy scheme is not profitable if there is a 20% decrease in the number of rooms. Again, this highlights a significant risk if accommodation providers shortened their seasons to stay below the VAT threshold or if accommodation providers ceased operating due to the increased administration work created from the levy.

In addition, it must be noted that due to the development and planning period, there is significant capital at risk before a proposed visitor levy scheme would generate income or become profitable.

Outer Hebrides cost savings through joint implementation of the visitor levy with Shetland and Orkney Isles Councils

Cost savings for joint implementation of the levy were explored with Orkney, Shetland and Comhairle nan Eilean Siar officers, but no opportunities were identified. Flat fees per Council are charged to access the Improvement Service digital levy platform to collect the levy and a joint designated levy officer would be insufficient for the volume of support that would be required for accommodation providers across the three local authority areas.

Comhairle nan Eilean Siar equalities duties under existing legislation

In implementing a visitor levy, Comhairle nan Eilean Siar must comply with a range of legal duties that go beyond basic policy design. These include statutory responsibilities under the Equality Act 2010 and its Scottish Specific Duties, requiring the Council to assess and mitigate impacts on people with protected characteristics through robust equality impact assessments and inclusive consultation as well as the 2024 Visitor Levy (Scotland) Bill which introduced specific legal requirements for how the levy is introduced, applied, and reported.

Additional duties under local government, human rights, and consumer protection legislation require the levy to be fair, transparent, and proportionate. As an island authority, Comhairle nan Eilean Siar must also assess the levy's unique impact on local communities under the Islands

(Scotland) Act 2018, and align levy spending with climate obligations under the Climate Change (Scotland) Act 2009 if used to support sustainability.

Risks to Comhairle nan Eilean Siar of implementing a visitor levy

Implementing a visitor levy in the Outer Hebrides presents a range of political, economic, social, technological, legal, and environmental risks, as well as strategic and operational challenges.

Politically, the levy may face resistance from local businesses and require careful stakeholder management to gain and maintain public support. Economically, it could impact visitor numbers and spending, particularly if introduced without understanding price sensitivity. Socially, the risk of uneven impact across communities and business types must be addressed. Technologically and administratively, the Council may face challenges in designing, implementing, and enforcing an efficient system. Legally, the levy must comply with national legislation and local governance processes, while environmentally, it must align with climate and sustainability goals.

In addition, there are strategic risks if the levy fails to deliver visible benefits or undermines broader tourism goals, operational risks around capacity and compliance, and reputational risks if the levy is seen as burdensome or poorly communicated. These risks highlight the importance of a carefully phased, transparent, and consultative approach, backed by further analysis and robust implementation planning.

Conclusion

Whether the visitor levy is viable or not depends on the design of the scheme. While the point of entry style levy received the most endorsement, a CBA of this levy was out of scope of this report, as this only become a potential option mid-way through the contract, when the Scottish Government issued a consultation on the Cruise Ship levy in February 2025.

It is recommended therefore that a CBA of the point of entry levy be undertaken to compare the results with the CBA carried out in this analysis. Furthermore, further analysis needs to take place on the number of people and geographies eligible for the different proposed exemptions in order to accurately predict the revenue Comhairle nan Eilean Siar would receive. Further research also needs to take place on the sensitivity of price to demand to accurately estimate the impact of a levy on visitor numbers and therefore the changes in levy revenue to the Comhairle nan Eilean Siar and tourism receipts to economic operators.

The visitor levy could generate meaningful revenue but also risks unintended impacts on affordability, tourism distribution, and small business capacity. These trade-offs, alongside the legal and geographic flexibility allowed under the legislation, point to the need for a carefully tailored and evidence-based approach—supported by further research on visitor behaviour, price sensitivity, and inter-island impacts.

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Background to the Commission

The Outer Hebrides Visitor Levy Report has been commissioned by Comhairle nan Eilean Siar to explore the feasibility of introducing a visitor levy on overnight accommodation within the Outer Hebrides. This initiative is driven by the need to address the pressures associated with high visitor numbers, which places a strain on local infrastructure, services, and the environment and in recognition of the need to explore ways of continuing to fund and support tourism development of the islands against a backdrop of highly strained public budgets.

The commissioning of this report follows the enactment of the Visitor Levy (Scotland) Act 2024, which grants local authorities the discretionary power to introduce a visitor levy on overnight stays. This legislation was introduced in response to the growing pressures of tourism on local areas and the need for additional funding to support tourism-related infrastructure and services. The Act allows local authorities to apply a percentage-based charge on various types of accommodation, including hotels, bed and breakfasts, holiday cottages, and camping sites.

The Outer Hebrides are renowned for their stunning landscapes, rich history, and vibrant cultural heritage. These islands attract a significant number of visitors each year, contributing substantially to the local economy. In 2023, the Outer Hebrides welcomed approximately 389,000 visitors¹, with forecasts estimating that this generated around £93 million for the local economy².

However, tourism also brings challenges, such as increased pressure on infrastructure such as footpaths environmental degradation, and the need for enhanced services to support both residents and visitors. An example of this was seen last year where a number of complaints were made that tourists were using the Luskentyre cemetery car park for accessing the nearby beach, blocking access for locals and even at times interfering with funerals. Showing how a lack of infrastructure can impact the local community.

¹ Steam report 2024

² <https://www.islandsdeal.co.uk/supporting-growth-future-industries/outer-hebrides-destination-development>

Introduction

This report explores the feasibility of introducing a visitor levy to support sustainable tourism and enhance the local economy in the Outer Hebrides. The report presents the findings from background research, in-depth stakeholder engagement and a detailed cost-benefit analysis and provides recommendations for Comhairle nan Eilean Siar on the feasibility of introducing a visitor levy.

The scope of the report is as follows:

1. Carry out comprehensive stakeholder engagement (with people affected by the visitor levy scheme) to promote understanding and collect views to determine the viability of introducing a visitor levy, to inform the design of a scheme if progressed.
2. Explore what advice, support, and information may be required to enable accommodation providers to collect and remit a levy.
3. Investigate the positive and negative impacts of a visitor levy scheme; key visitor scheme design element; objectives of a visitor levy scheme; enquiry into the principles of a potential cruise ship levy and/or motorhome levy as either supplementary or stand-alone policies and analysis risk implementation
4. Consider equalities duties and requirements of the Comhairle nan Eilean Siar under existing legislation.
5. Detailed cost-benefit analysis to include:
 - a) systematic evaluation of the potential costs, benefits and opportunities of a visitor levy, considering impacts on the visitor economy and island communities, to determine how the introduction and administration of a scheme may be feasible;
 - b) analysis conducted in consideration of relevant provisions of the Act and Guidance;
 - c) consideration of social and economic factors emerging through stakeholder engagement activity;
 - d) visitor economy research and development of specified methodology to support comprehensive analysis and robust forecasting;
 - e) evaluation of (but not limited to) the following elements: costs (direct, indirect, intangible and opportunity), economic and social benefits and risks, implications of key scheme design elements (e.g., percentage rate of the levy, exemptions, scheme area), provision of forecasts for: expected revenue receipts, costs for the establishment of a visitor levy scheme, costs for the ongoing administration of a visitor levy scheme, net revenue scenarios, considering different percentage rates and exemptions.
 - f) Identification of possible cost reductions for individual Islands Authorities as well as potential savings achieved through joint implementation and administration of a visitor levy scheme by the Islands Authorities.

The report is set out as follows:

- **Section 1: Overview of the Outer Hebrides Tourism Economy** - This section provides background information on the current state and economic impact of tourism in the Outer Hebrides.
- **Section 2: Background of Visitor Levy Legislation** - Here, we delve into the origins and rationale behind the visitor levy legislation, highlighting case studies across the UK and globally.
- **Section 3: Scottish Legislation on Visitor Levy Schemes** - This section offers an in-depth examination of the specific legislative framework in Scotland for introducing a visitor levy scheme.
- **Section 4: Stakeholder Engagement and Consultation Results** - This section reviews the stakeholder engagement process, summarising the feedback and insights gathered during the consultation and addresses key visitor scheme design element, objectives of a visitor levy scheme (what the levy should be spent on), enquiry into the principles of a potential cruise ship levy and/or motorhome levy as either supplementary or stand-alone policies.
- **Section 5: Advice, support, and information** required to enable accommodation providers to collect and remit a levy.
- **Section 6: Equalities duties and requirements** of the Comhairle nan Eilean Siar
- **Section 7: Cost-Benefit Analysis of the Visitor Levy** - A detailed cost-benefit analysis is presented, evaluating the financial implications of implementing a visitor levy.
- **Section 8: Conclusions – viability of introducing a visitor levy** - Based on the stakeholder feedback and cost-benefit analysis, this section provides well-founded conclusions.

1. Outer Hebrides Tourism Economy

The Outer Hebrides are becoming an increasingly popular tourism destination. However, tourism is highly seasonal and reliant on the capacity of ferry and airline travel to access the islands. This section provides a snapshot of the Outer Hebrides' tourism economy, accommodation providers, and prices.

Outer Hebrides Background

The Outer Hebrides are an archipelago off the north-west coast of Scotland. The largest island in the archipelago is Lewis and Harris, and the largest town, Stornoway, is on Lewis. There are approximately 27,000 residents across 15 inhabited islands.

The Outer Hebrides tourism strategy is set out in the Outlook 2030 strategy document.³ The strategy vision includes: growing sustainable tourism; supporting a vibrant community, stimulating population growth; and enhancing the economic performance of businesses.

The strategy outlines key initiatives to achieve these aims, including:

- The **£100 million Island Deal** from the Scottish and UK Governments, which is supporting the creation of a tourism destination masterplan for the Outer Hebrides and funding for several gateway centres.
- **St. Kilda Centenary** in 2030 will commemorate the 100th anniversary of the evacuation of the islands. The anniversary will raise the profile of St Kilda and the Outer Hebrides, Gaelic culture, and the islands' unique wildlife.
- **Hebridean Way** to promote long-distance walking and cycling and slower, sustainable, tourism within the Outer Hebrides.

Annual Visitor Numbers

In 2023, the Outer Hebrides had 389,100⁴ individual visitors to its islands, up 21.8% from 319,500 in 2022. This represented 1,368,400 total visitor days in 2023, a 19.8% increase from 2022. This has also increased from pre-covid levels, as the Outer Hebrides received 219,000 visitors in 2017.⁵

The visitors to the Outer Hebrides are drawn by its unique heritage and cultural offer, natural landscapes, and adventure tourism.

³ <https://www.visitouterhebrides.co.uk/dbimgs/Outlook2030%20Final%20April%2021.pdf>

⁴ Steam report 2024

⁵ <https://shura.shu.ac.uk/32789/3/Mellon-TransitioningTowardsSustainableTourism%28VoR%29.pdf>

Seasonal variation of visitors

In 2023, the month with the highest number of visitors to the Outer Hebrides was September, which saw 56,010 visitors, this can be seen in Figure 1. Similar to the other Scottish island areas, the months of October to February generally saw the lowest number of visitors.

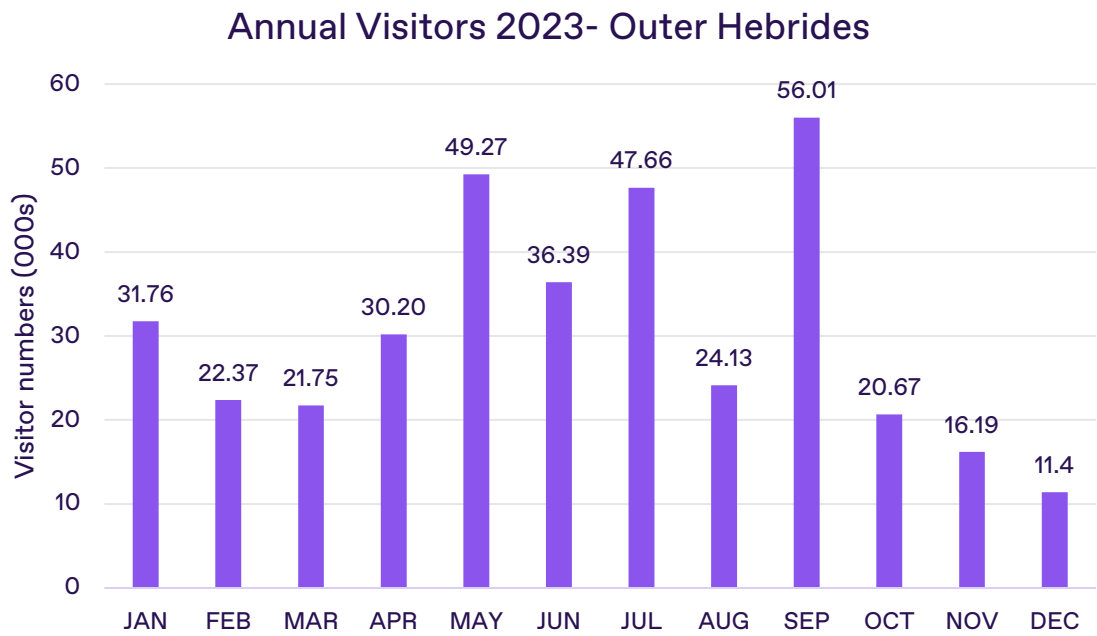


Figure 1: Visitor number (000s) by month 2023, Outer Hebrides [Source: Steam report, Comhairle nan Eilean Siar]

This is similarly reflected in the Airdna data, shown in Figure 2, which records the occupancy rate for accommodations on the Outer Hebrides over the last 3 years.

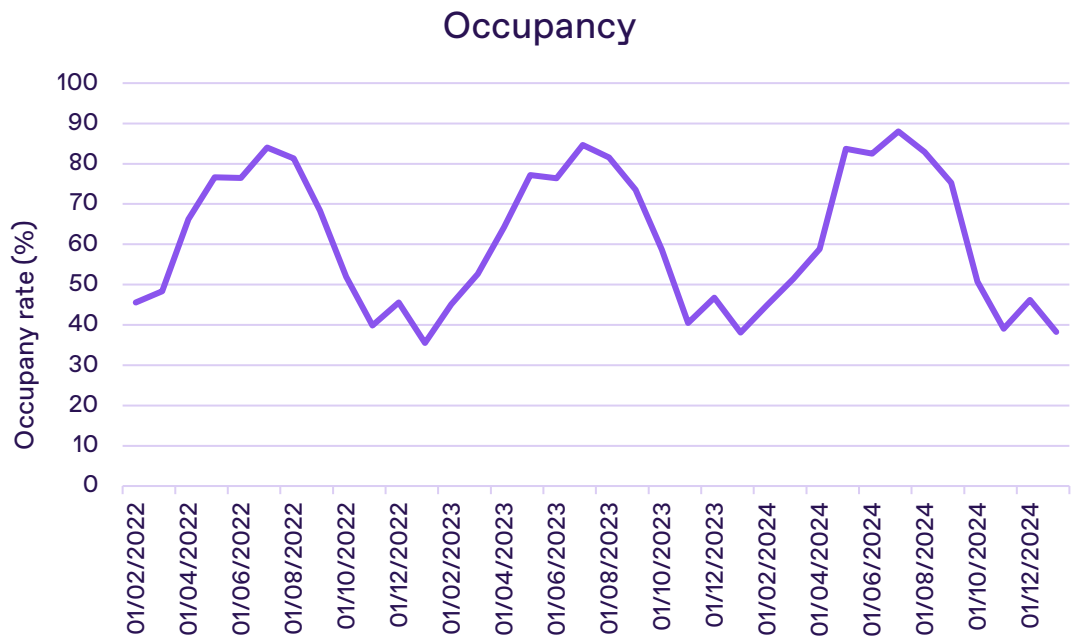


Figure 2: Occupancy rates, Outer Hebrides 2022-2024. [Source: Airdna]

This data shows similar trends, with peak occupancy in the peak tourism season around July-September. The seasonality of the tourism in Outer Hebrides defines the sector, as the majority of visitors and income from tourism will come during these peak months, which should be considered in the development of a visitor levy, should it be taken forward. For example, a potential visitor levy could be applied only during this peak season so as to alleviate pressure on local infrastructure and encourage more consistent year-round tourism. By targeting the peak season, the levy could help manage the influx of visitors and ensure that the revenue generated supports the maintenance and improvement of essential services. This seasonal approach could also provide businesses with the opportunity to benefit from the off-peak months, helping to smooth out seasonal fluctuations in demand and income.

Duration of Stay

According to the Airdna data, visualised in Figure 3, the average length of stay since February 2022 has been 3.8 nights. In 2024, the average length of stay was 3.9 nights. It is important to note that this refers to the average length of stay according to the booking information held by Airdna, and individuals may stay in the Outer Hebrides for a longer period of time in different accommodation providers.

These figures were used in the cost benefit analysis to estimate the revenue from an overnight accommodation visitor levy, as a visitor levy is applied per night.

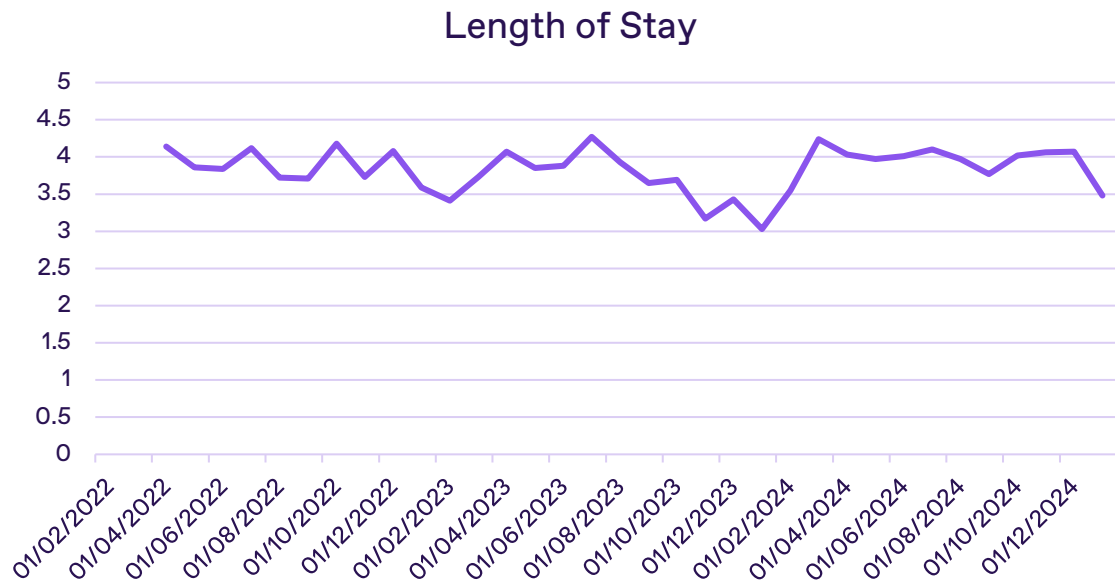


Figure 3: Length of stay, Outer Hebrides [Source: Airdna]

Accommodation Stock

This section analyses Outer Hebrides Tourism (OHT) Accommodation Audit from 2024 and STEAM data provided by the Comhairle nan Eilean Siar. This includes the number of providers and number of rooms/bedspaces for camping, caravanning, and touring sites, guest houses, B&Bs,

hotels, self-catering/serviced apartments and pods/chalets/static caravans, hostels and the sporting estate. This information is summarised in the Table 1 below.

Table 1: Accommodation stock, Outer Hebrides [Source: Outer Hebrides Tourism Accommodation Audit 2024]

Provider Type	Number of providers	Maximum bedspaces
Camping, caravanning, and touring	29	726
Guest houses, B&B, lodges	119	723
Hotels	29	898
Self-catering/serviced apartments	947	4,847
Pods/chalets/static caravans	107	449
Hostels	15	247
Total	1,246	7,890

As can be seen, the majority of the accommodation in the Outer Hebrides are flats and chalets, with guest houses, B&Bs and hotels being the second-most common. Accommodation providers in the Outer Hebrides are mostly small and micro businesses who run self-catering and guesthouses.

Additionally, as shown in Table 2, the majority of accommodation providers and bed spaces are based in Lewis, with Barra having the lowest number of bed spaces.

However, as of March 2025, Comhairle nan Eilean Siar has approved 1,352 short-term let licences, which is a larger number of providers than that recorded in the OHT and STEAM data.

Table 2: Accommodation split by island. [Source: Outer Hebrides Tourism Accommodation Audit 2024]

Accommodation by Island	Number of providers	Maximum bedspaces
Lewis	610	3,676
Harris	237	1,453
Uist	303	2,030
Barra	96	731
Total	1,246	7,890

A visitor levy would only be applicable to certain accommodation types, including hotels, B&Bs, self-catering, and caravanning parks. A visitor levy would not be applicable to motorhomes, caravans outside designated grounds, and wild campers.

Guest houses, B&B, and lodges

There are 119 guest houses, B&Bs and sporting lodges and similar accommodation providers in the Outer Hebrides. Across these providers, this constitutes a total of 351 rooms with 723 bedspaces.

The average price and average occupancy are summarised in Table 3 below.

Table 3: Guest Houses/ B&B/ Lodges average price. [Source: Comhairle nan Eilean Siar]

	Number of rooms	Occupancy	Average cost per Room/Berth per night
Guest houses/B&B/Lodges	351	60%	£91.99

Self-Catering/Short Term Lets

There are 947 self-catering/ short term let accommodation providers in the Outer Hebrides, providing a total of 4,847 bedspaces.

The average price and average occupancy are summarised in Table 4 below.

Table 4: Prices for self-catering/ short term lets. [Source: Comhairle nan Eilean Siar]

	Number of rooms	Occupancy	Average cost per Room/Berth per night
Self-Catering/ Short Term Lets	2,283	61%	£142.85

Hostels

Across the Outer Hebrides, there are 15 hostels, schools, and colleges that provide accommodation. In total, there are 247 bedspaces among these providers. The average price per bed and average occupancy is summarised in Table 5 below.

Table 5: Price of Hostels/ Bunkhouses (beds). [Source: Comhairle nan Eilean Siar]

	Number of rooms	Occupancy	Average cost per bed per night
Hostels	247	40%	£23.66

Camping, caravanning, and touring

Across the 29 camping, touring, and caravanning businesses in the Outer Hebrides, they can accommodate 726 bed spaces. Additionally, there are 107 providers of pods, or caravans or chalets to hire providing 449 bed spaces. In total, these provide 432 rooms, as shown in Table 6 below.

Table 6: Price of camping and pods, caravans or chalet sites in Outer Hebrides. [Source: Comhairle nan Eilean Siar]

	Number of rooms	Occupancy	Average cost per bed per night
Camping (Berths)	299	40%	£20.00
Pods/ Caravans/ Chalets	133	61%	£80

The Visitor Levy (Scotland) Act 2024 states that a levy charge would apply to those staying overnight in campsites, however it excludes the use of a hired or privately-owned campervan where they are not staying overnight in campsites.

Implications for a visitor levy

The prices for accommodation in the Outer Hebrides can vary significantly between accommodation type and season. As the legislation allows for a visitor levy to be charged as a percentage of the accommodation price, this will impact the revenue generated from a potential levy.

For example, a 5% levy charged on an average hotel room costing £167.07 a night would incur a charge of £8.35 per night. In comparison, for a Hostel room costing £23.66 per night, a 5% visitor levy would incur a charge of £1.18 per night.

Inter-Island Travel for Ferry-linked Islands

In the Outer Hebrides, the main ferry operator is Caledonian MacBrayne (CalMac), which plays a crucial role in the area's transport network. CalMac operates a fleet of ferries that connect the Outer Hebrides with the Scottish mainland, as well as providing inter-island ferry services between the various islands within the archipelago. These ferry routes are essential for residents, businesses, and visitors, as they provide the primary means of travel to and from and between the islands. Ferry services connecting to mainland Scotland include:

- Ullapool - Stornoway
- Uig (Isle of Skye) – Tarbet (Isle of Harris)
- Uig (Isle of Skye)- Lochmaddy (North Uist)
- Oban – Castlebay (Isle of Barra)
- Mallaig – Lochboisdale (South Uist)

Inter-island routes include:

- Bernery (North Uist) – Leverburgh (Isle of Harris)
- Eriksay to Ardmhor (Isle of Barra)

In addition to ferry services, the Outer Hebrides are served by air travel, providing essential connectivity for residents, businesses, and visitors. Loganair, Scotland's largest regional airline, operates scheduled flights from Glasgow, Edinburgh, and Inverness to Stornoway (Lewis), Benbecula (Uists), and Barra. These flights are crucial for both tourism and essential services, such as healthcare and education. Notably, Barra Airport features a unique beach runway, where flights land and take off directly from the sands, tide permitting.

Hebridean Air Services, a smaller operator, offers scheduled flights connecting Stornoway and Benbecula. These routes are vital for inter-island travel and are subsidised by Comhairle nan Eilean Siar to ensure year-round accessibility.

Additionally, the Air Discount Scheme provides residents of the Outer Hebrides with a 50% discount on mainland air fares, aiming to reduce travel costs and improve social inclusion in these remote communities for leisure travel only.

The Outer Hebrides are only accessible to tourists by ferry and aeroplane. However, the main island of Lewis and Harris is the best connected and receives the most visitors. The legislation permits the visitor levy to be applied to all, or some parts of the local authority area. As a result, more peripheral ferry-linked isles could be exempt from a potential visitor levy as an example, in an effort to boost tourism to these areas.

Spend Data

The Council estimated that in 2023, the total expenditure of visitors to the islands was £75.95 million. This figure is almost a 20% increase from £63.40 million in 2022. The total economic impact of visitors was estimated to be £93.23 million in 2023, which also saw significant growth from 2022 (£73.01 million). This may be due to increase in visitor numbers seen over this period and Covid-19 recovery, however, definitive data is not available.

Tourism is a significant contributor to the Outer Hebrides' economy, with visitor spend increasing over the last few years. Introducing a visitor levy may affect visitor numbers and visitor spend elsewhere in the economy, and these further impacts on the visitor economy should be fully considered when making the decision to implement a visitor levy.

Key Findings

Tourism in the Outer Hebrides is growing, with over 389,000 visitors in 2023 — up 21.8% from 2022 — and a total economic impact of £93 million. The sector is highly seasonal, with most visits and accommodation occupancy concentrated between July and September. Accommodation is dominated by small-scale self-catering providers, with 1,246 businesses offering around 7,900 bedspaces, mostly located in Lewis and Harris. The average visitor stay is 3.9 nights, and prices vary widely across accommodation types. Key transport access is limited to ferry and air routes, creating natural capacity constraints that should also inform levy design.

The Visitor Levy (Scotland) Act 2024 allows for local discretion on where and when a levy is applied and this local context is central to the design of a visitor levy.

2. Visitor Levies

What is a visitor levy?

A visitor levy, sometimes known as ‘tourist tax’, is a charge applied to overnight visitors to a local area. Such a levy aims to enable visitor contributions toward sustainable tourism without deterring travellers.

The Visitor Levy (Scotland) Act 2024 provides local authorities in Scotland with discretionary powers to introduce a percentage rate charge on visitors staying in certain overnight accommodation. This levy can be applied to various types of accommodation, including hotels, bed and breakfasts, and holiday cottages. The funds collected from the levy are intended to support local services and infrastructure, enhancing the overall visitor experience and benefiting the community.

Examples of Visitor Levies Elsewhere in the UK

In Scotland, Edinburgh is expected to implement the first visitor levy in 2026, whilst in 2023, Manchester was the first city in the UK to implement a visitor levy. Plans to introduce them in other places in the coming years are underway.

CASE STUDY 1

Edinburgh Visitor Levy

In Edinburgh, a 5% tariff on overnight stays was approved in 2023 and is expected to be implemented in 2026. This levy will be collected by accommodation providers and remitted to the city council. The primary goal of this levy is to generate revenue for tourism and infrastructure services, particularly amidst tightening public sector budgets.⁶

The funds collected from the levy will be directed towards upgrading the infrastructure that is put under strain due to the high number of visitors. This includes improvements to public transport, maintenance of tourist attractions, and enhancement of public spaces, ensuring that both residents and visitors benefit from a well-maintained city.

However, the tourism industry is concerned about the impact of the levy on visitor numbers. Industry stakeholders worry that the additional cost might deter tourists from choosing Edinburgh as their destination. Despite these concerns, the city council believes that the levy will provide much-needed funds to support the city’s infrastructure and tourism services.

⁶ <https://tinyurl.com/4vze25fk>

CASE STUDY 2

Manchester Visitor Levy

In Manchester, a tourist tax known as the City Visitor Charge was introduced in April 2023. This tax is a £1 charge per night added to the cost of a room, applicable to visitors staying in hotels or apartments within the city centre. The levy is managed by the Manchester Accommodation Business Improvement District (BID), which aims to support the future growth of the visitor economy and ensure high performance for accommodation providers across the city.⁷

The funds generated from this levy are expected to raise up to £3 million per year. These revenues will be invested in improving the city's tourist offerings and infrastructure, including the development of new visitor attractions and the maintenance of existing ones. This initiative is designed to enhance the overall visitor experience and support the city's vibrant tourism sector.

There was initial resistance from the hospitality industry, which was concerned about the potential impact on visitor numbers. However, digital platforms, such as Airbnb, have been involved in collecting and remitting the tax, helping to streamline the process and increase compliance.

Examples of Visitor Levies from Around the World

Many Cities around the world have already implemented visitor levies or tourist taxes in an effort to support local tourism and infrastructure.

CASE STUDY 3

Paris Visitor Levy

In Paris, the visitor levy is a charge per person per night, with the rate varying by the star rating of the hotel. For instance, 5-star rated accommodations have a nightly charge of €11.38, while 2-star rated accommodations have a nightly charge of €3.25⁸. This tiered pricing structure ensures that the levy is proportionate to the level of service and luxury provided by the accommodation. Those awaiting classification or without classification, pay a 5% levy on the cost of the night excluding tax with a ceiling of €15.60.

To address compliance issues among diverse accommodation providers, especially short-term rentals, Paris requires platforms such as Airbnb to collect and remit tourist taxes on behalf of these providers. This approach has streamlined revenue gathering and significantly increased compliance, as it simplifies the process for both the accommodation providers and the

⁷ <https://www.accountingweb.co.uk/business/finance-strategy/manchester-acts-as-trailblazer-for-tourist-tax>

⁸ <https://parisjetaime.com/eng/article/tourist-tax>

authorities. By leveraging digital platforms for tax collection, Paris's strategy has aimed to minimise the administrative burden on individual providers and therefore ensure a more consistent and reliable flow of revenue.

Revenues from occupancy charges are loosely allocated to tourism or cultural investment, supporting various initiatives that enhance the city's appeal to visitors. However, concerns have been raised by hoteliers over the impact of the tax on the cities competitiveness and reputation, particularly in light of the 200% increase in 2024 in advance of the city's hosting of the Olympic games.

CASE STUDY 4

Berlin Visitor Levy

In Berlin, the visitor levy, known as the City Tax, is set at 5 percent of the net room rate, which is the room rate excluding VAT and fees for services. This tax is capped at 21 successive days, ensuring that long-term visitors are not overly burdened. Business travellers are exempt from the tax but must provide documentation to prove the purpose of their trip.⁹

Accommodation establishments are responsible for collecting the tax and submitting it to the tax authorities. This process includes distinguishing between leisure and business travellers, which initially faced resistance from the hospitality industry due to the administrative burden. However, clear guidelines and exemptions have been established to address these concerns, allowing business travellers to be exempted upon presenting appropriate documentation.

The revenue generated from the City Tax is directed towards tourism marketing, cultural projects, and city infrastructure improvements. These funds have supported numerous initiatives that enhance Berlin's appeal as a tourist destination, including the maintenance and development of cultural sites, funding for events, and improvements to city infrastructure.

CASE STUDY 5

Anguilla Island

Anguilla is a British Overseas Territory in the Caribbean who have an accommodation tax, charged at 10% to the visitor and collected by the proprietor of the hotel or the owner of the rented accommodation. Furthermore, the government charges a tourism marketing levy whereby the proprietor or owner of the rented accommodation collects \$3 per night for each room rented from the guest. The owner is required to match the guest's contribution.

Anguilla's tourist tax revenue is primarily used to fund public services and infrastructure, and to address the environmental impact of tourism. It also aims to spread the tax burden more evenly and support public debt. The revenue generated from this tax contributes to the overall economic stability and well-being of the island.

⁹ <https://tinyurl.com/4vze25fk>

British Virgin Islands

The British Virgin Islands, part of a volcanic archipelago in the Caribbean, is a British overseas territory. According to the government Central Statistics office, total tourism arrivals surged to 1,092,139 in 2024. This is impressive considering their population of 38,985.

If you arrive by air or sea, you must pay an environmental and tourism levy of 10 US dollars on arrival. There is a departure tax of 50 US dollars for all passengers, to be paid when leaving the BVI by air. This consists of:

- 15 dollars departure tax
- 5 dollars security charge departure tax
- 30 dollars airport development fee

Funds generated will be used to protect the Territory's environment; and will be applied towards activities related to environmental protection and improvement, minimising climate change, maintaining and developing tourism sites, and other tourism activities.

3. Scottish Legislation and Parameters

Legislation Governing Visitor Levies in Scotland

The following information has been taken from the Scottish Government's "Guidance on the Visitor Levy for local authorities"¹⁰ and has been summarised to provide increased clarity on the scheme and the legislation around it.

The Visitor Levy (Scotland) Act 2024, passed by the Scottish Parliament in May 2024 and receiving Royal Assent on July 5, 2024, grants local authorities in Scotland the power to introduce a visitor levy on overnight stays within their jurisdictions. This legislation allows local councils to set a percentage rate charge on various types of accommodation, including hotels, hostels, guest houses, bed and breakfasts, self-catering units, camping sites, and caravan parks. The primary aim of the levy is to generate revenue that can be reinvested into local tourism and infrastructure services, ensuring sustainable tourism development.

Under the Act, local authorities have the discretion to decide whether or not to introduce a visitor levy scheme after consulting with local businesses, communities, and tourism organisations. The

¹⁰ <https://www.visitscotland.org/binaries/content/assets/dot-org/pdf/supporting-your-business/guidance-on-the-visitor-levy-for-local-authorities.pdf>

Act specifies that the levy is charged on the purchase of overnight accommodation at a percentage rate determined by the local authority. The types of accommodation covered by the legislation include hotels, hostels, guest houses, bed and breakfasts, self-catering units, camping sites, caravan parks, and other similar accommodations. However, the levy does not apply to accommodation used as someone's only or usual place of residence, or to accommodation on local authority gypsy and traveller sites, and registered social landlord gypsy and traveller sites.

Councils are required to determine the following in their visitor levy proposals:

- The geographical area covered by the Visitor Levy scheme.
- The date on which the Visitor Levy scheme comes into force.
- The period during which the Visitor Levy scheme will be active.
- The times when the purchase of accommodation will be liable to a visitor levy charge.
- The percentage rate of the visitor levy.
- The scheme's objectives.
- The arrangements for reviewing decisions related to the scheme.
- Any exemptions from the visitor levy, including those for visitors in receipt of specified disability benefits.
- The administration of exemptions.
- The evidence required to prove eligibility for exemptions.
- The decision-making process for the use of net proceeds from the visitor levy.
- Whether the visitor levy is payable for accommodation with an annual turnover below the VAT threshold.

Forecasting and Implementation

Forecasting revenue from a visitor levy is crucial for understanding the viability of introducing such a levy. Local authorities are encouraged to estimate expected receipts from accommodation providers and consider factors such as exemptions, geographical coverage, and the percentage rate of the charge. The administrative costs of implementing a visitor levy scheme can be covered by the funds raised through the levy.

The implementation period for a visitor levy scheme must be at least 18 months, allowing local authorities, communities, and businesses to prepare for the introduction of the levy. During this period, local authorities should engage with key stakeholders, including accommodation providers, to ensure they are well-informed about the upcoming changes and their responsibilities.

Consultation and Engagement

The Act requires local authorities to consult with representatives of communities, businesses engaged in tourism, and local tourist organisations before introducing a visitor levy scheme. This consultation process should include an outline of the proposed scheme, a statement of the scheme's objectives, an assessment of the impacts, and details of any exemptions. The consultation period is typically 12 weeks, and local authorities must publish a report summarising the responses and their decision on whether to proceed with the scheme.

Use of Funds

The net proceeds from the visitor levy must be used to support the objectives of the visitor levy scheme, which include developing, supporting, and sustaining facilities and services for visitors. Local authorities must consult with stakeholders on the use of the funds and ensure that the funds are used in line with local tourism strategies and other relevant strategies. The funds can be used for a variety of purposes, including maintaining and improving tourist attractions, funding cultural events, and enhancing infrastructure.

Compliance and Enforcement

Local authorities have the power to enforce compliance with the visitor levy scheme, including obtaining information and documents from liable persons, inspecting premises, and imposing penalties for non-compliance. The Act provides local authorities with the ability to delegate collection and enforcement functions to third parties. Accommodation providers are responsible for collecting the levy from visitors and remitting it to the local authority.

Annual Reporting and Review

Local authorities must prepare an annual report on the visitor levy scheme, detailing the amount of money collected, how the net proceeds have been used, and the performance of the scheme in relation to its objectives. The first review of the visitor levy scheme must be carried out within three years of its implementation, with subsequent reviews every three years. These reviews should assess the scheme's performance, its impact on businesses and communities, and the use of funds.

Visitor Levy Forum

Local authorities introducing a visitor levy scheme are required to establish a Visitor Levy Forum within six months of the decision to implement the scheme. The Forum provides advice to the local authority on the operation of the visitor levy scheme and must include representatives from communities, businesses engaged in tourism, and tourist organisations. The Forum plays a crucial role in ensuring ongoing engagement with stakeholders and advising on the use of funds.

Exemptions

Certain groups are exempt from paying the visitor levy, including those using accommodation as their only or primary residence, individuals in receipt of specified disability benefits, and those staying on dedicated gypsy/traveller sites. Local authorities can also introduce local exemptions and must outline the process for administering these exemptions.

Visitor Levy Scheme Exemptions and Exclusions

The Visitor Levy (Scotland) Act 2024 outlines various exemptions and restrictions to ensure the levy is applied fairly and transparently. These provisions help local authorities tailor the levy to their specific needs and circumstances while safeguarding certain groups and accommodation types from the charge. Table 7 summarises the key exemptions and restrictions currently in place for the visitor levy scheme.

Table 7: Current exemptions to a visitor levy scheme

Exemption	Details
Individuals who use overnight accommodation as their only or primary residence.	Homeless or at risk of homelessness.
	Very poor housing conditions (such as overcrowding, serious damp or disrepair).
	Experiencing domestic abuse or other forms of violence.
	Someone’s residence being unfit for habitation.
	Someone being an asylum seeker or refugee.
	Someone staying on a dedicated gypsy/traveller site run by a local authority or a registered social landlord.
Those in receipt of specified disability benefits, payments, or allowances.	Disability Living Allowance.
	Disability Assistance.
	Attendance Allowance.
	Pension Age Disability Benefit.
	Personal Independence Payment.

Those who are residing overnight in vehicles or on board vessels that are undertaking a journey involving one or more overnight stops.	The provision of a cabin on a ferry or cruise ship, unless the vessel is permanently moored.
	The provision of a cabin on an overnight sleeper train.
	Use of a hired or privately-owned campervan or motorhome where they are not staying overnight in campsites.

Future Levy Options

As local authorities explore various methods to generate revenue for tourism and infrastructure services, several levy options are being considered but are not yet within the scope of current legislation. The following section provides an overview of these potential levy options and their current status.

Cruise Ship Levy

The cruise ship levy involves imposing a charge on either the number of passengers disembarking the cruise ship or tonnage of the vessel, to generate revenue for local infrastructure and tourism services. This type of levy aims to ensure that cruise visitors contribute to the maintenance and enhancement of the destinations they visit, thereby supporting sustainable tourism. The funds collected can be used for various purposes, including improving tourist attractions, funding cultural events, and maintaining public spaces.

The Scottish Government is currently exploring the possibility of granting local authorities the power to impose a levy on cruise ships that visit their areas. A consultation was launched in February 2025 to gather views on the practicalities of implementing such a levy, as well as its potential market implications and effects on local economies and communities. The consultation seeks input from various stakeholders, including the cruise ship industry, local government, and the public. The Scottish Government has emphasised the importance of hearing from a wide range of voices to inform its decision on whether to proceed with legislation.

Whilst the idea has garnered support from some local councils, such as Orkney Islands Council ¹¹, which sees potential in raising significant funds through a modest levy on passengers, there is also resistance from the cruise industry, concerned about the potential impact on tourism. The outcome of the consultation will play a crucial role in determining the future of the cruise levy in Scotland.

¹¹ <https://www.orkney.gov.uk/latest-news/council-backs-cruise-ship-levy/>

Point of entry levy

As part of the Cruise Ship Levy consultation, the Scottish Government has proposed the potential for an alternative ‘point of entry levy’ for council areas with islands. This levy would be collected by transport operators at entry points such as airports, seaports, and other transport hubs, rather than being imposed directly on accommodation providers. The goal is to generate revenue that can be reinvested into local infrastructure and tourism services, ensuring that visitors contribute to the upkeep and enhancement of the destinations they visit.

The point of entry levy was strongly advocated for by island councils and many local tourism stakeholders through the initial consultation on a Visitor Levy in 2018 to address exemptions for those traveling within the islands for work, health, and family reasons, and to ensure that the levy is collected in a straightforward manner, with less administrative burden on accommodation providers and a fairer distribution of the tax burden across all visitors.¹²

Flat rate levy

A flat rate levy involves charging a fixed fee per night or per stay, regardless of the type or cost of accommodation. This approach aims to simplify the collection process and ensure that all visitors contribute equally when they visit.

While the concept of a flat rate levy has been discussed, it is not currently permitted under the existing Visitor Levy (Scotland) Act 2024, which opted for a percentage-based levy instead. The percentage-based levy allows local authorities to set a rate based on the cost of accommodation, ensuring that the levy is proportionate to the level of service and luxury provided. However, there have been calls from various stakeholders, including business leaders in regions like the Highlands,¹³ to consider a flat rate tourist tax.

The idea of a flat rate levy is seen as a way to simplify the administrative process for accommodation providers and ensure a consistent contribution from all visitors. It also addresses concerns about the impact of a percentage-based levy on lower-cost accommodations and the potential burden on small businesses. Stakeholders continue to advocate for its inclusion in future legislative frameworks.

In the Scottish Tourism Alliance’s paper, *‘Strengthening Scotland’s Visitor Levy’* the STA has requested that the Scottish Government pause the Act’s implementation for six months to give time to consult stakeholders on the transition to a flat fee banded model, amongst other topics.

Direct payment systems for the levy

The legislation instructs accommodation providers to collect the levy on behalf of Councils. However, many small accommodation providers believe they do not have the administrative or technical capacity to collect the levy on behalf of Councils. The Scottish Tourism Alliance is

¹² <https://thehighlandtimes.com/mcarthur-supports-calls-for-a-point-of-entry-visitor-levy/>

¹³ <https://www.northern-times.co.uk/news/calls-for-flat-rate-tourist-tax-made-as-business-leaders-uni-375611/>

advocating for an assessment of the technical and user experience feasibility of direct payment systems such as a QR-code based guest payment system, that builds on international best practice.

4. Stakeholder Engagement

A comprehensive stakeholder engagement programme was key to gathering views on the potential visitor levy, what form it should take and to understand the impacts on local residents, visitors and businesses. A special focus was given to engaging with accommodation providers to understand the operational implications and support needed for levy collection and remittance.

A mixed methods approach was used to investigate the attitudes towards a potential visitor levy on overnight accommodation among local residents, visitors and businesses. The methods used are outlined below and ran across the engagement period from January 2025 to March 2025:

Public engagement sessions (online and in-person)

Four public engagement sessions were held for the Outer Hebrides, two online and two in-person:

- In-person on 17/03/2025, Benbecula, 28 attendees including 19 separate organisations/providers.
- In-person on 19/03/2025, Stornoway, 19 attendees including 6 separate organisations, and 10 accommodation providers.
- Online on 19/03/2025, 8 attendees.
- Online on 20/03/2025, 8 attendees.

These sessions were held in the evening to maximise the opportunity to participate in the engagement programme.

The sessions centred around the key questions outlined in Table 8:

Table 8: Engagement session questions

Key engagement session questions
<ol style="list-style-type: none">1. How would a visitor levy impact you and your community negatively?2. How would a visitor levy impact you and your community positively?3. How should the money be spent if a visitor levy was introduced?4. How can we fund the local visitor economy without a visitor levy?

There was also an opportunity for 1-1 discussions with facilitators at the end of the session. The insights gained from these discussions have been incorporated into the results alongside the survey insights in the following sections.

Key stakeholder roundtables and interviews

A roundtable discussion was held in Stornoway Town Hall on the 19th March with key stakeholders, including tourism linked businesses and sector representatives from 10 different organisations were present, detailed in Table 9 below.

Table 9: Roundtable attendees

Organisation	
→ Stornoway Port Authority	→ Highlands and Islands Airports Ltd (HIAL) - SYA Airport
→ Galson Estate Trust	→ Visit Scotland
→ Barvas Estate Trust	→ Uig Sands
→ North Harris Trust	→ Western Isles Tour Guide Association
→ UHI North, West & Hebrides (UHI NWH)	
→ Cala Hotels	

Additionally, one-to-one semi-structured interviews were conducted across the engagement period. The full list of stakeholders interviewed can be found in Appendix 3.

These interviews were offered to those unable to attend the roundtables, as well as to the ‘early adopter’ Local Authorities who are at different stages in the process of implementing a visitor levy. Some of the information gathered at these discussions had been used to inform the analysis for example, Edinburgh City Council return 2% of the levy collected to accommodation providers, and this is included as an option in the CBA to ease the financial burden of Outer Hebrides accommodation providers administering the levy, whilst the experience of Argyll and Bute Council’s stakeholder engagement was used to inform the stakeholder engagement format of this study.

The interviews were semi-structured around the following questions to guide discussion:

Table 10: Semi-structured interview questions

Semi-structure interview questions:
1. What are your overall views on the introduction of a visitor levy in your area?
2. What do you see as the potential benefits and drawbacks of a visitor levy?
3. How do you think a visitor levy would impact small or seasonal accommodation providers?
4. What type of levy model do you think would be most appropriate—fixed rate, percentage, or point-of-entry? Why?
5. What are your thoughts on how the levy should be administered and collected?
6. How should the income from a visitor levy be spent to benefit your local area or community?
7. What exemptions or reliefs do you think should apply under a visitor levy scheme?
8. What support do you think local authorities or government should provide to help businesses comply with the levy?

9. How should communication and engagement be handled around the visitor levy to build public trust and understanding?
10. Do you think there are alternative ways to raise funds for tourism infrastructure without a visitor levy?

Survey

A survey was disseminated jointly for the Outer Hebrides as well as Orkney and Shetland. The survey targeted residents, businesses, and visitors. The survey included a mixture of quantitative and qualitative questions with branching to additional questions for visitors and businesses and can be viewed in Appendix 1.

The survey was shared through social media posts, local news, digital information boards in council run spaces and the survey link was also shared with attendees at the public engagement events. The survey collected responses from 07 March 2025 to 11 April 2025. In total there were 176 responses for Outer Hebrides, out of a total of 1,302 responses across Orkney, Shetland and the Outer Hebrides.

Responses from the survey were analysed using inductive coding for each section. The same coding was used for responses from all three local authorities. Where relevant, breakdowns have been provided for differences in responses between residents, visitors and business type.

Email correspondence

Alongside the survey, an email address¹⁴ was set up for the project for people to submit questions in advance of the public engagement events or share additional thoughts. We received 3 emails from Outer Hebrides stakeholders, predominantly businesses in the tourism sector, and an additional 2 emails from national organisations regarding impacts across Outer Hebrides, Orkney and Shetland. Supporting documents and additional comments submitted via email have been incorporated into a summary section below.

¹⁴ visitorlevy@urbanforesight.com

Results

Survey

The following section outlines the results of the stakeholder survey which was part of the comprehensive engagement programme. Each question has been given its own section and number and has been disaggregated and analysed to provide in-depth information and insight.

The survey branched out to give businesses the opportunity to answer more business specific questions about the feasibility of a visitor levy. The same opportunity was given to visitors to answer specific questions.

The flow of the analysis follows the branching of the survey. This section proceeds as follows:

- General survey questions (All respondents).
 - Question number 1 - 2.
- Visitor survey questions (Visitors only)
 - Question number 3 – 8.
- Business survey questions (Business only)
 - Question number 9 – 12.
- General survey questions (All respondents)
 - Question number 12 -19.

General survey questions (All respondents)

1/Are you a:

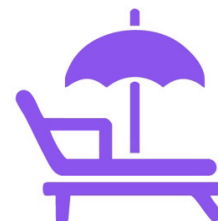
Survey respondents were asked to identify whether they were a business, visitor or resident.



70
local residents



74
businesses



32
visitors

In total, there were 176 responses that indicated they were either residents, businesses operating in the Outer Hebrides, or visitors who had recently visited the Outer Hebrides. 70 respondents were residents, making up 40% of the total respondents.

32 of the survey respondents were visitors, making up 18% of the total respondents.

74 respondents indicated they were businesses, making up the remaining 42%. The location of the businesses and their operational sector will be disaggregated and explored in further detail in the business specific questions below.

2/ Where are you based?

All respondents were asked to identify where in the Outer Hebrides they considered themselves to be based. As shown in Table 11, the vast majority of respondents (n=65, 37%) who replied to this question are based on Lewis and Harris while the next nearest number of respondents (n=28, 16%) are based on North Uist/ Berneray / Benbecula / South Uist.

Table 11: Where are you based?

Location	Count	Percentage
Barra and Vatersay	7	4%
Lewis/ Harris	65	37%
North Uist/ Berneray / Benbecula / South Uist	28	16%
Outer Hebrides and Orkney	5	3%
Outer Hebrides	13	7%
Outer Hebrides and Shetland	1	1%
Campsites throughout Scotland	1	1%
Did not respond	56	32%

Disaggregated analysis

As Figure 4, shows, the majority of residents who responded to this question identified themselves as being based in Lewis/ Harris (n=51, 73%).

Of the businesses, 19% (n=14) responded based on Lewis/ Harris, while 16% (n=12) responded North Uist/ Berneray / Benbecula / South Uist. One business (1%) responded as being based in campsites throughout Scotland, which presumably includes the Outer Hebrides.

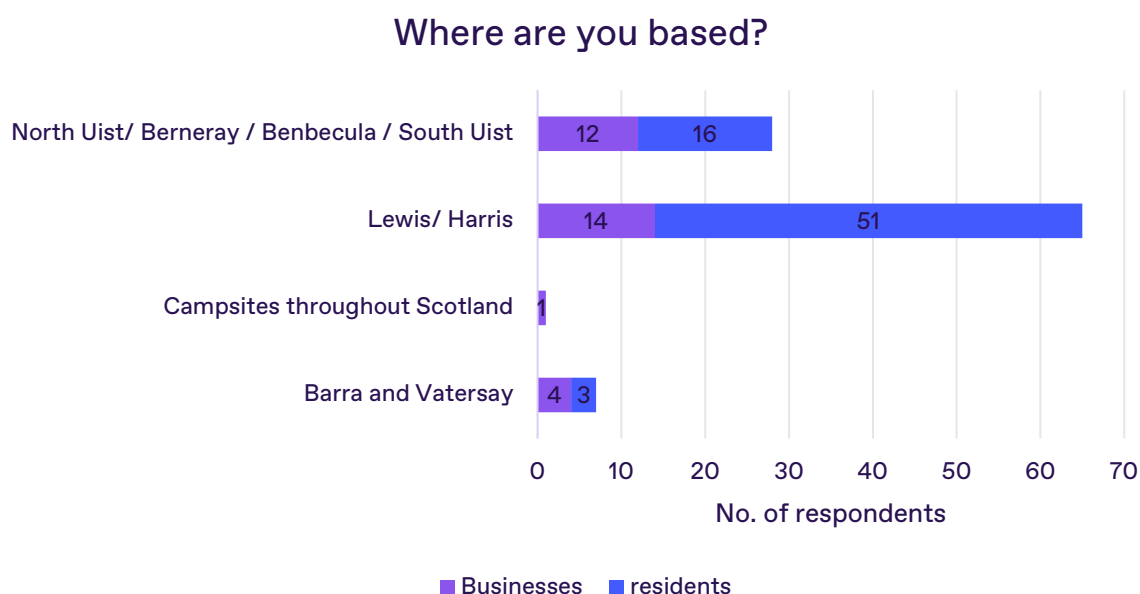


Figure 4: Where are you from - disaggregated

Visitor-specific questions (Visitors only)

3/ Which of the following locations did you visit on your most recent trip?

Visitors were asked to identify where they had been on their trip, given options of the Outer Hebrides, Shetland, and Orkney. The question allowed the respondent to select multiple answers. The results are shown in Table 12.

Table 12: Which of the following locations did you visit on your trip?

Location(s)	Count	Percent
Outer Hebrides	23	72%
Outer Hebrides and Orkney	7	22%
Outer Hebrides and Shetland	1	3%
Outer Hebrides, Orkney, and Shetland	1	3%

The data in Table 12 indicates that the Outer Hebrides formed the core destination for the majority of visitor respondents, with all survey participants including it in their itinerary. Most (72%) visited the Outer Hebrides exclusively, while a smaller proportion combined their visit with other island groups. Specifically, 22% of respondents also visited Orkney, either in addition to or alongside the Outer Hebrides and Shetland. Just 3% reported visiting both the Outer Hebrides and Shetland, and another 3% visited all three island groups. These results suggest that while the Outer Hebrides is a primary draw, there is a degree of cross-island tourism, particularly between the Outer Hebrides and Orkney.

4/ How long did you stay?

This question was asked to gain a better understanding of how long visitors stay on average and therefore help inform how long certain types of visitor levies might affect this group. This is represented in Figure 5 below.

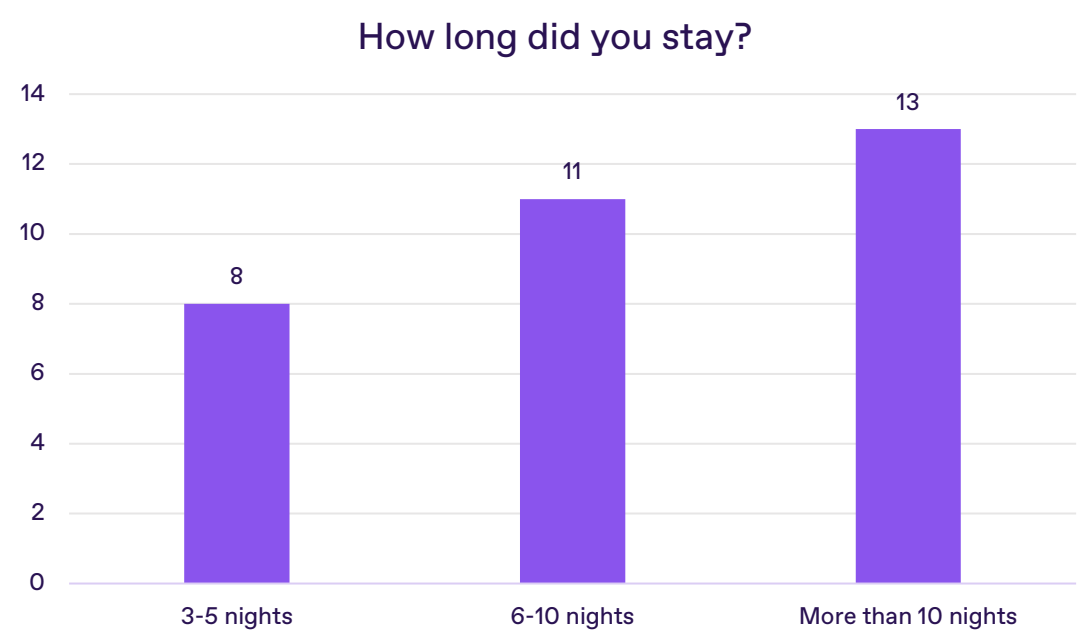


Figure 5: How long did you stay?

How long did you stay	Percentage of respondents
3-5 nights	25%
6-10 nights	34%
More than 10 nights	41%

Figure 6: Length of stay as a percentage of visitors who answered the question (all)

The most common length of stay was more than 10 nights, accounting for 41% of all respondents. This suggests that a significant proportion of visitors are undertaking extended trips, which may reflect the travel time and cost required to reach the islands, as well as the appeal of exploring multiple destinations during a single visit.

A further 34% of visitors stayed between 6 and 10 nights, while only 25% stayed for 3–5 nights.

These findings imply that the typical visitor is staying for at least a week, with relatively few opting for short breaks. This has important implications for any visitor levy design — for example, per-night charges could have a greater financial impact on long-stay visitors, whereas flat-rate or capped systems might better balance revenue generation with perceived fairness. The data also suggests that long-stay tourism may be a defining feature of the visitor profile in this region and should be supported accordingly in policy and infrastructure planning.

Disaggregated destination and length:

Figure 7 shows a disaggregation of visit destination and visit length.

Disaggregated destination and visit length

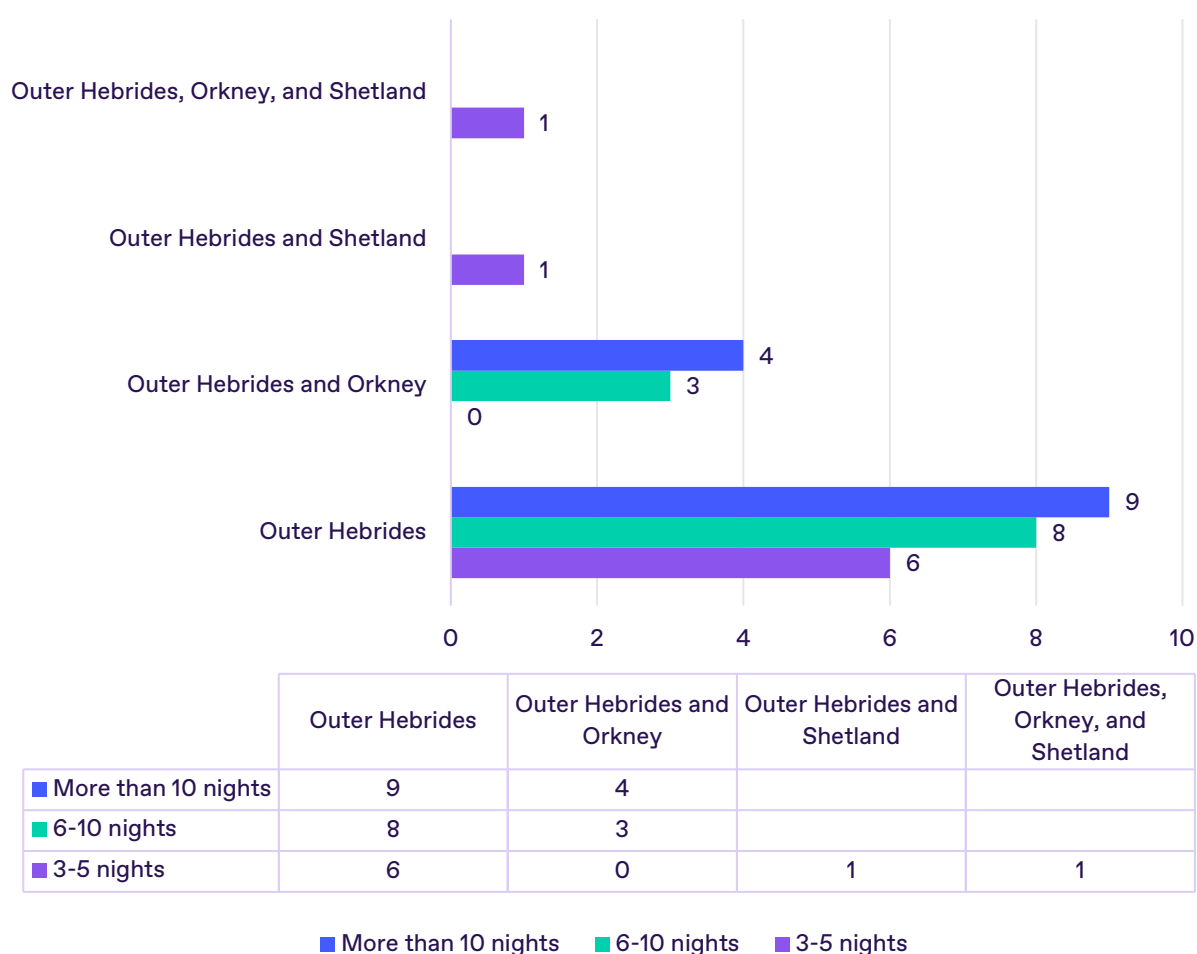


Figure 7: Disaggregated destination and visit length

This disaggregated view reveals some important patterns:

- Visitors who stayed only in the Outer Hebrides were spread fairly evenly across trip durations, with 6 respondents staying 3–5 nights, 8 staying 6–10 nights, and 9 staying more than 10 nights.
- Those who visited both the Outer Hebrides and Orkney tended to stay for longer periods, with 3 respondents (13%) staying 6–10 nights and 4 respondents (17%) staying more than 10 nights.
- Visitors who combined the Outer Hebrides and Shetland, or visited all three island groups, were few in number, but all reported shorter stays of 3–5 nights (n=1 in each case).
- No respondents who visited multiple islands reported stays of fewer than 3 nights, reinforcing the view that short breaks are rare in this region.

These findings indicate that visitors combining multiple island destinations are more likely to stay for extended periods, particularly when the trip includes Orkney. While the sample for those visiting Outer Hebrides is small, it appears that adding more remote or logistically complex destinations may reduce overall trip length. These trends are significant when considering a

visitor levy, as multi-island, long-stay travellers may face higher cumulative costs — suggesting that careful consideration of fairness and value across different visitor types will be important.

5/ What was the main type of accommodation you used?

Visitors were asked what type of accommodation they mainly used during their trip. Understanding accommodation choices is important for assessing how different visitor groups might be impacted by a visitor levy, particularly where levy collection could be linked to accommodation providers. This data is displayed in Table 13 below.

Table 13: Type of accommodation

Type of accommodation	Count of respondents	Percentage
All the above	1	3%
Bed and breakfast or guesthouse	6	19%
Campsite or caravan park	7	22%
Hotel	1	3%
Self-catering (Airbnb, cottage, etc)	16	50%
Staying with friends or family	1	3%
Grand Total	32	100%

The most common type of accommodation used by visitors was self-catering (e.g. Airbnb, cottages), selected by 50% (n=16) of respondents. This indicates a preference for independent stays that offer flexibility and potentially lower costs for longer visits. Campsites and caravan parks were the second most popular choice, used by 22% (n=7) of respondents, suggesting that outdoor and budget-conscious travel options are also significant. Traditional serviced accommodation—such as bed and breakfasts or guesthouses—was used by 19% (n=6) of respondents, while hotels were used by just one respondent (3%), indicating limited use of more formal accommodation options. A small number of visitors (3%) stayed with friends or family, and one respondent selected "All of the above," suggesting they used multiple types of accommodation during their trip.

These findings highlight that most visitors are not relying on high-end or formal accommodation, but rather opting for self-managed or flexible options. This has potential implications for how a visitor levy might be collected—particularly if it is tied to accommodation type—as the majority of overnight stays may fall outside traditional hotel or B&B settings. Ensuring equitable and practical levy collection across a dispersed and varied accommodation sector will be key.

6/ How did you travel to Orkney, Shetland, or the Outer Hebrides?

- 84% (n=27) of respondents used a ferry.
- 16% (n=5) of respondents used a plane.

7/ How did you hear about the destination(s)?

The top three most selected options were:

- Social media: 9 respondents (28%).
- Travel website/ blog: 7 respondents (22%).
- Word of mouth: 4 respondents (13%).

8/ How likely are you to visit again if a levy is introduced? Please provide the reason(s) for your answer.

Visitors responding to the survey were asked ‘How likely are you to visit again if a levy is introduced?’. A majority of 56% (n=18) said that they sound be ‘very likely’ to return regardless of a levy. 22% of visitors who responded stated that they were ‘unlikely’ (n=4, 13%) or ‘very unlikely’ (n=3, 9%) to return. These figures are represented in Table 14 below. One respondent did not answer this question.

Table 14: How likely are you to visit again if a visitor levy is introduced?

How likely are you to visit again if a levy is introduced?	Count of respondents	Percentage
Don't know	1	3%
Neutral	1	3%
Somewhat likely	4	13%
Unlikely	4	13%
Very likely	18	56%
Very unlikely	3	9%
Did not respond	1	3%

Those who were hesitant highlighted the already high costs associated with travelling to and staying in the Outer Hebrides, noting that any further price increases could make the destination less competitive compared to alternatives:

“Holiday accommodation and travelling to the Outer Hebrides is already more expensive and an increase in cost would make me look elsewhere.” – Visitor

Whilst this is the minority view in this investigation, it suggests potentially 22% of visitors may consider not returning as a result of the visitor levy.

However, many visitors stated they would be willing to pay a small fee, particularly if it was clearly tied to local infrastructure improvements or environmental protection. Comparisons were often drawn with European destinations where similar schemes are in place. That said, several respondents strongly preferred a point-of-entry charge over an accommodation-based levy, seeing

it as more equitable and transparent. Visitors expressed empathy for hosts and voiced concern that requiring accommodation providers to administer the levy could negatively affect guest-host relationships.

Business-specific questions (Businesses only)

The following questions were asked to the those who identified themselves as a business at the beginning of the survey.

9/ What type of business do you represent?

74 respondents were businesses, making up 42% of total respondents. The breakdown of business type is shown in Table 15.

- Accommodation providers were the most represented group of businesses at 55%.
- Tourism (e.g. tour operator, activity provider, visitor attraction) represented 11% of respondents including a site operator.
- Food and drink represented 8% of respondents.
- 23% of businesses did not answer this question.

Table 15: Type of business represented

What type of business do you represent?	Count	Percentage
Accommodation	38	51%
Food and drink	6	8%
Retail	3	4%
Touring Camping and Caravanning Site Operator	1	1%
Tourism (e.g. tour operator, activity provider, visitor attraction)	7	10%
Transportation	2	3%
Did not answer	17	23%

10/ Where are you based?

We asked businesses to identify where they were based. Following the categories outlined above, the location and type of businesses can be disaggregated to create a clear map of business respondents. This exercise was undertaken for the top three most selected businesses because it allows for more detailed spatial analysis of where key economic activity is concentrated, helps identify any geographic clustering or service gaps, and supports targeted policy or levy design based on business density and distribution.

→ Accommodation

Table 16 shows the breakdown of accommodation businesses by location. The right hand column shows a representation of accommodation providers in a certain location as a percentage of the total number of accommodation providers which responded to the survey (For reference, n=38).

As the table shows, a strong majority (71%) of accommodation providers are from Lewis and Harris. The next largest respondent group was accommodation providers on Barra and Vatersay (13%).

This data helps contextualise any qualitative engagement results going forward with the rest of this analysis.

Table 16: Disaggregated location of accommodation providers

Location of respondents	Count of respondents	Percentage
Barra and Vatersay	5	13%
Lewis/ Harris	27	71%
North Isles	1	3%
North Uist/ Berneray / Benbecula / South Uist	4	10%
No location given	1	3%

→ Tourism

Table 17 shows the breakdown of tourism business respondents by location. The right hand column shows representation of tourism providers in a certain location as a percentage of the total number of tourism providers which responded (For reference, n=8).

As the table shows, a strong majority of tourism providers and businesses are from Lewis and Harris. All other locations indicated in the table had one respondent based at each.

This data helps contextualise any qualitative engagement results going forward with the rest of this analysis.

Table 17: Disaggregated location of tourist businesses

Location of respondents	Count of respondents	Percentage
Barra and Vatersay	1	13%
Lewis/ Harris	5	63%
North Uist/ Berneray / Benbecula / South Uist	1	12%
Campsites throughout Scotland	1	12%

→ Food and drink

All food and drink business respondents based themselves on Lewis and Harris (n=6).

This data helps contextualise any qualitative engagement results going forward with the rest of this analysis.

11/ How do you anticipate a visitor levy will impact businesses and the local visitor economy? Please provide the reason(s) for your answer.

Responses overall (All businesses, n=74)

All businesses were asked how they anticipated a potential visitor levy would impact the local visitor economy. 49% (n=36) of businesses believed it would negatively impact the local visitor economy. 19% (n=14) believed it could have a positive impact on the economy. A small minority (9%) anticipate a positive and negative impact. 23% (n=17) of all businesses who responded to the survey did not answer this question. This is represented in Figure 8.

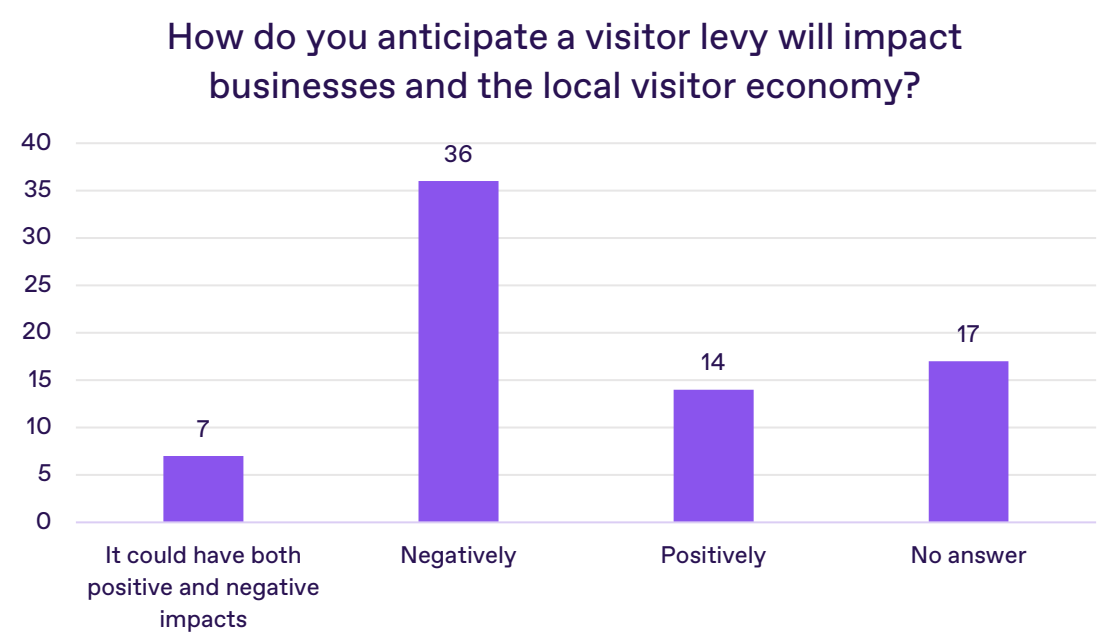


Figure 8: How do you anticipate a visitor levy will impact businesses and the local visitor economy (Percent)

For those perceiving a positive impact on the visitor economy, the two reasons given fell under either a desire to see visitors contribute to the island economy or a recognition of potential benefits of the revenue generated. Key concerns are shown in Figure 9 with further details provided below.

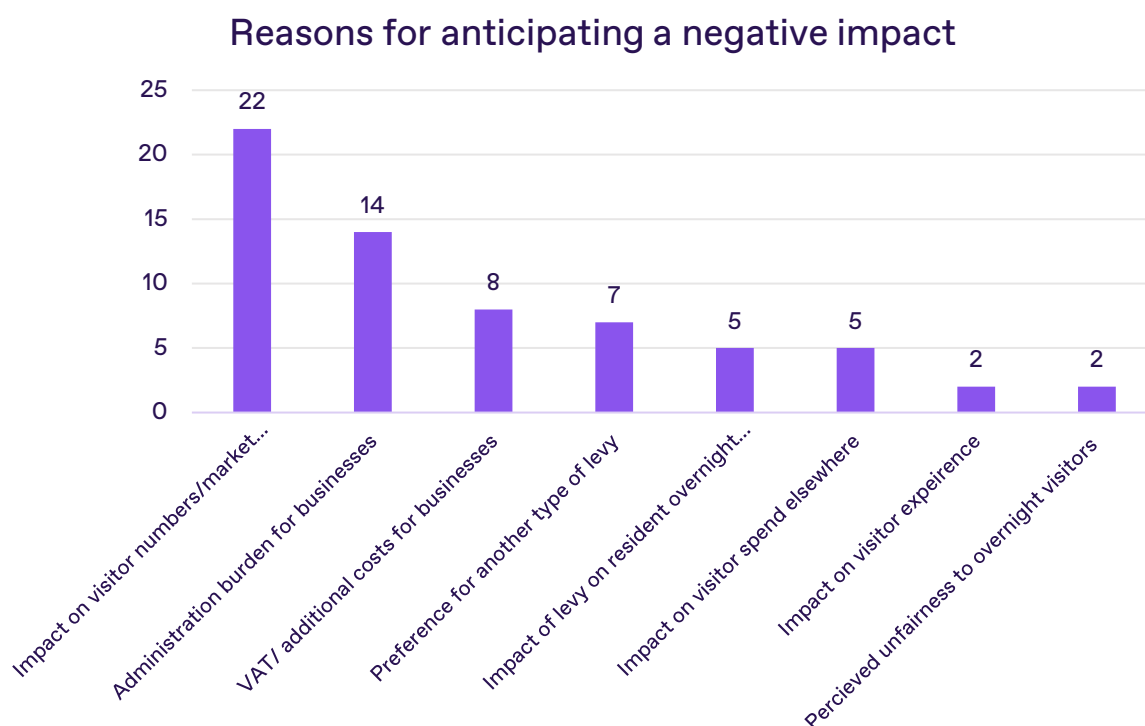


Figure 9: Reasons for anticipating a negative impact

As Figure 9 demonstrates, the top three reasons cited for the visitor levy’s negative impact are:

1. Impact of visitor numbers and market competitiveness (30%%, n=22).
2. Administration burden for businesses (19%, n=14).
3. VAT and additional costs for businesses (11%, n=8).

Local businesses—especially small, independently run accommodation providers—were deeply concerned about the operational and financial burden the levy would impose. Many expressed fears that they would become unpaid tax collectors, tasked with implementing and enforcing the levy at the expense of their time and guest relationships.

A common concern was the cumulative pressure of the visitor levy alongside other recent policy changes, including short-term let (STL) licensing and VAT thresholds. One respondent said:

“The SRL licence created extra admin and cost, now administering the levy will cause extra admin and cost.” – Business respondent

The potential introduction of a Visitor Levy was highlighted as a significant challenge for accommodation providers, particularly those operating under the current £90,000 VAT threshold. Some of these providers have structured their operations carefully to stay below this limit, either by limiting the length of their trading season or by capping their bookings. This allows them to remain exempt from the administrative and financial burdens associated with VAT registration. A visitor levy might push them over the threshold to be liable to pay VAT, thereby reducing their

income by 20%. This is considered further below in the analysis of “How would a visitor levy impact you and your community negatively?”

For those businesses already over the VAT threshold, some are currently choosing to absorb the cost in order to keep their prices competitive and are concerned about the possibility of needing to absorb an additional percentage. As one respondent stated:

“At the moment because we are VAT registered we are absorbing the 20% vat to stay competitive with the accommodation that is not VATABLE. To absorb 26% will have us close up.” – Business respondent

Additionally, the potential reputational risk with customers was raised. Business owners worried that charging a levy could create friction with guests, particularly regular return visitors and that with the already high costs of traveling and staying in the Outer Hebrides, “*asking for more when people arrive may be awkward.*” This was reflected in a comment which stated:

“These visitors spend a significant amount locally... it would harm our relationship with them if we are to administer a visitor levy on behalf of the council.”- Business respondent

While some visitors might understand the rationale, the prospect of explaining or defending the policy added stress for operators. This tied in closely with the overall sentiment which expressed the visitor levy as the latest in a series of cumulative pressure – including the cost-of-living increases, short-term lets legislation, and declining visitor numbers—that collectively threaten the viability of local enterprises. The levy, in this context, risks accelerating business closures rather than enabling growth.

Disaggregated results

Using the top three business respondent groups, accommodation providers, tourism related businesses, and food and drink, the data can be manipulated to draw cross-cutting insights into what each group felt about the levy and why they were anticipating a negative impact. The top three most selected business types were chosen because they represent the largest proportion of respondents, are most directly exposed to visitor behaviours and spending patterns, and are therefore likely to be most affected by the introduction of a visitor levy, either through administrative responsibilities or potential changes in demand.

→ Accommodation

1/ How do you anticipate a visitor levy will impact businesses and the local visitor economy?

→ All tourism related businesses answered this question (n=38).

- 27 respondents anticipated a negative impact. This amounts to 71% of respondents that answered this question.
- 6 anticipated positive and negative impacts. This amounts to 16% of all respondents who answered this question.
- 5 anticipated positive impacts. This amounts to 13% of all respondents who answered this question.

2/ Reasons for anticipating a negative impact of the visitor levy

- Concerns about impact on visitor numbers (n=23, 61%).
- Administrative burden for businesses (n=14, 37%).

→ Tourism

1/ How do you anticipate a visitor levy will impact businesses and the local visitor economy?

- All tourism related businesses answered this question (n=8).
- 4 respondents anticipated a negative impact. This amounts to 50% of respondents who answered this question.
- 3 respondents anticipated a positive impact. This amounts to 36% of respondents who answered these questions.

2/ Reasons for anticipating a negative impact of the visitor levy

- Concerns about impact on visitor numbers (n=4, 50%).
- Administration burden for businesses (n=2, 25%), VAT for businesses (n=2, 25%).

→ Food and drink

1/ How do you anticipate a visitor levy will impact businesses and the local visitor economy?

- All food and drink businesses responded to this question (n=6).
- 3 respondents anticipated a negative impact. This amounts to 50% of respondents who answered this question.
- 3 respondents anticipated a positive impact. This amounts to 50% of respondents who answered these questions.

2/ Reasons for anticipating a negative impact of the visitor levy

- Concerns about impact on visitor numbers (n=2, 33%)

General survey questions (All respondents)

12/ If introduced, a visitor levy would be charged as a percentage of the accommodation cost. What do you think would be a reasonable percentage?

Respondents to the survey were asked what they believed a reasonable percentage for the visitor levy would be, were it to be progressed. Respondents were asked to select a number between 1 and 10%. As illustrated in Figure 10, among the survey respondents, the most commonly selected levy rate was 1%. However, this was far from unanimous. Around 10% of respondents did not answer the question, and 10 respondents (6%) explicitly stated that they would have preferred to vote for 0%, had that option been presented.

This lack of consensus reflects wider discomfort with percentage-based models. Some participants expressed concern that this approach could lead to unpredictable pricing, as levy costs would vary based on the accommodation price. Others noted that a percentage-based model would be less transparent to visitors and potentially difficult to communicate or justify at the point of booking.

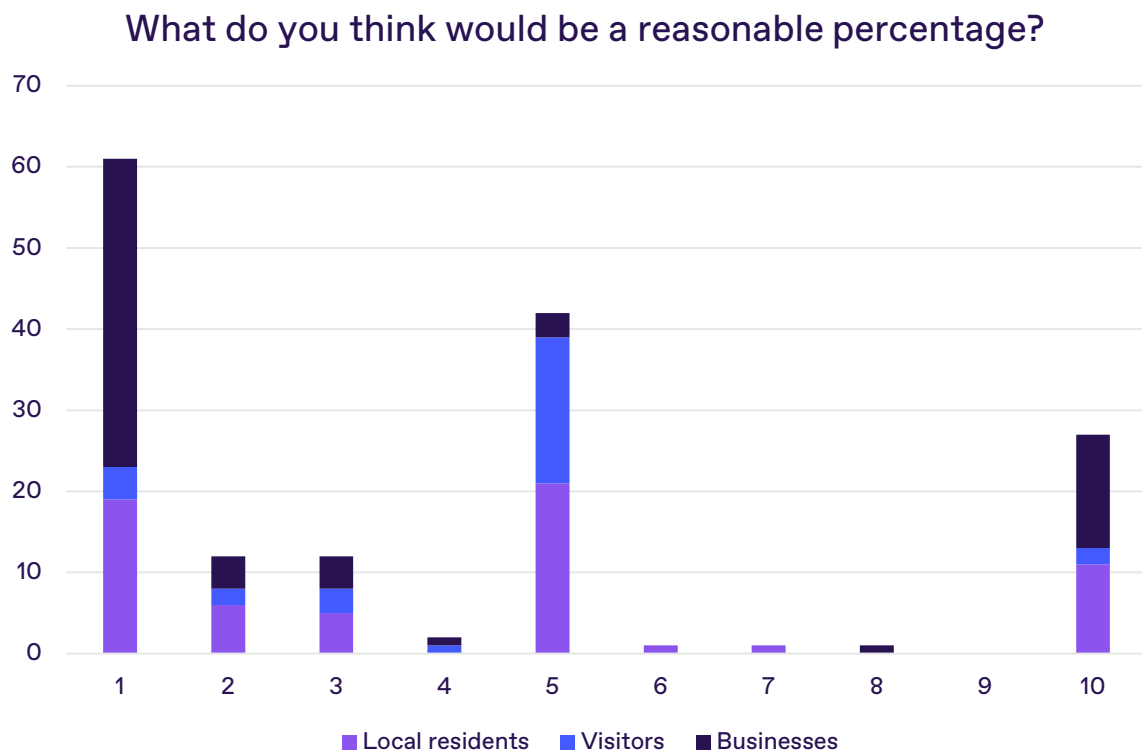


Figure 10: Preferred percentage for visitor levy

As shown in Figure 10, the preferred percentage overall is 1%, followed by 5% and then 10%. Although for both residents and visitors the preferred percentage is 5% with 30% of local residents and over half of visitors selecting this as their top choice.

If we assume that the 17 that did not answer do not agree with a visitor levy at any percentage, these results indicate that just over 1 in 6 (25 out of 144) of the business and local residents combined favoured a 10% charge, however, only 1 in 18 visitors who responded to the survey saw this as reasonable.

Overall, as Table 18 shows, businesses favour a lower percentage charge while, on average, visitors are willing to pay the highest amount at 4.1%.

Table 18: Average favoured percentage for a reasonable accommodation levy

	Local residents	Business	Visitors
Most frequently selected	5%	1%	5%
Overall average (mean)	3.9%	3.4%	4.1%

The overall average percentage drops to 2.4% when looking exclusively at accommodation providers, with 68% of accommodation providers favouring no levy or minimal charge. This is an important indicator of accommodation providers concerns that a levy would deter visitors.

13/ Should the same percentage rate be charged across an entire archipelago/ local authority area. Please provide the reason(s) for your answer.

A clear majority (n=113, 64%) of respondents supported applying the same percentage across all parts of the Outer Hebrides, citing fairness and administrative simplicity. The belief that a consistent rate would reduce complexity and minimise the risk of regional disparities was frequently mentioned. 5 respondents did not answer this question. This information is further disaggregated in Table 19 below.

Table 19: Should the same percentage rate be charged across the entire archipelago/ local authority area? (Disaggregated by respondent type)

Should the same percentage rate be charged across the entire archipelago/ local authority area? (Disaggregated by respondent type)		
Residents		
Answer	Percentage of responses	Number of responses
Yes	71%	49
No	19%	13
Don't know	10%	7
Businesses		
Answer	Percentage	Number of responses
Yes	55%	41
No	19%	14
Don't know	19%	14
Did not answer	7%	5
Visitors		
Answer	Percentage	Number of responses

Yes	72%	23
No	9%	3
Don't know	19%	6

A strong majority of resident respondents (71%) agreed that the same percentage rate should be charged across the entire archipelago or local authority area. Only 19% opposed this idea, and a further 10% were unsure. This suggests a clear preference among residents for a consistent and uniform approach to rate-setting, potentially to ensure fairness and avoid perceptions of unequal treatment.

Business responses were more mixed. While a majority (55%) supported a consistent percentage rate, this was notably lower than among residents and visitors. Almost one-fifth (19%) were opposed, and another 19% responded “Don’t know,” with 7% not answering the question. The greater degree of uncertainty and divergence among businesses may reflect concerns about local variations in demand, operating costs, or visitor profiles, which could influence views on whether a uniform rate is appropriate. Reasons given by accommodation providers for this choice included a need for investment in tourism infrastructure across all parts of the Outer Hebrides, the perception of fairness for businesses by avoiding deterring visitors from certain areas with a lower or no levy, as well as fairness and ease for visitors as illustrated in the quote below:

“Charge needs to be clear and consistent. Different rates would be confusing for visitors and could result in resentment. The islands need to be seen to be acting together.” – Accommodation provider

Visitors showed the highest level of agreement with a consistent percentage rate, with 72% responding “Yes.” Only 9% opposed this, while 19% were unsure. This suggests that visitors generally value clarity and simplicity in pricing and may prefer a system that applies the same rules regardless of which island or area they visit.

“It needs to be easy to understand and not end up taking people by surprise.” – Visitor

“If one is lower, then you may find visitors avoiding the regions with the higher levies.” – Visitor

Across all three respondent types, there is broad support for applying a uniform percentage rate across the area, though this is strongest among residents and visitors. Businesses appear more cautious, likely due to the operational and economic implications a flat rate might have in a diverse regional context. This mixed view suggests that while a standardised rate could be widely acceptable, further consultation with businesses may be needed to address their specific concerns.

The table below, Table 20, highlights differing levels of support for a consistent, island-wide application of the charge across respondent groups. “Applied everywhere” options were the most frequently selected by residents (46%) and businesses (24%), and also among visitors who answered the question (21%). Residents demonstrated the strongest preference for a uniform approach, often citing fairness or reduced complexity.

Visitors and businesses also expressed support for “No charge anywhere,” selected by 11% and 23% respectively, indicating some resistance to the idea of a levy altogether. Notably, a high proportion of visitors (47%) and a quarter of both residents and businesses did not answer the question, suggesting a degree of uncertainty or reluctance to take a firm position—particularly among those less directly involved in local decision-making or economic impacts.

However, an islands impact assessment of the levy would need to be carried out to fully assess the impact of a levy on each island.

Table 20: Disaggregation of geographical exemptions

Top three most selected responses by respondents who answer the question:
Businesses <ul style="list-style-type: none"> → 24% selected ‘Applied everywhere’ in some form. The survey question included the options as follows: Applied everywhere – fairer (11%), Applied everywhere - less admin (2%), Applied everywhere – other (11%). → 23% answered ‘No charge anywhere’. → 24% did not answer the question.
Residents <ul style="list-style-type: none"> → 46% selected ‘Applied everywhere’ in some form. The survey question included the options as follows: Applied everywhere – fairer (23%), Applied everywhere - less admin (6%), Applied everywhere – other (17%). → 20% selected ‘No charge anyway’. → 25% did not answer this question.
Visitors <ul style="list-style-type: none"> → 47% did not answer this question. → 21% selected ‘Applied everywhere’ in some form. The survey question included the options as follows: Applied everywhere – fairer (7%), Applied everywhere - less admin (3%), Applied everywhere – other (11%). → 11% selected no charge anywhere.

14/ Do you think the visitor levy should apply at the same level, all year round? If not, when should the visitor levy apply

Survey respondents were asked if they believed the visitor levy charge should apply all year round. Respondents were split on this decision, with slightly more responding yes (n=83, 47%) than no (n=76, 43%) and an additional 17 unsure or leaving the question blank.

When broken down by respondent type, the most frequent response for businesses was ‘No - the visitor levy should not apply at the same rate all year round’. This was selected by 49% of businesses compared to 35% of businesses selecting ‘Yes – the same levy rate should apply all year round. Looking at accommodation providers exclusively, 55% of respondents selected no compared to only 29% of accommodation providers selecting that the same rate should be charged year round.

However, for both visitors (59%) and residents (54%), the most frequent response was yes.

Those that said the levy should not apply all year round offered a number of alternatives as illustrated in Figure 11. The most popular response was during peak season only.

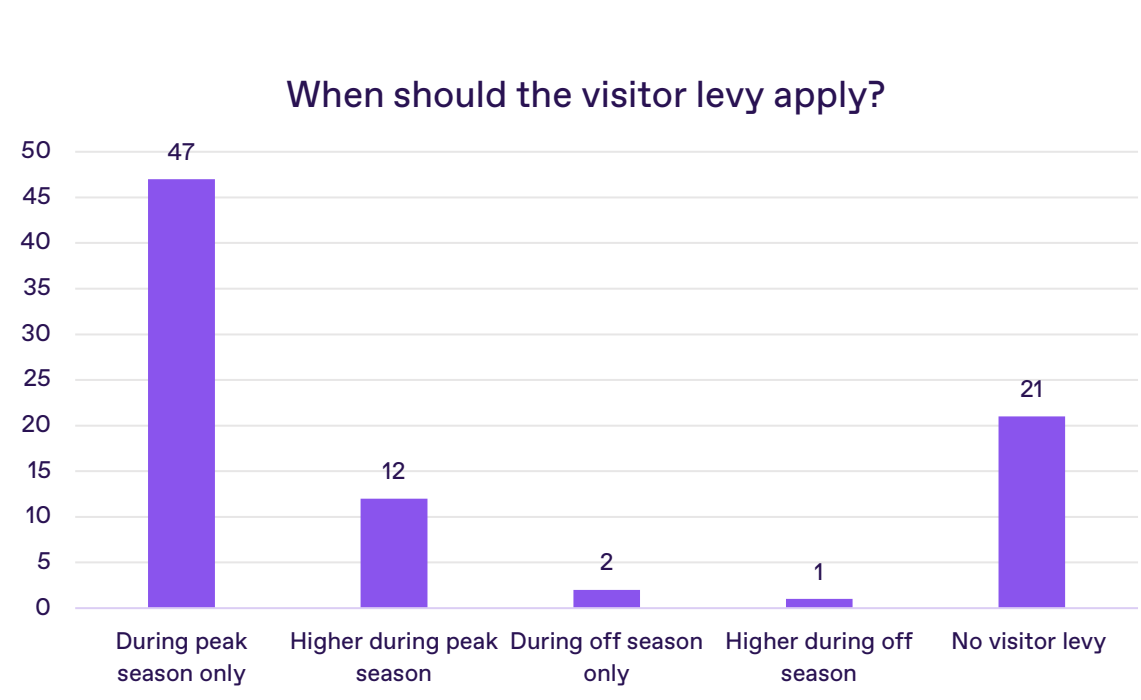


Figure 11: When should a visitor levy apply?

There was limited direct discussion on seasonality in the open responses, but some respondents did support seasonal models—charging only during peak periods. This was seen as a way to reduce pressure on small businesses and to encourage off-season visits, supporting economic activity across more months of the year.

Some stakeholders also noted that a seasonal exemption or reduction could mitigate affordability concerns, especially for price-sensitive visitor groups. However, some stakeholders also expressed the view that while a levy may work during peak season, it might impact business during the off-season.

15 / If a visitor levy is introduced, where should the revenue be invested?

The Visitor Levy (Scotland) Act 2024 specifies that the proceeds from the visitor levy must be spent on “developing, supporting or sustaining facilities or services which are substantially for or used by persons visiting the scheme area for leisure or business purposes”. Respondents to the

survey were asked to select up to 3 priority areas for spending that fall under this definition, the responses are shown in Figure 12.

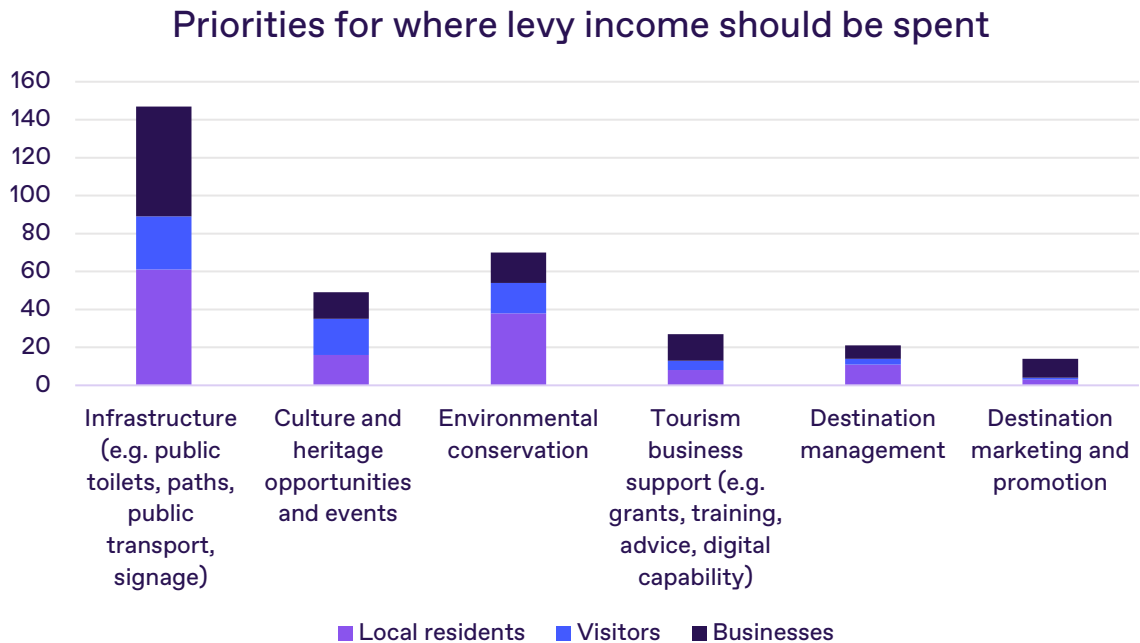


Figure 12: Priorities for levy income spending by respondent group.

Investment in infrastructure (e.g. roads, public toilets, signage, and footpaths) was the top priority for local residents, visitors and businesses. 84% (n=147) of the total respondents selected this as a priority for investment, including 88% (n=28) of visitors. This was by far the most selected priority investment for the income generated by the visitor levy.

These selections reflect tourist expectations, long-standing local needs, and business interests – demonstrating that the levy could serve to suit the trifecta. The emphasis on infrastructure also suggests the visible, physical improvements are likely to garner the most support and perceived value.

The most commonly suggested areas for investment centred on core visitor infrastructure:

- Repairing and maintaining roads, particularly in areas where tourist volumes place added strain
- Building or upgrading public toilets and bins, to manage waste and cleanliness in scenic areas
- Improving footpaths, signage, and road verges, especially for walkers and cyclists, including those following the Hebridean Way
- Dedicated services for motorhomes, including parking areas, waste disposal, and overnight stay management

Overall, the feedback suggests strong support for a targeted, tangible, and hyper-local approach to levy spending—where improvements are clearly linked to community and visitor needs and

visibly attributed to the levy itself. Comments such as the following are examples of the sentiment expressed:

“Put up a sign saying ‘funded by visitor levy’—that’s how you get buy-in.”
“Better bins and loos would make a massive difference, but only if people use them properly.”

The next most frequently selected priority was Environmental and Conservation activities with 40% of total respondents selecting this. However, this was significantly less of a priority for businesses with only 22% (n=16) of business respondents selecting this option compared to over half of residents (n=38) and visitors (n=17) selecting it as a spending priority.

Culture and heritage opportunities and events was the third most popular priority. Although for visitors, it was the second most supported option with 60% (n=19) of visitors selecting this as a priority. Overall, there was a clearer agreement on the priorities for visitors with the least agreement among businesses, other than for infrastructure investment.

Additionally, while being less frequently selected overall, tourism business support and destination marking and promotion were more popular with businesses than the other two respondent groups with 18% (n=13) of businesses selecting tourism support as a priority for spend, compared to 11% (n=8) of residents, and 14% (n=10) of businesses selecting destination marketing and promotion as a priority, compared to only 1% (n=1) of residents.

16/ Should there be a cap on the maximum number of nights that a visitor should pay a levy? If there is going to be a cap, what would be the maximum number of nights in the same accommodation that a visitor should pay a levy on?

49% (n=87) of respondents said that there should be a cap on the number of nights to which the levy applied. 35% (n=61) said ‘No’ to a cap. 10% answered ‘Don’t know’ and 6% (n=11) did not answer the question.

The respondents were asked a follow-up question which asked them to suggest a cap on the number of nights a levy would apply in one accommodation. It received 103 responses. Figure 13 shows the number of nights people suggested the levy should apply to. Nearly 50% of those who answer the question (50 out of 103) favoured a cap after 7 nights. This is based on their lived experience in the tourism sector and ‘what feels right’ rather than a robust quantitative assessment.

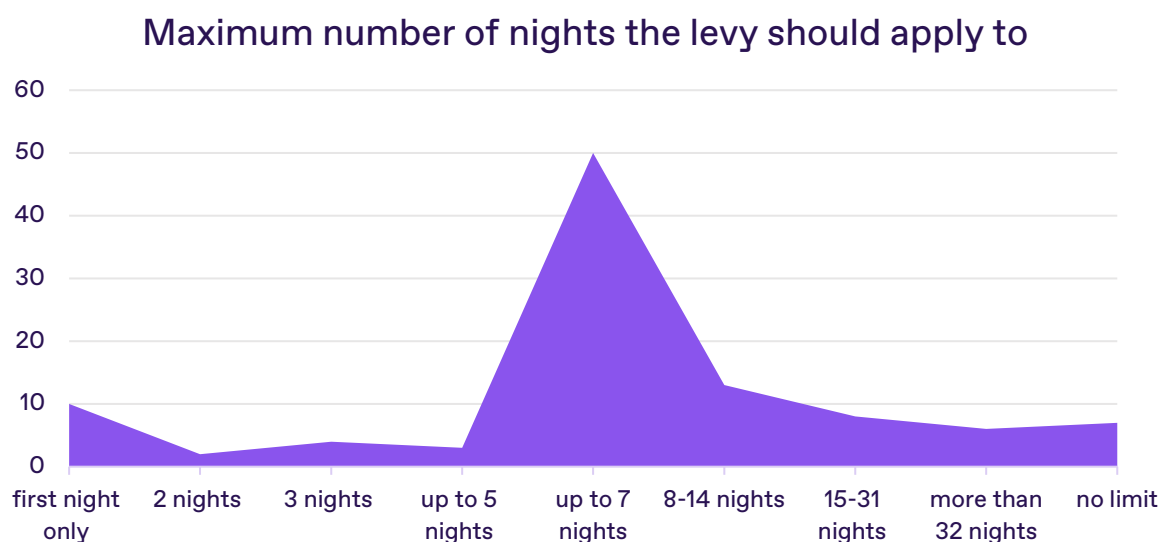


Figure 13: Maximum number of nights the visitor levy should apply to

17/ Should anyone else be exempt from paying a visitor levy the charge?

Alongside the question regarding the extent of the application area and possible exemptions for different islands the Outer Hebrides, stakeholders were asked about what individual exemptions should apply to the visitor levy on top of the existing exemptions for individuals in receipt of specified disability benefits, payments, or allowances, required by the Visitor Levy (Scotland) Act 2024.

Figure 14 shows that exemptions for local residents (n=109), medical travellers (n=93), and children and young people (n=53) received the most support across stakeholder groups. The consistency of these responses highlights a shared understanding of who should not be expected to contribute to the levy, particularly where stays are for essential rather than recreational purposes.

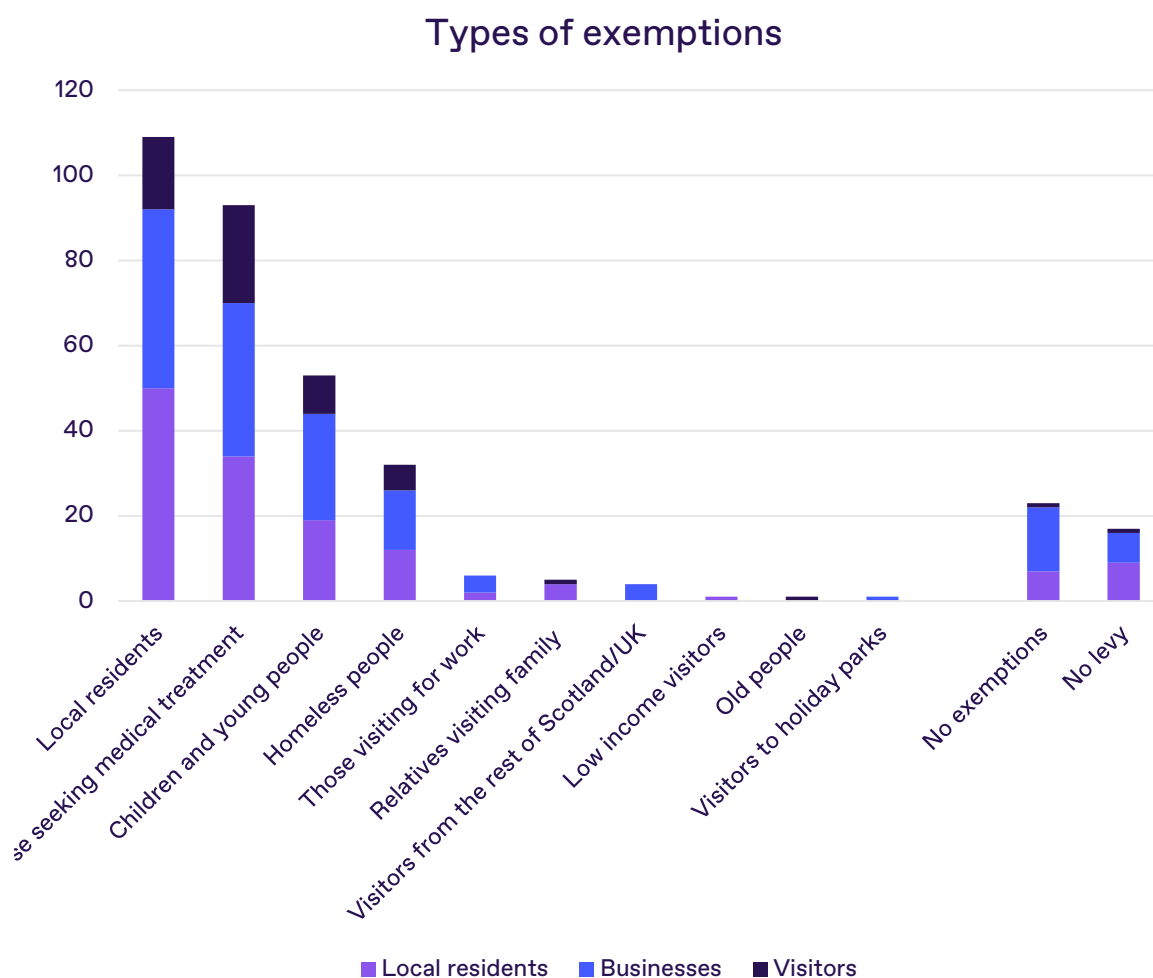


Figure 14: Preferred possible of exemptions

As shown in Figure 14, these exemptions were agreed upon by local residents, businesses and visitors. The most popular overall selected by 71% of local residents and 57% of businesses. The most popular type of exemption for visitors was those seeking medical treatment with 72% of visitors responding to the survey selecting this option.

Although those seeking medical treatment came in lower overall (52% of respondents who answered the question) those traveling for medical treatment would most likely be covered under a local residents exemption.

An exemption for children and young people was the third most popular and was selected by 30% of the total respondents.

Overall, 1 in 5 businesses favoured no exemptions, compared with only 10% of local residents and 3% of visitors. Later responses suggest that this is likely due to concerns about how exemptions would be managed and the increased administration required to prove who was exempt.

5% of businesses also mentioned exemptions for those visiting for work and for residents of the rest of Scotland. An exemption for residents for the rest of Scotland was not mentioned by any other stakeholder group.

18/ The Scottish Government is considering giving local authorities the power to charge a levy on cruise ships. Do you support this proposal? Provide the reason(s) for your answer.

The Scottish government is currently consulting on a potential cruise ship levy. Respondents to the survey were asked if they would support a potential levy on cruise ships.

As seen in Figure 15, the most supported option was for both a visitor levy and a cruise levy. However, the total number of respondents who would support a visitor levy (either on its own or with a cruise ship levy) was 48% of respondents (n=85) compared to 70% of respondents supporting a cruise levy (either on its own or alongside a visitor accommodation levy). 18% of respondents support neither levy.

Therefore, the engagement results suggests that a cruise levy is considerably more popular than an accommodation-based visitor levy.

Furthermore, no accommodation providers selected visitor levy alone and only 32% of accommodation businesses would support a visitor levy, if done in combination with a cruise ship levy. However, 74% of accommodation businesses support a cruise levy overall.

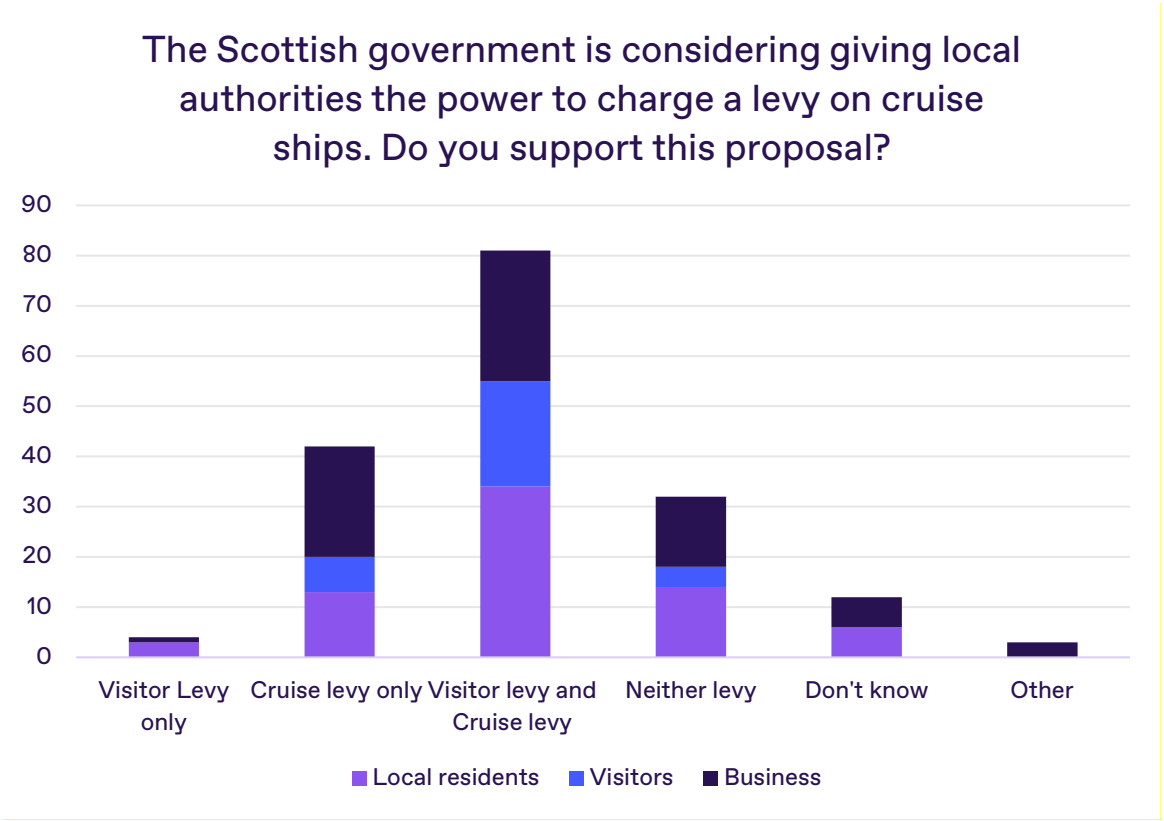


Figure 15: Support for different types of levies

The reasons for preferring a cruise ship levy included the perceived greater impact on the islands infrastructure as a result of large cruise ships combined with the limited ability to spend - cruise

visitors do not stay overnight, and have meals provided onboard, as well as sometimes have limits on bringing certain goods on board, such as alcohol.

“Cruise ships have a big environmental footprint, emissions, waste, and strain local infrastructure and ecosystems. A levy to offset that for sustainability and infrastructure should be ring fenced.” – Local resident

“Cruise ships bring large visitors numbers but the economic benefits do not trickle down to local communities across the islands, this is limited to Stornoway.” - Local resident

Alongside the desire to see a cruise levy account for the impact of cruise visitors, several respondents to the survey shared as their reason for supporting a cruise levy only that it would be easier to collect relative to other forms stating that *“collecting a levy off cruise ships directly should be possible by the council, relatively easy to do and affordable”* and could be done through the existing

19/ If an option, would you support a ‘point of entry’ levy that would allow all visitors to contribute to the islands (including overnight, cruise ship and motorhome visitors)? Please provide the reason(s) for your answer.

Legislation for a Point of Entry levy does not currently exist in Scotland. However, based on previous engagement in the islands during the pre-consultation phase of drafting the legislation, a point of entry levy was identified as the most appropriate option for the islands and the Scottish Government have included the potential for the development of a point of entry levy for islands within the Cruise Levy consultation.

70% of survey respondents would support a ‘point of entry’ levy, which would also include overnight, cruise and day trip/ motor home visitors, if that was an option. This includes 74% of accommodation providers and 69% of visitors.

Figure 16 shows the reasons given for supporting a point of entry levy. The most frequent reason given was that it was seen as a fairer to both visitors and businesses. It was seen as fairer as it did not only include longer-stay overnight visitors, who were seen as contributing the most to the Outer Hebrides economy, but also particularly that it included motorhomes which were identified as being the most negatively impactful visitor type with the least local spend.

A point of entry levy was also seen as much easier to administer, removing the onus from accommodation businesses. There are also pre-built in mechanisms for exemptions for residents and friends/family through some existing schemes, such as the Air Discount Scheme.

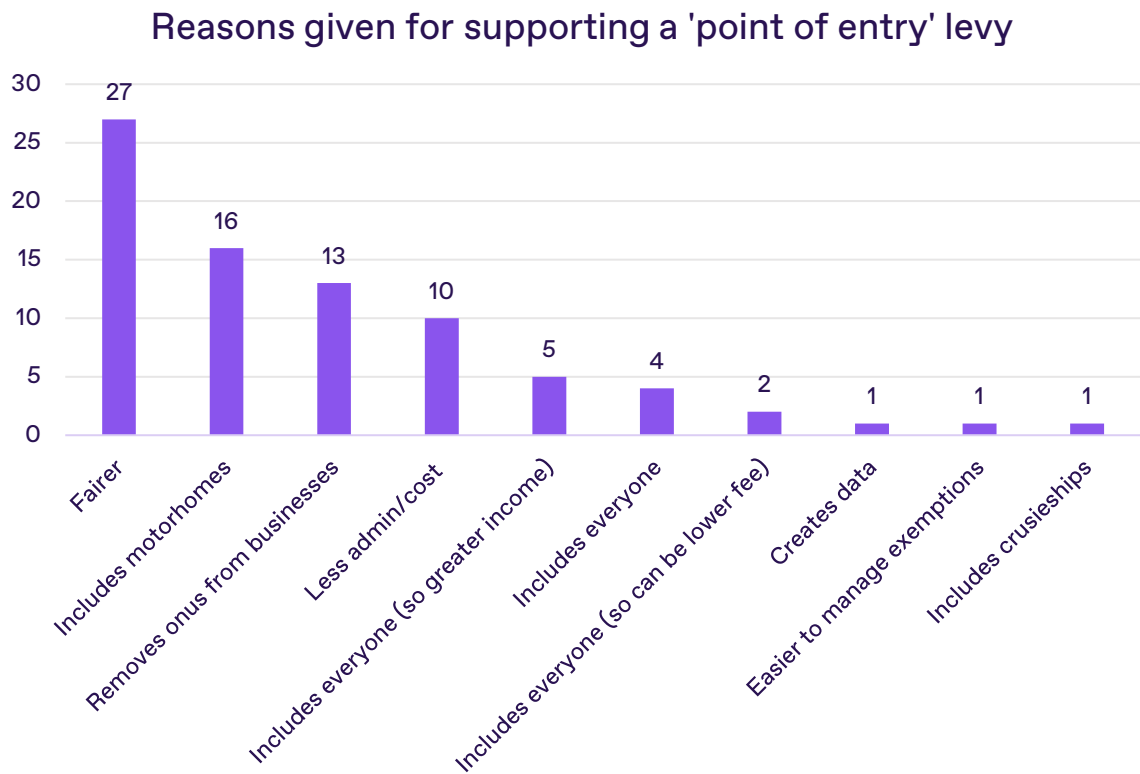


Figure 16: Reasons for supporting a point of entry levy

However, 20% selected 'no' and the remaining 10% 'don't know' to implementing a point of entry levy. As shown in Figure 17, reasons for not supporting a point of entry levy included questions around who would be responsible for administering the levy, how it would impact family members visiting the isles, as well as a desire not to see any form of levy applied to visitors whatsoever. Those that responded 'don't know', preferred having no levy whatsoever or required more information to make a decision.

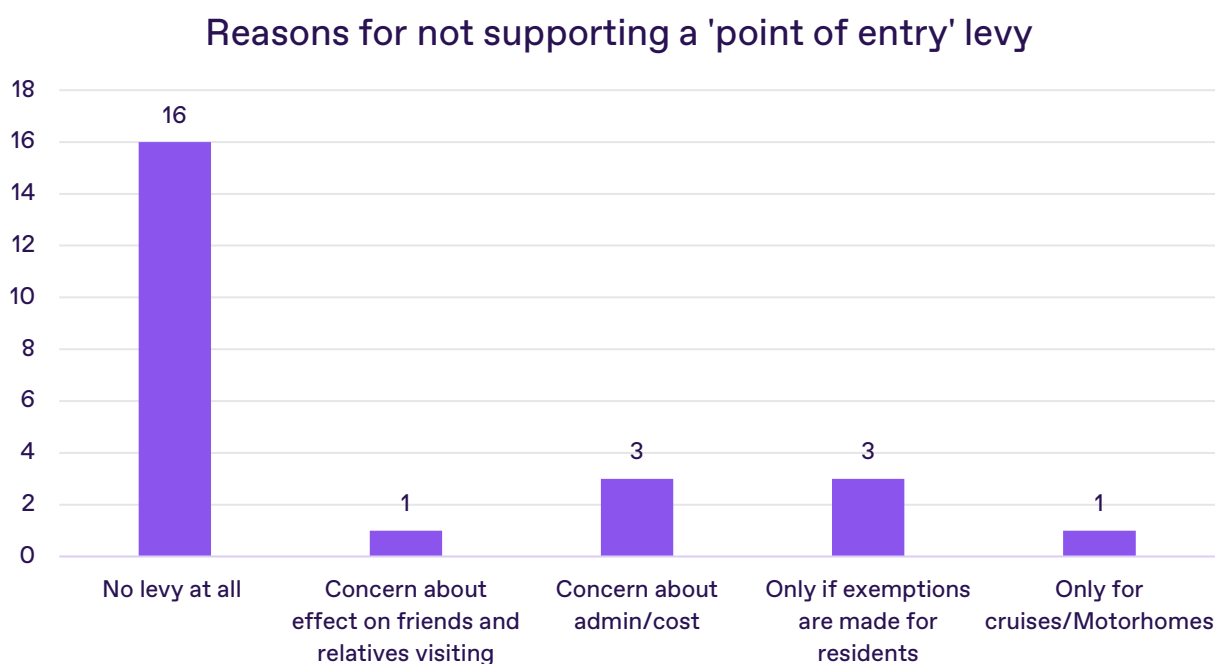


Figure 17: Reasons for not supporting a point of entry

Several survey respondents also mentioned that this legislation does not currently exist but shared their willingness to wait for all levy options to be available before proceeding with a decision.

Flat fee

The Visitor Levy (Scotland) Act 2024 does not enable local authorities to introduce a flat-fee per night, only a percentage rate. A percentage rate was chosen by the Scottish Parliament as it was considered to better ‘future proof’ the levy, removing the need to amend the rate to keep pace with inflation. Additionally, it was seen as the more progressive approach, allowing for the levy to be proportionate to the accommodation choices of those staying overnight.

Respondents were not asked about this but some expressed in the open text boxes throughout the survey a preference for a flat rate.

Public engagement sessions

Attendees of the in-person and online public engagement session were asked the following questions:

1. How would a visitor levy impact you and your community negatively?
2. How would a visitor levy impact you and your community positively?
3. How should the money be spent if a visitor levy was introduced?
4. How can we fund the local visitor economy without a visitor levy?

In total, 47 members of the public attended the in-person sessions with 28 people attending the Benbecula session and 19 people attending the Stornoway session.

8 people attended each of the online public engagement sessions.

Analysis:

1/How would a visitor levy impact you and your community negatively?

Many attendees expressed concerns that a visitor levy could discourage tourism across the Outer Hebrides, in particular among the ferry-linked isles which already had an increased cost to access. The Outer Hebrides is already perceived as an expensive destination, and the addition of a levy may tip the balance for potential visitors, especially when ferry services and travel logistics are already seen as barriers.

Some of the accommodation providers were concerned that this additional cost, exacerbated by the rising cost of living across the UK and ongoing challenges with ferry disruptions would be enough to deter a percentage of visitors from coming at all. Other accommodation providers suggested that an additional charge on top of their holiday could be perceived as 'greedy' and a visitor levy would be difficult to justify if facilities and infrastructure are not well-maintained, therefore negatively impacting the visitor experience.

However, it is important to note that these are 'perceptions' and no data exists on how an increase in price would impact visitor numbers in the Outer Hebrides to triangulate this.

Additionally, there were concerns that the additional cost of the levy would result in visitors having less disposable income to spend on local businesses such as restaurants, attractions, and souvenirs.

Small business owners, particularly accommodation providers, emphasised the administrative burden the levy would impose and the impact it would have on businesses close to the VAT threshold. There were also fears of conflict with guests, unintended charges on local residents attending events or medical appointments, and disruption to family visits.

There was a strong sentiment that introducing the levy in its current form – particularly as an accommodation-based tax – would be divisive, add costs for service providers and clients alike, and be difficult to manage. It could also create inequality between areas that adopt the levy and those that do not, especially if rates vary. Participants repeatedly questioned whether the proposal could be made fairer or simpler, suggesting that implementation as a point-of-entry levy would be more equitable and easier to manage.

Discussion of motorhomes

A key concern raised was around the potential impact that increasing the cost of staying in overnight accommodation, while simultaneously using the visitor levy income to fund infrastructure such as bins and public toilets, would have on the number of visitors choosing to wild camp.

Some attendees were concerned that the levy may incentivise more visitors to opt for free camping in order to bypass the fee, highlighted the impact this would have on campsite businesses, and that current infrastructure is insufficient to accommodate large volumes of 'wild camping' visitors.

Another concern raised was that the proposed levy would apply only to accommodation providers, thereby missing day visitors, which would create an unfair system. It was felt that day visitors and those staying in motorhomes outside of paid campsites would benefit the most from the outcomes of the levy without having to contribute themselves.

Attendees felt this concern could be mitigated by opting for a different type of levy such as point of entry to capture all visitors entering the Outer Hebrides, making the system fairer and more equitable.

Discussion of unique circumstances of the Outer Hebrides

Attendees raised the belief that the Outer Hebrides are not comparable to other regions where similar levies have been implemented. They highlighted the short tourist season with businesses relying on strong summer visitor numbers to survive the off-season as well as the higher proportion of small businesses on the islands and reliance on ferries for essential inter-island travel.

Attendees at the session also raised concerns the visitor economy varied greatly between different parts of the Outer Hebrides with areas all having different volumes of visitors, facilities, and needs. Many expressed fears that the spending would not be shared fairly across the islands with some highlighting a specific concern that the funds raised from the levy may be used disproportionately in Stornoway, neglecting other areas of the Outer Hebrides. However, there was also the feeling among attendees that any differences in application of the levy or in spending of the funds would have a detrimental impact on overall island unity.

Discussion of administration and costs for businesses

Attendees highlighted that the large proportion of the accommodation providers in the Outer Hebrides were ‘one-person operations’ and small businesses, and raised concerns over the administration burden the levy would impose for them. Concerns included time-consuming paperwork, the risk of fines for potentially misunderstanding the legislation, dealing with payments from reluctant guests, and uncertainty over how third party booking sites would integrate the levy into the booking fee and how accommodation providers would manage complex exemption criteria.

Accommodation providers expressed a belief that the visitor levy would make them ‘unpaid tax collectors’ collecting the levy without compensation at their own time and expense. This was seen as particularly unfair as the responsibility to collect the levy would fall solely on accommodation providers rather than being shared across all tourism sectors. This concern could be mitigated by enabling accommodation providers to keep a percentage of the levy to cover administration costs as done by Edinburgh City Council. However, it is important to note that attendees at the public engagement event stated a preference for not having a visitor levy to administer, over compensation for doing so.

There was significant uncertainty around the scheme and what would count as a room, who would be included or exempt and how accommodation providers would manage these considerations and prove exemptions. Some attendees also raise concerns that the administration of the levy

could lead to increased incidences of fraud with underreporting and increased cash transactions to avoid payment.

Other challenges included late arrival and early check outs for visitors where they may potentially miss paying the levy, using third parties to book and not having the ability to take card payments at the accommodation. Attendees raised individual scenarios for example having a guest cut their stay shorter than expected or having a guest refuse to pay and questioned what they would have to do in that example.

In line with concerns over the impact of the levy on visitor numbers during the already short season, some accommodation providers in the engagement session suggested that they would take the cost of the levy out of their current revenues, rather than pass the cost on to the customer, therefore making it a ‘tax on accommodation providers’.

Many of these concerns of the negative impact on accommodation providers could potentially be mitigated by reducing the burden on accommodation providers by a combination of the following:

- a) adopting the point of entry levy;
- b) using a QR-code system to collect the levy; or
- c) returning a share of the levy to accommodation providers to cover administration costs
- d) offering support, advice and guidance on implementation as set out in Section 5.

Discussion of VAT implications

The potential introduction of a Visitor Levy was highlighted as a significant challenge for accommodation providers, particularly those operating under the current £90,000 VAT threshold. Many of these providers have structured their operations carefully to stay below this limit, either by limiting the length of their trading season or by capping their bookings. This allows them to remain exempt from the administrative and financial burdens associated with VAT registration.

However, if the proposed levy is included as part of a business’s taxable turnover, it could inadvertently push some of these small operators over the threshold, triggering mandatory VAT registration.

The implications of this shift would be that once VAT registered, providers would have to apply VAT to all their income, effectively reducing their net revenue by 20% unless they increase their prices, and survey respondents suggested that this would make their business ‘unviable’. However, the number of businesses that would be affected could be quite low. Airdna data for the rolling 12 month average revenue in May 2025 was only £28,100 – a number very far from the VAT threshold of total taxable turnover of more than £90,000.

However, to date, businesses have avoided being pushed over the VAT threshold by closing early for the season rather than shutting down altogether. This rational business strategy would therefore likely be used by more accommodation providers if they come close to the VAT threshold, rather than withdrawing from the market altogether. This would result in fewer beds available during the peak season.

The situation is concerning for those who already close their doors mid-season to avoid breaching the VAT threshold. If the visitor levy forces them to register, they may be compelled to cease operations even earlier, reducing the total number of available bed-nights in the market and their income.

In addition, some of these small providers may be older individuals who operate guesthouses or B&Bs as a form of supplementary income. The added complexity of VAT compliance and the potential administrative burden could lead them to exit the sector altogether, further shrinking the accommodation base and undermining efforts to promote regional tourism, as well as economically disadvantaging a vulnerable sector of the population.

The extent of the potential bed stock reduction is unknown. This contraction of supply could have knock-on effects across the wider tourism economy and would benefit from further investigation.

Concerns over breaching the VAT threshold could be mitigated by a combination of the following:

- a) adopting the point of entry levy;
- b) using a QR-code system to collect the levy; or
- c) returning a share of the levy to accommodation providers to compensate for financial losses.

Discussion of local exemptions

Attendees raised a number of concerns about the impact that an accommodation based visitor levy would have on the daily life of residents for example traveling to visit family, receive medical treatment or due to missed ferries. To minimise the negative effects of a proposed visitor levy, several categories of exemption were discussed, with a focus on protecting those travelling for essential reasons.

These included inter-island medical travel, long-term contractors such SSE/turbine employees staying for extended periods, and family visits. Participants stressed that exemptions must be clearly defined and easy to manage. There was concern that if too generous, the exemptions could be exploited or reduce the effectiveness of the scheme, while poorly implemented rules could create conflict or confusion.

The suggestion was raised for a postcode scheme allowing residents to move around islands or go to the mainland, perhaps in the form of an ADS (air discount scheme) type card or island passport, however there was concern about exemptions adding another complexity for accommodation providers.

2/ How would a visitor levy impact you and your community positively?

While the majority of feedback was critical, several participants recognised that, if carefully designed and implemented, a visitor levy could provide benefits. In particular, it was seen as attractive to have a tax which would be ringfenced as a potential source of dedicated funding for

maintaining and improving tourist infrastructure. This would include public services that both tourists and residents rely on – such as roads, public toilets, ferry services, and bins.

Attendees also identified that the levy could fund quick, high-impact immediate improvements with visible benefits and by advertising how the funds were being spent to visitors it could make people more receptive to paying a levy.

However, all positive impacts came with a degree of scepticism on how the money would be spent. Core to the perception of a positive impact was ensuring the revenue benefitted all of the Outer Hebrides and not just Stornoway. Robust and transparent governance would need to be ensured to counter any mistrust that stakeholders may have in this regard.

Additionally, the possibility of the Outer Hebrides receiving positive impacts by not implementing a levy was raised, suggesting that if other destinations introduce levies, the Outer Hebrides could stand out by *not* implementing one, making it more attractive to visitors.

3/ How should the money be spent if a visitor levy was introduced?

When asked how the money could be spent, infrastructure was the key issue, in particular, during both online sessions the poor state of roads in Uist, Barra and Lewis were identified as a major concern and therefore a priority for funding.

Suggestions on how to spend visitor levy income included but was not limited to;

- Upgrades to the Hebridean Way signage, paths, and road verges;
- Improvements to cycle infrastructure and supporting the installation of electric vehicle charging points to promoting sustainable tourism;
- Offsetting the environmental footprint, emissions and waste from the cruise industry;
- Wildlife education and conservation programmes, including developing new footpaths, or protecting natural areas like Machair by installing fencing to prevent damage from campervans;
- Visitor information and marketing programmes;
- Investment in museums, cafes and visitor attractions including family friendly facilities;
- Community wardens for public safety, environmental protection, and visitor management;
- Better waste management including increased bins, campervan disposal facilities and upgrades or the building of new public toilets, particularly compostable toilets.

Notably, some participants at the public engagement sessions expressed concern that certain improvements—like public toilets and increased bins—could inadvertently encourage behaviours like wild camping unless paired with enforcement or accompanied by education campaigns.

There was also concern that these facilities were primarily for the benefit of motorhomes however under the visitor levy on overnight accommodation, motorhome visitors would not be charged

and therefore not be contributing despite receiving the most benefit, as illustrated in the following comment;

*“I get the impression the levy would be used to invest in infrastructure which will then benefit visitors *not* paying the levy, namely motorhomes” – Public engagement session attendee*

Participants were also concerned about the even distribution across the islands, the amount spent on administration leaving little to spend. It was suggested that big attractions -such as the Callanish Stones- continue to tap into external funding to avoid taking the levy away from general use.

Investment also needed to be cost-effective, not spent on administration and community-led. There was considerable support for spending that benefited residents as well as visitors such as improvements to jointly used public services, a new community swimming pool, improvements to the existing ferry services to make them more reliable as well as investment into skills development and accommodation support for key workers and seasonal employees.

4/ How can we fund the local visitor economy without a visitor levy?

Alternatives to a visitor levy were discussed, including attendees highlighting the availability of funding for tourism investment from other sources, for example, local community trusts and community fundraising.

However, some attendees at the public engagement sessions expressed a fear that alternative sources of funding for tourism infrastructure, for example from the Scottish Government, may be reduced in light of the ability for local authorities to introduce a visitor levy scheme. Others identified a concern that council might spend the money raised through a visitor levy on core infrastructure island and public services that should be covered by other budgets therefore diminishing the benefit of a visitor levy.

Attendees pointed to other forms of levy, giving support to a reallocation of funds from cruise ship tourism to facilities rather than imposing a new charge on island visitors.

There was also a suggestion to delay any levy until a fairer, point-of-entry system could be designed, ensuring a more balanced and inclusive approach for all visitors and removing the administrative burden from accommodation providers. A point of entry levy was highlighted as the preferred levy form in engagement sessions which could be collected at arrival through the ports or airport. This was seen as a fairer and more practical alternative.

Additional comments

Additional points of discussion included an emphasis of the need for transparency and communication and ensuring that accommodations providers were fully informed.

Attendees called for a delay in the implementation of any visitor levy for a variety of reasons including; a delay until reliable ferry access was guaranteed in light of recent challenges with the

service to Uist and Uig pier closures, a delay until 2030 when industrial developments were due to be completed or until the Outer Hebrides had a clear strategy and vision for tourism that would guide the implementation and spending.

Roundtable

Overview

10 organisations were represented at the roundtable and a range of perspectives were highlighted on the potential visitor levy. While there was general agreement on the need for tourism-related investment, key questions remain regarding fund allocation. Exemptions and administrative feasibility.

Stakeholders agreed that:

- Clearer differentiation between different levy types (accommodation vs. cruise) is needed.
- Exemptions should be carefully considered to avoid unintended negative impacts.
- A transparent, well-governed process will be essential to gaining community support.

Key discussion:

Strengths & Opportunities

- **Community & Economic Investment:** The levy could generate significant funding to reinvest in local infrastructure, tourism facilities, and community assets. However, confidence in the council's ability to manage such a fund is currently low.
- **Community Empowerment:** There is an opportunity for local communities to take ownership of decision-making regarding fund allocation, ensuring a strategic, island-wide approach.
- **Sustainable Revenue for Public Assets:** A Visitor Levy could provide much-needed revenue to service and maintain community-owned infrastructure, ensuring its long-term viability.

Weaknesses & Threats

- **Camper Van Management:** Without a levy in place, there is no mechanism to capture revenue from camper vans that are not using formal sites, leading to lost income.
- **VAT Implications:** Small accommodation providers may struggle with VAT thresholds, making it harder for them to stay in business. This could lead to providers leaving the market, shortening the tourist season, and reducing available accommodation.
- **Impact on Coach Tourism:** Ferry service disruptions are already causing cancellations for tour groups. A levy could further destabilise coach tourism if not carefully implemented.

- **Lack of Costing & Clarity:** There is currently no clear plan on how the funds would be spent, nor any detailed financial analysis on potential revenue generation and distribution.
- **Capacity & Resource Concerns:** Both accommodation providers and the local authority face challenges regarding operational resilience, efficiency, and resource management. Additional administrative burdens may create inefficiencies and waste.
- **Strategic Investment Risks:** If levy funds are not invested wisely and strategically, they may fail to deliver meaningful benefits for either the tourism sector or local communities.
- **Risk of Non-Ringfenced Funds:** There is concern that if the levy revenue is not ring-fenced, it may not be allocated appropriately to tourism-related improvements.
- **Governance & Transparency Issues:** A lack of clear governance structures for managing the funds could pose a significant risk. Stakeholders expressed concerns over how the funds would be monitored and distributed.

Suggestions & Examples of How the Fund Could Be Utilised

- **Car Parking Improvements** – Expanding and upgrading car parking facilities at key visitor locations to alleviate congestion and improve visitor experiences.
- **Public Toilets** – Maintaining and developing high-quality, accessible public toilets to support both tourists and local residents.
- **Reinstating Visitor Information Centres** – Bringing back staffed or digital information hubs to provide essential guidance, local insights, and assistance to visitors.
- **Tourism Interpretation, Websites, and Digital Upgrades** – Enhancing online platforms, digital guides, and on-site interpretation to provide a richer and more informative visitor experience.
- **Enhancing Current Facilities & Exploring New Innovative Projects** – Improving existing tourism infrastructure while also considering new, sustainable projects that add to the visitor experience.
- **Ensuring a Direct/Indirect Link to Tourism Benefits** – Any investment should have a clear link to improving the visitor experience and providing tangible benefits to the tourism sector and local economy.
- **Expanding Tourism Across the Whole of the Outer Hebrides** – Developing tourism offerings beyond current ‘hotspots’ to ensure the benefits are felt across all communities and islands.
- **Improving Vehicle Access to Key Tourism Sites** – Upgrading roads and transport links to ensure that visitors can safely and easily access important attractions.

Ways to Smooth the Implementation of a Proposed Levy

- **Full Transparency from the Council** – Ensuring the public and businesses are fully informed about the process, timing, and expected outcomes. Open communication will be key to gaining trust and building confidence in the levy’s potential benefits.
- **Learning from Other Areas with Visitor Levies** – Studying successful implementations from other regions or countries that have introduced a levy. Understanding best practices and lessons learned can help avoid common pitfalls.
- **Utilising Existing Community Forums** – There are already community and tourism forums in place across the islands that could be adapted to oversee the fund, ensuring fair representation and accountability.
- **Exploring Entry-Level Collection via Transport Providers** – There was discussion around CalMac (ferries) and Loganair (flights) being potential collection points for the levy, which could simplify administration and ensure all visitors contribute fairly.
- **Pausing for Further Review** – Given the renewed discussions around an entry-level approach, the council has an opportunity to pause, gather more evidence, and ensure any decision is well-informed and backed by strong governance structures.

Additional Comments, Questions, and Concerns

- **How Will Funds Be Distributed?** – There was significant discussion around whether funds would be allocated based on population size, visitor numbers, or specific need in each area. A fair and transparent funding model needs to be established.
- **Visitor Levy vs. Cruise Levy Confusion** – It was noted that conversations often overlap between the general Visitor Levy (accommodation-based) and a Cruise Levy (targeting cruise passengers). These are two distinct issues, and clearer differentiation is needed in discussions.
- **Potential Exemptions** – suggestions for sensible exemptions to the visitor levy included; Local residents moving between islands, students traveling across UHI campuses and Contractors working on essential island infrastructure
- **Impact of Short Stay Limitations** – There was concern that if the model follows Edinburgh’s approach of charging a maximum of 5 nights per stay, it could severely reduce potential revenue. This is particularly concerning for large contractors (e.g., renewable energy companies) that book accommodation for months at a time, as their contributions could be disproportionately low.

Key Informant interviews

Key informant interviews were carried out. Stakeholders consulted are listed in Appendix 3. The discussion centred around the questions in **Error! Reference source not found.** from which the narrative below has been derived.

Edinburgh City Council

The Edinburgh City Council experience highlighted the importance of engaging industry stakeholders early—even if their initial response is critical—and being transparent about decision-making. The Council found that accommodation providers, particularly small businesses, often raised questions about fairness, rate structures, and administrative burdens. Many queried why a fixed rate was not used instead of a percentage-based system, especially given inflation concerns, but were told this was due to legislation. While a guidance document was produced, it contained many national-level answers, and a proper feedback loop was not closed.

Edinburgh did not offer direct training to providers, relying on the Improvement Service to lead on how to register and submit returns. The concerns were raised about implementation of the including time costs, VAT obligations, and the complexity of exemptions. Administrative costs were significant—estimated at £1 million—and even though providers could retain a small percentage of the levy, the process remained burdensome. Comparisons were drawn to systems in Berlin and Porto, but stakeholders were cautious about adopting a nightly cap or overly generous exemptions, both of which could reduce effectiveness and increase complexity. No exemptions were provided beyond the statutory requirement to exempt disabled people.

Revenue Scotland

In discussions with Revenue Scotland, the focus was on operational delivery, emphasising that the visitor levy, like other devolved Scottish taxes, would be self-assessed and managed through a digital-by-default system. Accommodation providers would need to register and file quarterly returns, with tax payable at the point of submission. There would be a window of 30 days to complete filings, and while paper submissions would be permitted in exceptional cases, the model strongly encourages digital engagement.

Revenue Scotland underlined the importance of robust education, guidance, and support, noting that poor communication could lead to errors and disputes. Enforcement would be based on a structured compliance model, with penalties for non-compliance, and a dedicated review process for contested decisions. A particular concern was the practical challenge of verifying exemptions and reliefs. For example, there's no routine requirement to submit evidence with a return, but evidence would be requested in cases of inquiry. The organisation flagged that the tax's success would rely on clear communication, sufficient support for providers (especially those with low digital literacy), and thoughtful integration with local authority systems.

Argyll and Bute Council

Argyll and Bute Council shared practical insights into managing the consultation process around the visitor levy. A key challenge they faced was countering the public perception that the levy was already a done deal, when in fact only the consultation had been approved. The council ran both online and in-person engagement, tailoring their approach to different audiences. Online sessions

had limited capacity, with participants submitting questions via chat, while in-person drop-in events offered physical comment cards, posters, and hard copies of the survey.

These events were designed to be informative and accessible, with materials explaining what the levy is, how it might be used, and what alternatives exist for funding tourism infrastructure. Argyll and Bute also made survey materials available in Word format online to support wider accessibility. Their approach emphasised transparency, giving residents multiple avenues to provide feedback and raising awareness of implications like VAT and possible reinvestment of funds. However, the council acknowledged the complexity of designing a workable scheme and the need to remain open and communicative throughout the process.

Email correspondence

Email correspondence also highlighted a potential challenge for accommodation providers who use booking sites such as Airbnb, as they questioned if they would be able to collect the levy through the booking site or if this would need to be done on arrival. This was highlighted as a particular concern for those businesses that use key safes for convenience and late night check-ins and may not see their guests in-person to collect a levy.

During a meeting between Airbnb and the national visitor levy forum chaired by COSLA and Scottish Government's Digital Office in May 2024, Airbnb confirmed that a percentage visitor levy could be collected via the platform, as already done in other destinations across the world. However, we do not have data on any associated fees or administrative burden this may incur for businesses for this, or other platforms. It must also be noted that accommodation providers who do not use booking platforms already would incur associated administrative and IT costs in joining and setting up new booking systems which could collect the levy on their behalf.

Businesses raised fears that a visitor levy would inevitably lead to business closures, with a particularly severe impact on micro and small businesses. The main concerns were over the time and costs required to administer the levy particularly with needing to ensure new legislation is followed and prove exemptions when accommodation providers in the Outer Hebrides are often supplementing their income by juggling multiple jobs and diversifying income from crofting or forestry.

The visitor levy was seen as another factor alongside the abolition of the Furnished Holiday Let regime and Short Term Let Licensing that would discourage new businesses and lead to existing businesses choosing to close therefore reducing available bedspace and constrict the growth of the visitor economy.

Conclusions

The engagement finds a generally negative response to a proposed visitor levy from both residents and local business, with some cautious support for the levy's goals.

The key insights from the engagement can be summarised as follows:

Concerns over impact on visitor numbers

Participants cautioned about potential negative impacts on tourism demand if the Outer Hebrides become perceived as more expensive. There is a concern that an added levy could make the destination less competitive, possibly diverting cost-conscious travellers to alternative locations. Several respondents noted that travel to the islands is already costly, so any further price increase must be handled carefully to avoid deterring visitors.

Business concerns regarding administrative burden and VAT implications

Local businesses – especially small B&Bs, guesthouses, and self-catering operators – expressed significant concerns about administrative load and tax implications. Many feared the levy could push their turnover above VAT thresholds (currently £90,000), forcing VAT registration and added costs. Owners also worried about effectively becoming “unpaid tax collectors,” or having or absorb the cost of the visitor levy themselves in order to remain competitive.

Preference for a cruise passenger levy and point-of-entry charge

Residents, visitors and businesses also showed majority support for levy models that ensure all types of visitors contribute. About 70% of respondents expressed support for a “*point of entry*” levy collected as visitors arrive, considering it fairer to both visitors and businesses and less burdensome on accommodation providers. Participants in the public engagement sessions and roundtable also clearly expressed a point of entry charge as their preferred option should a levy be introduced. The same percentage of respondents supported a cruise passenger levy (alone or in combination with an accommodation levy) versus 48% who support an accommodation-focused levy. These alternatives were seen as easier to administer and more equitable than an accommodation-only tax.

Support for reinvesting in infrastructure to benefit visitors and residents

There is broad consensus that any visitor levy revenue should be reinvested in core infrastructure and services that benefit tourists and locals alike. 84% of all respondents (including 88% of visitors) identified improvements to roads, public toilets, signage, and footpaths as top priorities for levy funding far outpacing other suggested uses.

Support for a consistent rate across the Outer Hebrides

The majority of respondents favoured a consistent rate across the region. For instance, 71% of residents and 72% of visitors supported applying the same percentage rate on all islands (business support was lower but still a majority). Although attendees at public engagement events emphasises the variation in visitor numbers, tourism infrastructure and needs across the Outer Hebrides, there was a consensus that funds from the levy be fairly distributed across the islands and that an uneven application of the levy could cause community tensions. Nearly half (49%) of all respondents also supported capping the number of nights a visitor would be charged, to avoid

over-penalising longer stays. However, an island impact assessment of the levy would need to be carried out to fully assess the impact of a levy on each island.

Support for seasonal flexibility among accommodation providers

Views were split on whether to charge the levy year-round or only in peak season. Overall, respondents were almost evenly divided (about 47% for year-round vs 43% seasonal). Notably, a majority of businesses – particularly accommodation providers – preferred a seasonal model (charging only during peak tourist months), whereas most visitors and residents leaned toward a year-round levy. This suggests businesses seek relief in the off-season, while the public prioritises consistency.

Consensus on key exemptions for residents and medical travel

There was wide agreement that certain groups should be exempted from paying the visitor levy. In addition to the single statutory exemption for disabled people, exemptions for local residents, and those seeking medical treatment were widely supported. Participants felt it important that locals and those visiting for essential purposes (such as healthcare) not be burdened, and that the levy remain focused on leisure tourists

However, notably 1 in 5 businesses favoured no exemptions and qualitative questions highlighted a concern over how these would be administered therefore clear and simple exemption criteria and verification methods will be needed to avoid confusion for both visitors and businesses.

Visitor profiles - Long stays and self-catering popularity

The engagement data revealed that most visitors to the Outer Hebrides tend to stay for longer durations and favour certain types of accommodation. 75% of surveyed visitors stayed longer than one week on their trip, and half of respondents had opted for self-catering accommodations like rental cottages or Airbnb's rather than hotels. This has important implications for any visitor levy design — for example, per-night charges could have a greater financial impact on long-stay visitors, whereas flat-rate or capped systems might better balance revenue generation with perceived fairness. The data also suggests that long-stay tourism may be a defining feature of the visitor profile in this region and should be supported accordingly in policy and infrastructure planning. Further research should be conducted into applying a cap on the number of nights a levy should be applied.

Summary of stakeholder engagement

The stakeholder engagement results demonstrate a negative outlook on the visitor levy proposal. There is however community support for the principle of a visitor levy to bolster the Outer Hebrides' infrastructure and environment, provided that the system is fair, easy to administer, and sensitive to local circumstances. However, participants envision a levy that targets high-impact visitor segments (like cruise passengers), adapts to seasonal tourism patterns, and respects local needs through appropriate exemptions. These findings highlight a community eager to strike a balance – leveraging tourism revenues for public good while safeguarding the competitiveness and hospitality that underpin the Outer Hebrides' tourism economy.

Implications for Comhairle Nan Eilean Siar: Risks of visitor levy implementation

A political, economic, social, strategic, technological, legal and environmental (PESSTLE) analysis has been used to identify the risks to Comhairle Nan Eilean Siar of implementing a visitor levy as per the current legislation.

Political risks

1. Local opposition: Some councillors or community stakeholders may view the levy as politically unpopular, especially if perceived as a barrier to tourism or an administrative burden for small businesses.
2. Policy inconsistency: A lack of alignment between local and national policies (e.g. Scottish Government tourism promotion vs. local taxation) could create tension or confusion.
3. Perceptions of fairness: Applying the levy across all areas, and applying the levy across some areas (e.g. Lewis and Harris) but not others (e.g. Barra and Uist) may both generate political friction among communities if not communicated adequately.
4. Stakeholder alienation: If consultation is perceived as tokenistic or rushed, local businesses and communities may feel excluded, reducing trust in the Council's governance.

Economic risks

1. Reduced visitor numbers: The introduction of a levy may discourage price-sensitive tourists, especially in the shoulder and off-peak seasons and decrease tourism receipts to the Outer Hebrides Economy.
2. Impact on small businesses: Many accommodation providers are small or micro businesses with limited capacity to absorb new administrative or cost burdens, and some state they will be pushed over VAT threshold. They may choose to reduce the number of beds available or exit the market altogether, decreasing tourism receipts to the Outer Hebrides.
3. Displacement effects: Tourists may choose to visit other destinations in Scotland without a levy, diverting economic activity away from the Outer Hebrides.
4. Revenue unpredictability: If visitor numbers decline or the levy is difficult to collect, the expected income may fall short of projections and Comhairle Nan Eilean Siar may lose revenue.
5. Levies paid by people eligible for exemptions will have to be refunded by Comhairle Nan Eilean Siar. However, HMG Treasury has stated that it will not refund VAT. This will leave the Council to either pay the VAT back to visitors to enable a 'full refund' or issue a partial 'levy' refund only, and leave e.g. local residents to pay VAT for each stay, causing discontent.

Social Risks

1. Community division: Differing views on tourism may divide communities—some may welcome the levy as a way to manage tourism impacts, while others may see it as punitive.

2. Equity concerns: If only certain visitors (e.g. those staying in registered accommodations) pay the levy while others (e.g. wild campers or cruise passengers) do not, perceptions of unfairness may arise.
3. Resident-tourist tension: A poorly communicated or overly complex levy may worsen perceptions of tourists as burdens rather than contributors.

Strategic risks

1. Failure to deliver visible benefits: If levy revenues are not clearly reinvested into visitor infrastructure or community improvements, public support could erode, undermining future tourism strategies.
2. Policy reversals: If the levy is poorly implemented or controversial, the Council may face pressure to pause or reverse the scheme, damaging credibility and wasting resources.
3. Missed opportunity for wider reform: A narrow focus on revenue generation could distract from broader tourism management reforms (e.g. transport integration, sustainability standards).

Technological Risks

1. Data limitations: Limited real-time data on occupancy, booking patterns, and length of stay may hinder accurate modelling and implementation.
2. Collection challenges: A lack of digital literacy or infrastructure among small providers may make it difficult to administer and enforce the levy effectively.
3. Integration with booking platforms: Difficulty integrating the levy with online travel agencies (OTAs) and booking systems could lead to confusion or non-compliance.

Legal Risks

1. Non-compliance: Businesses may resist collecting the levy if it is not well communicated why their considerations have not been taken into account or how their concerns have been mitigated. Compliance would pose challenges for Comhairle Nan Eilean Siar to legally enforce without significant resources dedicated to this.
2. Disputes and exemptions: Disagreements over exemptions and refunds (e.g. who qualifies, and what is reimbursed) could create legal challenges or appeals.
3. Data protection: Managing guest and occupancy data securely, particularly in small-scale or non-digitised businesses, could raise GDPR concerns.

Environmental Risks

1. Overreliance on funding: If the levy is used primarily to fund environmental improvements, any future drop in visitor numbers could reduce funds available for sustainability initiatives.
2. Unintended consequences: Visitors may shift to unregulated accommodation (e.g. wild camping or informal motorhome use) to avoid the levy, potentially increasing environmental pressures in unmanaged areas.

3. Reputational damage: If visitors view the levy as “greenwashing” or disproportionate, it could harm the Outer Hebrides’ reputation as a sustainable destination.

5. Advice, support, and information required to enable accommodation providers to collect and remit a levy

Stakeholders were reluctant to discuss support they might need to implement the levy because of their resistance to implementing the levy. However, stakeholder challenges regarding implementation have been analysed and responses have been proposed by the Urban Foresight team below.

Table 21: Potential support and advice Comhairle nan Eilean Siar could offer accommodation providers before and during implementation of a levy

Challenge	Why it matters	Action
Pre-levy implementation		
Lack of knowledge about the final visitor levy scheme	<p>A visitor levy should be introduced gradually, with adequate time for consultation and planning to ensure businesses are fully informed and prepared for the specific scheme that is agreed.</p> <p>There is concern that a sudden introduction of the levy could overwhelm both businesses and local government services. A gradual rollout allows time to adjust the systems and address any issues that arise.</p>	<p>→ Conduct a comprehensive consultation with local businesses, residents, and stakeholders on their support needs, as this has not been captured directly in this consultation, only inferred from the data.</p> <p>→ Ensure a gradual rollout to ensure that businesses have time to adapt their systems for levy collection if necessary.</p>
A levy applied equally across Comhairle nan Eilean Siar could economically disadvantage some providers more than others.	<p>Unfair application of the levy may create inequalities amongst providers on mainland and ferry-linked isles who already experience fewer visitors, if visitor numbers are reduced.</p> <p>Applying the levy year-round might be unfair, especially to businesses and residents who are</p>	<p>→ Conduct an in-depth impact assessment to disaggregate the impact on ferry-linked isles and where relevant, consider applying a lower levy rate or exemptions for smaller ferry-linked islands or areas with fewer visitors.</p> <p>→ If the impact assessment shows the need, consider a seasonal levy that helps</p>

	already struggling during off-seasons.	manage tourism pressures during peak months while allowing businesses to thrive in the quieter months.
Low digital literacy to access the improvement service national shared digital visitor levy platform	Stakeholders reported some providers are elderly with low digital literacy and paper booking systems. There was concern that they would struggle with having to first adopt a digital booking system, then access the digital levy platform to report and pay levies.	<p>→ Comhairle nan Eilean Siar may need to provide technical support for them to join online booking platforms.</p> <p>→ Comhairle nan Eilean Siar may need to provide in-person initial training sessions to support those with lower digital literacy.</p>
Post implementation		
Financial and time resource cost of reporting	<p>Small businesses expressed concerns about becoming “unpaid tax collectors” and the additional ongoing administrative burden.</p> <p>Additionally, businesses highlighted some of the challenges in collecting the levy for example late night check-ins, shortened stays or lack of card payment processing facilities.</p> <p>There was also concern that the levy could hurt their competitive edge, especially if it results in increased accommodation costs, reduced visitor numbers or an increased tax burden.</p>	<p>→ Offer financial compensation for their time by returning a percentage of the levy back to accommodation providers.</p> <p>→ While technical support will be provided by the improvement service, some accommodation providers may contact the council for assistance in the first instance</p> <p>→ Consider alternative implementation options as set out in section 6 so accommodation providers are not responsible for collecting the levy (e.g. point of entry levy or QR codes for the Council to collect the levy).</p>
Anger and resentment amongst accommodation providers could lead to high levy	If businesses understand the purpose behind the levy and see the benefits it brings, they accept it more willingly and damaged	→ Develop a strong communication strategy, including educational campaigns and outreach, to continually explain the

<p>avoidance rates and negative Comhairle nan Eilean Siar Community relationships.</p>	<p>relations and levy avoidance could be limited.</p> <p>Businesses want to see clear evidence that the levy is directly benefiting the tourism sector and the local community. This will also help with enabling businesses to feel that guests see the levy as justifiable.</p>	<p>benefits of the levy to both locals and visitors.</p> <p>→ Install signage that attributes improvements to the levy ("Funded by Visitor Levy") and regularly report back to the community on how funds are being used.</p>
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6. Equalities duties and requirements of Comhairle Nan Eilean Siar

Comhairle Nan Eilean Siar, like all public authorities in Scotland, has specific Equalities duties and legal requirements it must meet when developing and implementing policies such as a visitor levy, under the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. These duties apply to all its functions, including the formulation and implementation of taxation or levies.

The tables below summarise the requirements of relevant legislation and what that means for Comhairle Nan Eilean Siar. It is recommended that the Comhairle Nan Eilean Siar seeks professional legal advice when the scheme is being designed.

1. Public Sector Equality Duty (PSED) – Equality Act 2010, Section 149	
Requirements	<p>The PSED requires the council to have <i>due regard</i> to the need to:</p> <ul style="list-style-type: none"> → Eliminate unlawful discrimination, harassment, and victimisation. → Advance equality of opportunity between people who share a relevant protected characteristic and those who do not. → Foster good relations between those who share a protected characteristic and those who do not. <p>Protected characteristics include: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.</p>
Implication	<ul style="list-style-type: none"> → Assess whether the levy could disproportionately impact certain groups (e.g., disabled tourists, older visitors, low-income families). → Ensure that any negative impacts are mitigated or justified. → Consider how the revenues raised could advance equality (e.g., improving accessibility in tourism infrastructure).

2. The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012	
Requirement	<p>a) Assessing and Reviewing Policies and Practices (Equality Impact Assessment - EqIA)</p> <ul style="list-style-type: none"> → The Council must assess the equality impacts of any new or revised policy, including a visitor levy. → An EqIA should be conducted early in the policy development process and published. <p>b) Duty to Publish Equality Outcomes</p> <ul style="list-style-type: none"> → The Council must set and publish equality outcomes every four years, which the visitor levy policy should support or at least not undermine. <p>c) Duty to Report Progress</p> <ul style="list-style-type: none"> → The Council must report on how it is meeting the PSED and implementing its equality outcomes, which would include demonstrating consideration of equalities in implementing the visitor levy. <p>d) Duty to Involve and Consult</p> <ul style="list-style-type: none"> → There is a duty to engage with equality groups and stakeholders when developing policies. → This implies consultation with affected groups, such as disabled visitors or ethnic minority organisations, about the levy's potential effects.
Implication	<ul style="list-style-type: none"> → Conducting a thorough Equality Impact Assessment (EqIA) of the visitor levy, assessing both the potential impact of the charge itself and the use of the revenues. → Ensuring transparent and accessible consultation processes, particularly engaging groups representing protected characteristics. → Publishing the EqIA and consultation findings and explaining how equality considerations shaped the final policy. → Considering options such as exemptions or reductions (e.g., for carers, disabled people, or children), or directing levy revenues toward improving inclusive tourism facilities. → Monitoring impacts over time and reviewing the policy accordingly.

3. Local Government (Scotland) Act 1973	
Requirement	Requires proper governance, financial management, and transparent use of public funds.
Implication	<ul style="list-style-type: none"> → The visitor levy must be legally grounded and administered in line with statutory governance obligations. → The Council must ensure transparent processes and appropriate use of levy funds.

4. Local Government in Scotland Act 2003	
Requirement	<p>The Council has a duty to:</p> <ul style="list-style-type: none"> → Make arrangements to secure continuous improvement in performance. → Achieve value for money. → Consult communities and stakeholders when making significant decisions. → Show that a visitor levy is part of a strategic improvement of local services and economy.
Implication	<ul style="list-style-type: none"> → The visitor levy should be demonstrably efficient, improve outcomes, and contribute to broader community and economic goals. → Continuous improvement and stakeholder involvement must be shown.

5. Islands (Scotland) Act 2018	
Requirement	<ul style="list-style-type: none"> → Carry out an Island Communities Impact Assessment (ICIA) for new policies that may affect island communities.
Implication	<ul style="list-style-type: none"> → Comhairle nan Eilean Siar must assess how the visitor levy will uniquely affect Outer Hebrides island communities (e.g. economic reliance on tourism, infrastructure pressures). → Specific mitigations or tailored measures may be needed to reflect Outer Hebrides's geographic context.

6. Human Rights Act 1998	
Requirement	<p>A levy must be:</p> <ul style="list-style-type: none"> → Proportionate and not impose an undue burden.

	→ Respect Article 1 of Protocol 1 (protection of property) – ensuring that taxation or charges do not arbitrarily interfere with individuals’ property or economic rights.
Implication	→ The levy must be proportionate, non-arbitrary, and not impose an unjustified financial burden on individuals or businesses. → A clear legal basis and fair implementation process are essential.

7. Consumer Rights Act 2015	
Requirement	→ Ensure fairness and transparency in terms and charges offered to consumers.
Implication	→ The levy must be clearly communicated to tourists, especially when applied via accommodation providers. → Price information must be upfront and not misleading, to comply with consumer protection rules.

8. Consumer Rights Act 2015	
Requirement	→ Ensure fairness and transparency in terms and charges offered to consumers.
Implication	→ The levy must be clearly communicated to tourists, especially when applied via accommodation providers. → Price information must be upfront and not misleading, to comply with consumer protection rules.

9. Climate Change (Scotland) Act 2009	
Requirement	→ Public bodies must, in exercising their functions, act in the way best calculated to contribute to delivering Scotland’s emissions reduction targets, help deliver climate adaptation, and act sustainably (Section 44).
Implication	<p>If Comhairle Nan Eilean Siar designs the visitor levy to fund climate-friendly infrastructure (e.g. low-carbon transport, active travel, renewable energy, or conservation efforts), it must:</p> → Show how these actions contribute to Scotland’s net-zero targets; → Consider how levy revenue supports climate resilience and adaptation; → Report on these contributions under its Public Bodies Climate Change Duties Reports, submitted annually to the Scottish Government.

In implementing a visitor levy, Comhairle Nan Eilean Siar must comply with a range of legal duties that go beyond basic policy design. Together, the legal frameworks above emphasise the importance of equity, transparency, and strategic alignment in the levy’s design and delivery—and mean that strong governance, impact assessments, and stakeholder engagement are legally required.

7. Cost Benefit Analysis

The Cost-Benefit Analysis (CBA) section of this report examines the financial and social impacts of implementing a visitor levy in the Outer Hebrides over a 1-year decision-making and planning year (2025/26), a 2-year consultation/set-up period (2026/27 -2027/28) and a 10-year implementation period, assuming the levy starts collecting revenue in 2028/29. The implementation year was taken to be 2028/29 to account for decision-making, designing, and planning processes within the Council and the statutory consultation period, which would make 2028/29 the first full financial year revenue from a visitor levy could be collected.

An assessment of costs and benefits over a 10-year implementation period aligns with HMT Green Book standards and is considered best practice for policy interventions and implementations.

The CBA explores both a year-round levy and a seasonal levy scenario at various levy percentages. Each scenario is evaluated to understand how it might affect visitor revenue, local businesses, the local council and the community. Each of the costs to the council and local businesses are described in further detail in the methodology section below.

The analysis considers both the direct and indirect costs to the council and accommodation providers (see cost breakdown in methodology) involved in setting up and managing the levy, as well as the potential financial benefits, which in turn could lead to social benefits from investment in the Outer Hebrides tourism economy.

Social disbenefits have not been considered in this analysis as the focus is on providing a clear and quantifiable financial assessment. This is done by examining metrics like the Benefit-Cost Ratio (BCR), Net Revenues and Annual Balances as per HMG Green Book. The report also aims to provide a clear picture of the financial viability and overall benefits of each option. This will help stakeholders make an informed decision about the best approach to implementing a visitor levy in this area.

Methodology

The methodology section outlines the approach taken to calculate the costs and benefits of the visitor levy. It includes the identification of direct and indirect costs, revenue projections, and the evaluation of unquantifiable benefits.

The full methodology can be found in Appendix 2. This section is important for understanding how the analysis was conducted and the assumptions made.

Costs

The costs include both direct and indirect costs to the council and accommodation providers. This includes set-up and administration costs, consultation and decision-making, and costs incurred by accommodation providers to change Property Management Systems (PMS).

Full cost calculations for the year-round visitor levy and seasonal levy can be found in Appendix 2.

The total costs for the year-round levy over the period are summarised in the chart below. Over the full period, the development and implementation of a year-round visitor levy scheme is estimated to cost a total of £21,757,064.48 to the council and local businesses.

Cost	Value
Direct Costs Local Council	£3,198,711.71
Direct Costs Local Businesses (accommodation providers)	£14,206,939.87
Optimism Bias	£2,610,847.74
Leakage	£1,740,565.16
Total Cost	£21,757,064.48

Table 22 - Total costs, year-round levy

The total costs for the seasonal levy equate to £13,586,032.24. This includes £1,737,355.85 in direct costs to the council and £9,131,469.94 in direct costs to local businesses, optimism bias of £1,630,323.87 and leakage of £1,086,882.58.

Cost	Value
Direct Costs Local Council	£1,737,355.85
Direct Costs Local Businesses (accommodation providers)	£9,131,469.94
Optimism Bias	£1,630,323.87
Leakage	£1,086,882.58
Total Cost	£13,586,032.24

Table 23 - Seasonal Total Costs

Benefits

The main benefit of this visitor levy scheme is visitor revenue. This is charged as a percentage of the cost of accommodation (and does include additional expenses such as food). Visitor revenue has been calculated using the following calculations:

$$\text{Number of rooms} \times \text{Number of days in period} \times \text{Occupancy rate} = \text{Nights booked}$$

$$\text{Nights booked} \times \text{Cost per night} = \text{Total accommodation cost}$$

$$\text{Total charge} \times \text{Levy percentage} = \text{Revenue}$$

The number of days was taken to be 365 days for the year-round levy and 214 for the seasonal levy. The number of rooms was calculated from data provided by the council.

Occupancy rates were taken from the average occupancy rate data from Airdna from 2024. Although Airdna does not collect data on all accommodation types, this provides a suitable approximate figure of average occupancy across the year based on the available data.

As the exact number of rooms and occupancy could not be estimated and forecasted over the next 10 years, economic adjustments, which are discussed in the methodology in Appendix 2, were applied.

Findings

Year-round levy

The table below demonstrates the annual net revenue from a year-round visitor levy set at 1%, 3%, 5%, 7%, and 9%. The net revenue is the total revenue, minus all the costs incurred by the council and the local businesses.

Table 24- Annual balance, year-round levy

Outer Hebrides year round	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
1% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	-£823,247.14	-£1,046,091.92	-£1,117,262.13	-£1,086,260.81	-£1,124,279.94	-£1,163,629.73	-£1,204,356.77	-£1,246,509.26	-£1,290,137.08	-£1,335,291.88
3% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£33,108.58	-£159,763.75	-£199,912.48	-£136,803.91	-£141,592.05	-£146,547.77	-£151,676.94	-£156,985.64	-£162,480.13	-£168,166.94
5% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£889,464.30	£726,564.42	£717,437.18	£812,652.98	£841,095.83	£870,534.19	£901,002.89	£932,537.99	£965,176.82	£998,958.00
7% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£1,745,820.02	£1,612,892.59	£1,634,786.83	£1,762,109.87	£1,823,783.72	£1,887,616.15	£1,953,682.72	£2,022,061.61	£2,092,833.77	£2,166,082.95
9% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£2,602,175.74	£2,499,220.76	£2,552,136.49	£2,711,566.77	£2,806,471.60	£2,904,698.11	£3,006,362.54	£3,111,585.23	£3,220,490.72	£3,333,207.89

The analysis indicates that a 1% and 3% year-round levy will not generate a positive net revenue over a 10-year implementation period.

Due to the set-up and consultation costs which will be incurred in the years preceding the collection of a potential levy, significant capital will be at risk prior to making returns from a visitor levy. For the 3% levy, net revenue is minimal and actually sees it go from positive to negative in year 3 of the implementation period due to the three-year review costs.

After the 10 year implementation period, a visitor levy at 5% or greater is profitable. At implementation year-10 (2037/38), a 5% levy will generate £3,358,549.60 in net revenue, and a 7% levy is estimated to generate £6,404,795.23. A 9% levy is estimated to generate £23,451,040.86.

The Net present value (NPV) of the visitor levy and the Benefit Cost Ratio (BCR) at different percentages over the 10-year implementation period is summarised in the table below. Both the 1% and 3% visitor levy have negative NPVs and below 1 BCR's, indicating that a visitor levy at these percentages is not expected to generate net benefits for the Outer Hebrides.

Table 25- Key findings, year-round levy

Levy percentage	Net present value	BCR
1% Levy	-£16,733,941.66	0.23
3% Levy	-£6,687,696.03	0.69
5% Levy	£3,358,549.60	1.15
7% Levy	£13,404,795.23	1.62
9% Levy	£23,451,040.86	2.08

In comparison, the 5%, 7%, and 9% levies have positive NPVs and above 1 BCR's after 10 years, which suggests that the levy at these rates is a worthwhile investment, as it is likely to provide a return on investment and contribute positively to the local economy.

Sensitivity analyses

Sensitivity analysis tests the robustness of the results by varying key assumptions and parameters. This helps to understand how changes in these variables affect the outcomes and provides insights into the potential risks and uncertainties.

Exemptions

The legislation allows local authorities to grant exemptions on who has to pay the overnight accommodation levy. In the public engagement sessions and survey, it was clearly highlighted that there is an expectation that Outer Hebrides residents should be exempt from paying a levy. Participants also indicated that those seeking medical treatment and children and young people should also be exempt. Additionally, exemptions might be considered for long-term visitors who stay beyond a certain number of days, promoting extended stays and deeper engagement with the

local community. This would be in addition to the statutory exemptions, such as for those receiving certain disability benefits, outlined in the legislation.

It is important to note that those who are exempt would have to pay the levy in the first instance and then retrospectively claim the money back from the council.

As the exemptions would be decided during the development of the scheme, the percentage of stays that would be exempt cannot currently be estimated with available data. As a result, the table below provides a summary of the net revenue from a 1%, 5%, and 7% visitor levy, with different scenarios demonstrating no exemptions, and 10%, 20%, 30%, and 40% of stays being exempt from the levy.

Table 26- Exemptions sensitivity analysis, year-round levy

1% Outer Hebrides Year-Round	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£5,023,122.82	£4,520,810.53	£4,018,498.25	£3,516,185.97	£3,013,873.69
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48
Net revenue (Total benefits-total costs)	-£16,733,941.66	-£17,236,253.94	-£17,738,566.23	-£18,240,878.51	-£18,743,190.79
5% Outer Hebrides Year-round	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£25,115,614.08	£22,604,052.67	£20,092,491.26	£17,580,929.85	£15,069,368.45
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48
Net revenue (Total benefits-total costs)	£3,358,549.60	£846,988.19	-£1,664,573.22	-£4,176,134.62	-£6,687,696.03
7% Outer Hebrides Year-round	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£35,161,859.71	£31,645,673.74	£28,129,487.77	£24,613,301.80	£21,097,115.83
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48
Net revenue (Total benefits-total costs)	£13,404,795.23	£9,888,609.26	£6,372,423.29	£2,856,237.32	-£659,948.65

As can be seen, at all exemption levels for the 1% levy net revenue is negative and continues to decrease. If 20% or more of stays are exempt at the 5% levy rate, then the net revenue is negative.

At 7% levy rate if 40% or more visitors are exempt, net revenue will be negative. This provides a baseline overview however, further analysis should be done to get a full understanding of how many visitors may be exempt under any proposed exemptions.

Decrease in rooms

The following test is to show the effect on revenue of reducing the number of rooms available would have if a visitor levy been introduced. The reason for this test is that many stakeholders said they would consider closing down due to the increased cost and time effort the legislation would bring. The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no decrease, 10% and 20% decrease in the number of rooms available across the Outer Hebrides.

As the percentage of rooms decreases, we see revenue fall, resulting in lower net revenue. If there is a 20% decrease in the number of rooms, the net revenue of the 5% visitor levy is negative. Again, this highlights a significant risk if the decrease in available rooms was realised. For example, if accommodation providers shortened their seasons to stay below the VAT threshold or if accommodation providers ceased operating due to the increased administration work created from the levy.

Table 27- Decrease in rooms sensitivity test, year-round levy

Outer Hebrides Year-round (5% levy)	No Decrease	10% Decrease	20% Decrease
Revenue	£25,115,614.08	£19,978,021.55	£14,394,029.37
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48
Net revenue (Total benefits-total costs)	£3,358,549.60	-£1,779,042.93	-£7,363,035.11

Increase in costs

The following test is to show the effect on net revenue should the costs of introducing the visitor levy increase. The reason for this test is to test the robustness of the levy scheme due to a number of both council and accommodation costs not being finalised as of yet. The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no increase, 10% and 20% increases.

Table 28- Increase in costs sensitivity analysis, year-round levy

Outer Hebrides Year-round (5% levy)	No Increase	10% Increase	20% Increase
Revenue	£25,115,614.08	£25,115,614.08	£25,115,614.08
Total costs	£21,757,064.48	£23,932,770.93	£26,108,477.37
Net revenue (Total benefits-total costs)	£3,358,549.60	£1,182,843.15	-£992,863.30

Seasonal levy

The table below demonstrates the annual net revenue from seasonal visitor levy set at 1%, 3%, 5%, 7%, and 9%. The net revenue is the total revenue minus all the costs incurred by the council and the local businesses.

Table 29- Annual balance, seasonal levy

Outer Hebrides seasonal	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
1% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	-£312,713.34	-£391,669.18	-£434,937.36	-£395,701.16	-£409,550.70	-£423,884.98	-£438,720.95	-£454,076.19	-£469,968.85	-£486,417.76
3% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£381,409.97	£326,748.45	£308,624.89	£373,885.76	£386,971.77	£400,515.78	£414,533.83	£429,042.51	£444,059.00	£459,601.07
5% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£1,075,533.29	£1,045,166.08	£1,052,187.14	£1,143,472.69	£1,183,494.24	£1,224,916.53	£1,267,788.61	£1,312,161.21	£1,358,086.86	£1,405,619.90
7% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£1,769,656.60	£1,763,583.71	£1,795,749.39	£1,913,059.62	£1,980,016.71	£2,049,317.29	£2,121,043.39	£2,195,279.91	£2,272,114.71	£2,351,638.73
9% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£2,463,779.92	£2,482,001.34	£2,539,311.64	£2,682,646.55	£2,776,539.17	£2,873,718.05	£2,974,298.18	£3,078,398.61	£3,186,142.57	£3,297,657.55

Similar to the year-round levy, the seasonal levy does not generate net benefits at 1% or 3% across a 10-year implementation period. In comparison, the 5%, 7%, and 9% levies have positive NPVs, which suggests that the levy at these rates is a worthwhile investment, as it is likely to provide a positive return on investment and contribute to the local economy. For example, a seasonal visitor levy of 5% is expected to generate a total of £6,771,551.55 over the 10-year implementation period. A 7% levy is estimated to generate £14,914,585.06. A 9% levy is estimated to generate £23,057,618.58.

Similar to the year-round levy, it must be highlighted that capital will be at risk due to the costs incurred in the set-up and consultation activities before the revenue starts to be collected.

Chart 30- Key findings, seasonal levy

Levy percentage	Net present value	BCR
1% Levy	-£9,514,515.48	0.30
3% Levy	-£1,371,481.97	0.90
5% Levy	£6,771,551.55	1.50
7% Levy	£14,914,585.06	2.10
9% Levy	£23,057,618.58	2.70

Sensitivity analyses

Sensitivity analysis tests the robustness of the results by varying key assumptions and parameters. This helps to understand how changes in these variables affect the outcomes and provides insights into the potential risks and uncertainties. The same sensitivity analyses have been conducted as for the year-round levy.

All sensitivity analyses have been conducted on a 5% levy as an example.

Exemptions

Similar to the year-round levy, any exemptions would be decided during the development of the scheme, therefore the percentage of stays that would be exempt cannot currently be estimated with available data. Exemptions could potentially include, in addition to the statutory example for disabled people, Outer Hebrides residents, health travellers, contractors and essential service providers, children, and visiting family members.

As a result, the table below provides a summary of the net revenue from a 1%, 5% and 7% seasonal visitor levy, with different scenarios demonstrating no exemptions, and 10%, 20%, 30%, and 40% of stays being exempt from the levy. As can be seen, at 1%, net revenue is negative at all exemption levels. If 40% of stays are exempt from the 5% levy this has a negative net revenue over the 10-year period. At the 7% levy rate net revenue is positive at all exemption levels.

Table 31- Exemptions sensitivity analysis, seasonal levy

1% Outer Hebrides seasonal	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£4,071,516.76	£3,664,365.08	£3,257,213.41	£2,850,061.73	£2,442,910.05
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24
Net revenue (Total benefits-total costs)	-£9,514,515.48	-£9,921,667.16	-£10,328,818.83	-£10,735,970.51	-£11,143,122.19
5% Outer Hebrides seasonal	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£20,357,583.79	£18,321,825.41	£16,286,067.03	£14,250,308.65	£12,214,550.27
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24
Net revenue (Total benefits-total costs)	£6,771,551.55	£4,735,793.17	£2,700,034.79	£664,276.41	-£1,371,481.97
7% Outer Hebrides seasonal	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£28,500,617.30	£25,650,555.57	£22,800,493.84	£19,950,432.11	£17,100,370.38
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24
Net revenue (Total benefits-total costs)	£14,914,585.06	£12,064,523.33	£9,214,461.60	£6,364,399.87	£3,514,338.14

Decrease in rooms

The following test is to show the effect on revenue of reducing the number of rooms available would have if a visitor levy been introduced. The reason for this test is that many stakeholders said they would consider closing down due to the increased cost and time effort the legislation would bring. The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no decrease, 10% and 20% decreases.

Table 32- Decrease in rooms sensitivity test, seasonal levy

Outer Hebrides Seasonal	No Decrease	10% Decrease	20% Decrease
Revenue	£20,357,583.79	£16,193,283.04	£14,394,029.37
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24

Net revenue (Total benefits-total costs)	£6,771,551.55	£2,607,250.80	£807,997.13
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Increase in costs

The following test is to show the effect on net revenue should the costs of introducing the visitor levy increase. The reason for this test is to test the robustness of the levy scheme due to a number of both council and accommodation costs not yet finalised. The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no increase, 10% and 20% increases.

Table 33- Increase in costs sensitivity test, seasonal levy

Outer Hebrides Seasonal	No Increase	10% Increase	20% Increase
Revenue	£10,452,167.42	£10,452,167.42	£10,452,167.42
Total costs	£13,586,032.24	£14,944,635.46	£16,303,238.69
Net revenue (Total benefits-total costs)	£6,771,551.55	£5,412,948.32	£4,054,345.10

Cost savings to Comhairle nan Eilean Siar through joint implementation with Shetland and Orkney

Consultation with the Improvement Service have shown that there are flat fees for using the digital platform for levy collection, and these will not be reduced through joint implementation of a visitor levy. Council officers explored the option of a shared dedicated visitor levy officer to support implementation of the visitor levy in Orkney, Shetland and the Outer Hebrides and concluded that given the number of accommodation providers, that this would not be reasonable, and opted to have their own individual resource instead. It is therefore concluded that there is no cost saving to Comhairle nan Eilean Siar through joint implementation of the visitor levy.

Increases in Visitor Numbers

The increase in visitor numbers over the 10 year implementation period has been accounted for throughout our visitor revenue calculations using a number of economic adjustments. These include estimations of how visitor numbers are expected to grow annually using a combined annual growth rate of historical visitor numbers as well as previous occupancy rate trends and data. Moreover to account for price and demand adjustments due to increased visitors an inflation multiplier has been applied over the 10-year period to both the number and price of rooms.

However, theoretically a well-managed and successful visitor levy should drive increased visitor numbers, and potentially longer average stays and expenditure per head, ahead of projections as they stand currently. This is due to the expected increased attractiveness of a destination that is able to invest regularly in developing the tourism infrastructure and offering.

8. Conclusion

Overall, the findings from this feasibility study indicate that there is opposition among the residents and local businesses to a visitor levy on overnight accommodation, this is primarily driven by the view that the majority of burden and costs will fall on accommodation providers. Participants did however understand the strategic principle and opportunity of some form of levy. There is recognition of the ongoing need for investment in tourism in the Outer Hebrides and also of the challenging financial landscape for obtaining the required funding to do so.

The majority of businesses who engaged in the research anticipated that a visitor levy would have a negative impact on local businesses, tourism, and the wider economy of the Outer Hebrides. The main concern from businesses was that a visitor levy would lead to a reduction in visitor numbers. However, there is not enough data to determine the actual impact of price increases on visitor numbers, and further research is required to gain clarity on this.

Additionally, local businesses, especially small and independently-run accommodation providers, held significant concerns about the operational and financial burden the levy would impose on accommodation providers.

Residents raised concerns about the impact of a visitor levy on their inter-island travel, including for health visits, or other essential travel, and cancelled ferries, noting that residents should be exempt from any visitor levy.

The results from the cost benefit analysis estimated that both a year-round visitor levy and seasonal levy are expected to generate positive net benefits at a 5% levy or greater over a 10-year implementation period.

However, the sensitivity analyses indicated that the return on investment may be significantly affected by any exemptions to the levy, increases in costs, and decreases in the number of rooms available, presenting significant risk.

For the year-round visitor levy at a 5% levy rate, if 20% of visitors are exempt the costs of a levy scheme become greater than the revenue generated. For the seasonal 5% levy, if 40% of visitors are exempt then the scheme does not generate net benefits. Similarly, for the year-round levy, a 5% visitor levy scheme is not profitable if there is a 20% decrease in the number of rooms.

In addition, there is significant capital at risk before a proposed visitor levy scheme would generate income, or become profitable, because of the investment required in the digital platform, stakeholder consultation, as well as the internal council governance and reporting systems.

On the other hand, a point of entry or cruise levy, was supported by the majority of survey respondents, as it included everyone and was felt to be fairer. The Outer Hebrides unique geographical position, where all travellers to the isles come by either ferry or airplane, is suited to a point of entry levy, which could be fairly easily administered at these entry points.

Whether the visitor levy is viable or not depends on the design of the scheme. While the point of entry style levy received the most endorsement, a CBA of this levy was out of scope of this report, as this only become a legal option mid-way through the contract, when the Scottish Government

issued a consultation on the Cruise Ship levy in February 2025. It is recommended therefore that a CBA of the point of entry levy be undertaken to compare the results with the CBA carried out in this analysis. Furthermore, further analysis needs to take place on the number of people and geographies eligible for the different proposed exemptions in order to accurately predict the revenue Comhairle nan Eilean Siar would receive.

Further research also needs to take place on the sensitivity of price to demand to accurately estimate the impact of a levy on visitor numbers and therefore the changes in levy revenue to Comhairle nan Eilean Siar and tourism receipts to economic operators in the Outer Hebrides.

The visitor levy could generate meaningful revenue but also risks unintended impacts on affordability, tourism distribution, and small business capacity. These trade-offs, alongside the legal and geographic flexibility allowed under the legislation, point to the need for a carefully tailored and evidence-based approach—supported by further research on visitor behaviour, price sensitivity, and inter-island impacts.

In summary, this report and its conclusions will be of most use and value when viewed against similar reviews for the other levy options that are expected to become possibilities in the near future.

Given the complex and emotive nature of visitor levies, we recommend that the most prudent way forward for Comhairle nan Eilean Siar would be to wait until all levy options can be considered together.

Appendices

Appendix 1: Survey Questions

All			
Are you a:		Visitor Tourism Related Business Owner Business Owner/Operator Local Resident	
Where are you based?		Orkney Mainland and linked South Isles Orkney ferry-linked isles Shetland Mainland Shetland ferry-linked isles Lewis / Harris North Uist / Berneray / Benbecula / South Uist Barra and Vatersay Other	
Business Branching Questions		Visitor Branching Questions	
What type of business do you represent	Accommodation Tourism (e.g. tour operator, activity provider, visitor attraction) Food and drink Retail Transportation Other	Which of the following locations did you visit on your most recent trip?	Orkney Shetland Outer Hebrides / Outer Hebrides
How do you anticipate a visitor levy will impact	Positively Negatively	How long do you plan to stay?	1–2 nights 3–5 nights

businesses and the local visitor economy?	<p>No impact</p> <p>It could have both positive and negative impacts</p> <p>Don't know</p> <p>Other</p>		<p>6–10 nights</p> <p>More than 10 nights</p>
If introduced, a visitor levy would be charged as a percentage of the accommodation cost. What do you think would be a reasonable percentage?	Open	What was the main type of accommodation you used?	<p>Hotel</p> <p>Bed and breakfast or guesthouse</p> <p>Campsite or caravan park</p> <p>Staying with friends or family</p> <p>Self-catering (Airbnb, cottage, etc.)</p> <p>Other</p>
Should the same percentage rate be charged across an entire archipelago/local authority area?	<p>Yes</p> <p>No</p> <p>Don't know</p>	How did you travel to Orkney, Shetland, or the Outer Hebrides?	<p>Ferry</p> <p>Plane</p> <p>Other</p>
If a visitor levy is introduced, where should the revenue be invested? (Select up to 3 options)	<p>Infrastructure (e.g. public toilets, paths, transport, signage)</p> <p>Environmental conservation</p> <p>Culture and heritage</p> <p>Destination marketing</p> <p>Tourism business support</p>	How did you hear about the destination(s)?	<p>Word of mouth</p> <p>Social media</p> <p>Travel website/blog</p> <p>Official tourism board</p> <p>Other</p>

	Destination management Don't know Other		
Should there be a cap on the maximum number of nights a visitor should pay a levy?	Yes No Don't know	How likely are you to visit if a levy is introduced?	Very likely Somewhat likely Neutral Unlikely Very unlikely Don't know
If there is a cap, what's the maximum number of nights?	Up to 7 consecutive nights 8–14 consecutive nights 15–31 consecutive nights More than 32 nights Don't know Other		
Should the visitor levy apply at the same level all year round?	Yes No Don't know		
If not, when should it apply?	During the peak season Only during the off season Higher in peak season Higher in off season		

	Same level year round Don't know Other		
Should anyone else be exempt? (Select all that apply)	Local residents Children and young people Homeless people Those seeking medical treatment Other		
Do you support a cruise ship levy?	Yes, levy on cruise ships & overnight accommodation Yes, cruise ship levy only No levies at all No, visitor levy only Don't know Other		
Would you support a 'point of entry' levy for all visitor types?	Do you have anything else you'd like to add?		
All			
What is your age group?		Under 18 18-24 25-34 35-44 45-54	

	55–64 65+ Prefer not to say
If you are a visitor, where do you usually reside?	Scotland Rest of the UK Europe North America Other Prefer not to say

Appendix 2: Cost Benefit Analysis

The Cost-Benefit Analysis (CBA) section of this report dives into the financial and social impacts of implementing a visitor levy in the Outer Hebrides over a 1-year decision-making and planning year (2025/26), a 2-year consultation/set-up period (2026/27 -2027/28) and a 10-year implementation period, assuming the levy starts collecting revenue in 2028/29. The implementation year was taken to be 2028/29 to account for decision-making, designing, and planning processes within the Council and the statutory consultation period, which would make 2028/29 the first full financial year revenue could be collected.

The CBA explores both a year-round levy and a seasonal levy scenario at different levy percentages, including sensitivity analyses for exemptions, decreases in rooms, and increases in costs. Each scenario is evaluated to understand how it might affect visitor revenue, local businesses, the local council and the community.

The analysis considers both the direct and indirect costs to the council and accommodation providers involved in setting up and managing the levy, as well as the potential financial benefits, which in turn could lead to social benefits from investment in the Outer Hebrides' tourism economy. By looking at metrics like the Benefit-Cost Ratio (BCR) and Net Revenue, the report aims to provide a clear picture of the financial viability and overall benefits of each option. This will help stakeholders make an informed decision about the best approach to implementing a visitor levy in this area.

Methodology

The methodology section outlines the approach taken to calculate the costs and benefits of the visitor levy. It includes the identification of direct and indirect costs, revenue projections, and the evaluation of unquantifiable benefits.

Costs

Year-round levy

Costs to local council

The following costs have been established by the Scottish Government in partnership with COSLA as well as discussions with early adopter local authorities who are in current consultation for the implementation of a visitor levy. These costs include:

Consultation and Decision-Making: This cost refers to the expenses incurred by the local authority in engaging with stakeholders, conducting public consultations, and making decisions about the visitor levy. It includes costs for organising meetings, hiring consultants, and other related activities. These costs are estimated to be £161,000 and include a 3rd year review of the levy scheme. This figure was estimated from costs provided by Orkney Islands Council and triangulated with other engagement findings from other local councils currently undertaking visitor levy feasibility analysis to give an accurate representation of costs to Comhairle nan Eilean

Siar, the costs include: Scheme design, including impact assessments; investment plan; statutory public consultation and internal governance (officer time), which total £83,000. Related comms including local press, social media, Council website updates, and officer time, totalling £18,000. This also includes Central Service and management support totalling £40,000 and a three-year review of the levy scheme totalling £20,000.

Set Up Costs: Set-up costs are the initial expenses required to establish and purchase the license of the Improvement Services¹⁵ visitor levy system. This is a digital platform set up to support accommodation providers to submit returns and pay the levy, which would be remitted back to the Council. A one-off fee to purchase a licence to the system would be paid to Edinburgh Council, as they funded the development of the system.

The set up costs also include the cost of awareness campaigns to inform visitors and businesses about the new levy. As well as grant support for development and implementation for accommodation providers. The yearly set up costs are shown in Table 34.

Administration Costs: Ongoing administration costs are the expenses related to the continuous management and enforcement of the levy. These costs include a yearly payment to the Improvement Service for continued use of the visitor levy system license and operational expenses such as dealing with exemption requests and issues, as well as enforcement of payments.

The payment of the visitor levy license fee to the Improvement Service is £500,000 each year. This fee will be split amongst all local authorities who sign up to the visitor levy scheme, based on a fair distribution system, such as how many accommodation providers they have or how much revenue they bring in, in comparison to the other local authorities within the scheme.

The method of distribution has not been finalised yet, so for this analysis, it has been calculated by simply splitting the £500,000 amongst the early adopter local authorities currently in consultation for a visitor levy scheme, equalling a total of £50,000 per year, decreasing slightly each year as more local authorities purchase the licence. However, it must be noted that there is a risk that fewer local authorities will use the platform, increasing the yearly costs to Comhairle nan Eilean Siar.

Alternatively, more local authorities may use the platform, decreasing the yearly costs to Comhairle nan Eilean Siar. Due to the large number of providers in the Outer Hebrides, an additional yearly cost of £30,000 has been used to account for extra admin work, this is reflected in the total admin costs each year.

¹⁵ <https://www.improvementservice.org.uk/>

Total costs to Comhairle nan Eilean Siar for the 10-year implementation period and 3-year prior consultation period amount to £3,198,711.71, averaging £246,054.75 per annum. This assumes that the visitor levy would be start collecting revenue until 2028/29. A cost table (Table 3434) has been provided below to show the full breakdown.

Table 34: Cost to council

Outer Hebrides	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Consultation and Decision-Making	£30,000.00	£30,000.00	£29,000.00	£32,000.00	£10,000.00	£30,000.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Set Up Costs	£0.00	£0.00	£92,500.00	£22,500.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Administration Costs	£0.00	£0.00	£0.00	£81,360.00	£285,840.00	£303,840.00	£289,440.00	£299,570.40	£310,055.36	£320,907.30	£332,139.06	£343,763.92	£355,795.66
Total	£30,000.00	£30,000.00	£121,500.00	£135,860.00	£295,840.00	£333,840.00	£289,440.00	£299,570.40	£310,055.36	£320,907.30	£332,139.06	£343,763.92	£355,795.66
Total after 10 years													£3,198,711.71

Costs to local businesses

The following costs are based on a Scottish Government-conducted exercise with a cross-section of accommodation providers across Scotland to understand the potential costs associated with a visitor levy and to inform the Business and Regulatory Impact Assessment (BRIA). Further to this, the Scottish Government also conducted a survey of property management system providers. The following detail on costs to accommodation providers reflects the key messages and evidence gathered from these exercises, as well as responses to the stakeholder engagement.

Set Up Costs (Excluding Property Management System (PMS) fee): Costs which exclude PMS fees are costs associated with training existing staff on new systems or changes that have been made to existing systems; costs associated with testing or piloting any new systems before a visitor levy is required to be collected; and costs associated with renegotiating existing contracts with third parties (such as third-party booking platforms or online travel agents) where a commission is based on the price of accommodation sales, to exclude the cost of a visitor levy. These fees have been estimated using the lower bound of BRIA estimations due to the size of Outer Hebrides accommodation providers being small (1–2-person operation on average) and having lower costs. This equates to £2,000 per accommodation provider. Multiplying this by 1352, the estimated number of providers in the Outer Hebrides, becomes a total of £2,704,000.00 in set-up costs, excluding the one-off PMS set-up fees. This cost will be incurred in the year prior to implementation.

Set Up Costs (One-off PMS fee): Accommodation providers within local authorities where a visitor levy is introduced are likely to face some up-front set-up costs. Many accommodation providers use software to manage bookings and generate invoices for guests, for example. Most accommodation providers that use these systems will likely need to adapt these systems, potentially paying one-off fees to their suppliers. Any additional fees charged by property management system suppliers to adjust existing systems may vary depending on the type of provider (hotel, B&B, hostel, self-catering sector) and the commercial arrangement each accommodation provider has with their property management system supplier.

These fees have been estimated using the Scottish Government's BRIA lower bound range of values at £1,000 per accommodation provider. Multiplying this by 1352, the estimated number of providers in the Outer Hebrides, we get £1,352,000.00 in one-off PMS set-up fees. This cost will be incurred in the year prior to implementation. This fee does not include the costs of those businesses that do not currently use digital booking systems and may need to introduce them prior to the introduction of a levy.

Administration Costs: Administration costs taken on by accommodation providers. Include the costs associated with preparing regular remittance tax returns to the local authority (assuming one return per quarter). Costs associated with performing reconciliation exercises associated with tax returns and due diligence checks to ensure, for example, the correct visitor levy rate is applied to invoices. Costs associated with explaining to customers why a visitor levy has been added to their accommodation bill. These fees have been estimated on a basis of 8 hours of work per quarter at a wage of £20 per hour. Equalling £640 per accommodation provider per year. The Scottish Government's BRIA upper bound range was £400 per accommodation provider (*as estimated by the Scottish Government's 2023 Business and Regulatory Impact Assessment*). Multiplying £640 by 1352 the estimated number of providers in the Outer Hebrides, we get £865,280.00 in the

first year of implementation. Adjusted for inflation over the 10-year implementation period, is the total of £10,150,939.87.

While accommodation providers do not agree that the BRIA £400 figure accurately reflects the true cost, which they suggest likely to be higher, in the absence of a reliable figure, we have calculated that accommodation providers would spend 1 day (8 hours) a quarter submitting a return – similar to the maximum reported to have been spend on a VAT return, and cost this 50% above the living wage to return £640. This is triangulated with the Improvement Service’s estimate that it would take 30 seconds to report each booking. This naturally would be higher for those accommodation who have lower digital literacy, but they can access the support Comhairle nan Eilean Siar would expect to provide, were the visitor levy to be implemented.

Total costs to the local businesses for the 10-year implementation period and 3-year prior consultation/set up period amount to £14,206,939.87, averaging roughly £1,092,841.53 per annum, split amongst 1352 Outer Hebrides accommodation providers; this averages out at £808.31 per provider per year. A cost table (Table 35) has been provided below to show the full breakdown.

Table 35: Costs to Businesses

Outer Hebrides	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Set Up costs (Excluding PMS)	£0.00	£0.00	£2,704,000.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Set Up Costs (One-off PMS fee)	£0.00	£0.00	£1,352,000.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Administration Costs/Ongoing Costs	£0.00	£0.00	£0.00	£865,280.00	£895,564.80	£926,909.57	£959,351.40	£992,928.70	£1,027,681.21	£1,063,650.05	£1,100,877.80	£1,139,408.52	£1,179,287.82
Total	£0.00	£0.00	£4,056,000.00	£865,280.00	£895,564.80	£926,909.57	£959,351.40	£992,928.70	£1,027,681.21	£1,063,650.05	£1,100,877.80	£1,139,408.52	£1,179,287.82
Total after 10 years													£14,206,939.87

Business reimbursement

Edinburgh Council will be implementing a 'business reimbursement' system where a 2% fee of the 5% levy charge, will be paid back to each accommodation provider per year. This option also remains open to Comhairle nan Eilean Siar. The process for how this will be reimbursed has not been established yet. For this analysis, it has not included it within the official costings of the visitor levy but has been highlighted to show the amount it would cost the council as well as net revenue returns, should it be introduced - this is shown in Table 44. In the Outer Hebrides, business reimbursement for the 10-year implementation period amounts to £10,046,245.63. This equates to £7,430.66 per business at £743.06 per year.

Total costs

Cost	Value
Direct Costs Local Council	£3,198,711.71
Direct Costs Local Businesses (accommodation providers)	£14,206,939.87
Optimism Bias	£2,610,847.74
Leakage	£1,740,565.16
Total Cost	£21,757,064.48

Table 36 - Total costs

Economic impact adjustment factors

In order to gain a realistic of the costs, we must take into account economic adjustment factors. These factors are used in economic and financial analyses to account for various uncertainties and potential deviations from expected outcomes.

Optimism Bias: is the tendency to underestimate the costs of a project. In the context of a visitor levy, this means that initial projections might be overly optimistic about the revenue generated and the positive impacts on the local economy. The optimism bias factor adjusts the estimates to provide a more realistic and conservative assessment. Using HMT guidance, we have applied a 15% optimism bias to the total costs, as the costs were informed in consultation with local experts and desk research.

Leakage: The leakage factor adjusts the estimated costs to account for the costs that flows out of the administration and implementation of the programme. To account for this, a 10% leakage figure derived from The Social Value Engine "Applying Impact Adjustments" has been taken from the cost figure.

Total costs equate to £21,757,064.48. This includes £3,198,711.71 in direct costs to Comhairle nan Eilean Siar, £14,206,939.87 in direct costs to local businesses, £2,610,847.74 in optimism bias and £1,740,565.16 in leakage.

Seasonal levy

Seasonal levy costs follow the same structure and involve the same costings as the year-round levy; however, costs are only accounted for half of the year April – October.

Costs to local council

Consultation and Decision-Making: This cost refers to the expenses incurred by the local authority in engaging with stakeholders, conducting public consultations, and making decisions about the visitor levy. It includes costs for organising meetings, hiring consultants, and other related activities. These costs are estimated to be £161,000 and include a 3rd year review of the levy scheme. This figure was estimated from costs provided by Orkney Islands Council and triangulated with other engagement findings from other local councils currently undertaking visitor levy feasibility analysis to give an accurate representation of costs to Comhairle nan Eilean Siar, the costs include: Scheme design, including impact assessments; investment plan; statutory public consultation and internal governance (officer time), which total £83,000. Related comms including local press, social media, OIC website updates, and officer time, totalling £18,000. This also includes Central Service and management support, totalling £40,000 and a three-year review of the levy scheme, totalling £20,000.

Set Up Costs: Set-up costs are the initial expenses required to establish and purchase the license of the Improvement Service’s visitor levy system. This is a digital platform set up to support accommodation providers to submit returns and pay the levy, which would be remitted back to the Council. A one-off fee to purchase a licence to the system would be paid to Edinburgh Council, as they funded the development of the system.

The set-up costs also include the cost of awareness campaigns to inform visitors and businesses about the new levy. The yearly set-up costs are shown in the table below.

Administration Costs: Ongoing administration costs are valued at half of the administration costs of the full-time levy, due to it only being operational for half of the year. This equates to £1,461,355.85 adjusted for inflation for the 10-year implementation period. However, seasonal staffing of this may prove challenging.

Total costs to Comhairle nan Eilean Siar for the 10-year implementation period and 3-year prior consultation period amount to £1,737,355.85, averaging roughly £133,642.76 per annum. A cost table has been provided below to show the full breakdown.

Table 37: Seasonal costs to Council

Outer Hebrides	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Consultation and Decision-Making	£30,000.00	£30,000.00	£29,000.00	£32,000.00	£10,000.00	£30,000.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Set Up Costs	£0.00	£0.00	£92,500.00	£22,500.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Administrative Costs	£0.00	£0.00	£0.00	£40,680.00	£142,920.00	£151,920.00	£144,720.00	£149,785.20	£155,027.68	£160,453.65	£166,069.53	£171,881.96	£177,897.83
Total	£30,000.00	£30,000.00	£121,500.00	£95,180.00	£152,920.00	£181,920.00	£144,720.00	£149,785.20	£155,027.68	£160,453.65	£166,069.53	£171,881.96	£177,897.83
Total after 10 years													£1,737,355.85

Costs to local businesses

Set Up Costs (Excluding PMS fee): Set up costs, excluding the PMS fee for the year-round levy, are the same as the set up costs for the seasonal levy. This is equal to £2,704,000.00.

Set Up Costs (One-off PMS fee): Set up costs, excluding the PMS fee for the year-round levy, are the same as the set up costs for the seasonal levy. This is equal to £1,352,000.00.

Administration Costs: Administration costs of the seasonal levy are estimated to be 50% of the administration costs of the year-round levy. Administration costs taken on by accommodation providers include the costs associated with preparing regular remittance tax returns to the local authority (assuming one return per quarter). Costs associated with performing reconciliation exercises associated with tax returns and due diligence checks to ensure, for example, the correct visitor levy rate is applied to invoices. Costs associated with explaining to customers why a visitor levy has been added to their accommodation bill.

These fees have been estimated on a basis of 8 hours of work per quarter at a wage of £20. Equalling £320 per accommodation provider per year. The Scottish Government's BRIA upper bound range of £400 per accommodation provider for a full year so £200 for half a year (as estimated by the Scottish Government's 2023 Business and Regulatory Impact Assessment), multiplying £320 by 1352 the estimated number of providers in the Outer Hebrides, we get £432,640.00 in the first year of implementation. Adjusted for inflation over the 10-year implementation period, is the total of £5,075,469.93.

While accommodation providers do not agree that the BRIA £400/£200 figure accurately reflects the true cost, which they suggest likely to be higher, in the absence of a reliable figure, we have calculated that accommodation providers would spend 1 day (8 hours) a quarter submitting a return – similar to the maximum reported to have been spend on a VAT return, and cost this 50% above the living wage to return £320. This is triangulated with the Improvement Service's estimate that it would take 30 seconds to report each booking. This naturally would be higher for those accommodation who have lower digital literacy, but they can access the support Comhairle nan Eilean Siar intend to provide, were the visitor levy to be implemented.

A cost table (Table 38) has been provided below to show the full breakdown.

Table 38: Seasonal Costs to Businesses

Outer Hebrides Seasonal	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Set Up costs (Excluding PMS)	£0.00	£0.00	£2,704,000.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Set Up Costs (One-off PMS fee)	£0.00	£0.00	£1,352,000.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Administration Costs/Ongoing Costs	£0.00	£0.00	£0.00	£432,640.00	£447,782.40	£463,454.78	£479,675.70	£496,464.35	£513,840.60	£531,825.02	£550,438.90	£569,704.26	£589,643.91
Total	£0.00	£0.00	£4,056,000.00	£432,640.00	£447,782.40	£463,454.78	£479,675.70	£496,464.35	£513,840.60	£531,825.02	£550,438.90	£569,704.26	£589,643.91
Total after 10 years													£9,131,469.94

Business Reimbursement

Edinburgh Council will be implementing a 'business reimbursement' system where a 2% fee of the 5% levy charge, will be paid back to each accommodation provider per year. This option also remains open to Comhairle nan Eilean Siar. The process for how this will be reimbursed has not been established yet. For this analysis, it has not included it within the official costings of the visitor levy but has been highlighted it to show the amount it would cost the council, as well as net revenue returns, should it be introduced this is shown in Table 47. Potential business reimbursement for the seasonal levy scheme is lower than that of the year-round levy due to the lower visitor revenue associated with only operating for 6 months of the year.

In the Outer Hebrides, business reimbursement for the 10-year implementation period amounts to £8,143,033.51. This equates to £6,022.95 per business at £602.29 per year.

Total Costs

In order to gain a realistic figure for the costs, we must take into account economic adjustment factors. These factors are used in economic and financial analyses to account for various uncertainties and potential deviations from expected outcomes. Optimism bias and leakage were applied at the same rate as the year-round levy.

Total costs equate to £13,586,032.24. This includes £1,737,355.85 in direct costs to the council and £9,131,469.94 in direct costs to local businesses, optimism bias of £1,630,323.87 and leakage of £1,086,882.58.

Cost	Value
Direct Costs Local Council	£1,737,355.85
Direct Costs Local Businesses (accommodation providers)	£9,131,469.94
Optimism Bias	£1,630,323.87
Leakage	£1,086,882.58
Total Cost	£13,586,032.24

Table 39 - Seasonal Total Costs

Unquantifiable costs

The following is a list of unquantifiable costs which have not been included in our analysis but may need to be investigated further to produce more robust costings of the visitor levy scheme:

- VAT Implications: For businesses near the VAT threshold, the inclusion of levy income could push them over the limit, resulting in increased costs and accounting obligations leading to potential financial strain on small businesses and further research should be carried out in this area to quantify this accurately.

- Change in the number of accommodation providers: In the public engagement concerns were highlighted that if an accommodation levy were to be progressed, some accommodation providers would cease operating or operate at a reduced capacity. Similar concerns were also raised concerning the short-term let licensing, which did not materialise according to our consultation with stakeholders. This has been accounted for in the sensitivity analysis regarding decreases in accommodation providers.
- Economic Displacement: Redistribution of visitor spending to areas outside the levy region. Negative impact on local businesses and the wider Outer Hebrides economy if visitors choose alternative destinations. Accountancy and consultancy firm Saffery, commissioned by the Highland Hotels Association, modelled the impact of a 6% price increase (5% levy plus VAT) and projected a 7% drop in occupancy. This figure is likely to be higher in rural areas, as the analysis included a large number of urban Inverness hotels, where a greater proportion of stays are linked to business travel—typically less sensitive to price changes.
- Social and Community Impact: Potential resistance or dissatisfaction among local residents and businesses. Changes in community dynamics due to the introduction of the levy. Whilst levy avoidance would be illegal, compliance with the levy would be hard to enforce if, for example, providers changed their cost structure such that the final price was 25% accommodation and 75% parking/breakfast/cleaning fee.
- Environmental Impact: Possible unintended consequences on local ecosystems if visitor patterns change. Increased pressure on certain areas if visitors avoid regions with the levy.
- Equality Impact: Potential for the levy to disproportionately affect certain groups, such as low-income visitors or small business owners, leading to increased financial strain and reduced accessibility. Further research is needed to understand and mitigate these impacts to ensure the levy is implemented fairly.

Benefits

Year-round levy

Visitor revenue

The main benefit of this visitor levy scheme is visitor revenue. This is charged as a percentage of the cost of accommodation (and does include additional expenses, such as food). Visitor revenue has been calculated using the following calculations:

$$\text{Number of rooms} \times \text{Number of days in period} \times \text{Occupancy rate} = \text{Nights booked}$$

$$\text{Nights booked} \times \text{Cost per night} = \text{Total accommodation cost}$$

$$\text{Total charge} \times \text{Levy percentage} = \text{Revenue}$$

The number of days was taken to be 365 days for the year-round levy. The number of rooms was calculated from accommodation data provided by the Comhairle nan Eilean Siar, totalling an estimated 3,853 rooms in the Outer Hebrides. As the exact number of rooms available across the

Outer Hebrides could not be accurately calculated, or forecasted over the next 10 years, economic adjustments, which are discussed below, were applied.

Occupancy was estimated using Airdna data of the average occupancy of accommodations in 2024. The average occupancy across 2024 was 54%. As this is an average figure, and does not include all accommodation types, economic adjustments were applied, which are discussed below.

Inflation of 3.5% has been assumed on the cost of accommodation over the 10 years.

Economic impact adjustment factors

In order to gain a realistic and conservative figure for visitor revenue, we must take into account economic adjustment factors such as Deadweight, Substitution Effect, Displacement, Optimism Bias, and Leakage. These factors are used in economic and financial analyses to account for various uncertainties and potential deviations from expected outcomes. The following percentages were applied to each adjustment factor based on government and social value engine guidance¹⁶ and present a “moderate” approach, reasoning for each is provided below.

Deadweight: Refers to the portion of the levy revenue that would have been generated even without the levy. In the context of a visitor levy, this means that some visitors would have spent money in the local economy regardless of the levy being in place. The deadweight factor accounts for this by reducing the estimated benefits to reflect the revenue that is not directly attributable to the levy itself. A deadweight figure of 10% derived from the UK Government’s “Additionality Guide”¹⁷.

Substitution Effect: The Substitution Effect occurs when visitors change their spending habits due to the introduction of the levy. For example, as the levy increases the cost of accommodation, visitors might choose cheaper alternatives or reduce their spending on other activities. This effect accounts for the shift in spending patterns. To account for this, we used Scottish Enterprise’s “Economic Impact Assessment Guidance”¹⁸ to derive a figure of 5%.

Displacement: Displacement refers to the negative impact on other areas or sectors due to the introduction of the levy. In the context of this visitor levy, displacement might occur if visitors choose to stay in regions without the levy, thereby reducing revenue in the area where the levy is applied. To account for this factor, using Scottish Enterprise’s “Economic Impact Assessment Guidance” we adjust the visitor revenue figures by 15% to account for the potential loss of visitors to other destinations.

Optimism Bias: is the tendency to overestimate the benefits and underestimate the costs of a project. In the context of a visitor levy, this means that initial projections might be overly optimistic about the revenue generated and the positive impacts on the local economy. The optimism bias factor adjusts the estimates to provide a more realistic and conservative

¹⁶https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191511/Additionality_Guide_o.pdf

¹⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191511/Additionality_Guide_o.pdf

¹⁸ <https://www.scottish-enterprise.com/media/oarf4uam/working-paper-7-economic-impact-appraisal-2008-2018-grossed-results.pdf>

assessment. With this in mind, using the UK Government’s “Additionality Guide”¹⁹ we have applied a 20% optimism bias on the visitor revenue figures.

Leakage: Leakage refers to the portion of the levy revenue that does not stay within the local economy. This can happen if the funds are spent on goods and services sourced from outside the region or if visitors spend money in ways that do not benefit the local community directly. The leakage factor adjusts the estimated benefits to account for the revenue that flows out of the local economy. To account for this, a 10% leakage figure derived from The Social Value Engine “Applying Impact Adjustments” has been taken from the visitor revenue figure.

The total benefits for each percentage levy scenario by year, including all economic adjustments, are illustrated in the table below.

¹⁹
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191511/Additionality_Guide_o.pdf

Table 40- Annual revenue from year-round levy by levy percentage, adjusted

Outer Hebrides year-round	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Revenue 1% levy				£428,177.86	£443,164.08	£458,674.83	£474,728.45	£491,343.94	£508,540.98	£526,339.91	£544,761.81	£563,828.48	£583,562.47
Revenue 3% levy				£1,284,533.58	£1,329,492.25	£1,376,024.48	£1,424,185.34	£1,474,031.83	£1,525,622.94	£1,579,019.74	£1,634,285.44	£1,691,485.43	£1,750,687.42
Revenue 5% levy				£2,140,889.30	£2,215,820.42	£2,293,374.14	£2,373,642.23	£2,456,719.71	£2,542,704.90	£2,631,699.57	£2,723,809.06	£2,819,142.38	£2,917,812.36
Revenue 7% levy				£2,997,245.02	£3,102,148.59	£3,210,723.79	£3,323,099.13	£3,439,407.60	£3,559,786.86	£3,684,379.40	£3,813,332.68	£3,946,799.33	£4,084,937.30
Revenue 9% levy				£3,853,600.74	£3,988,476.76	£4,128,073.45	£4,272,556.02	£4,422,095.48	£4,576,868.82	£4,737,059.23	£4,902,856.31	£5,074,456.28	£5,252,062.25

Seasonal levy

Visitor revenue

Similarly to the year-round levy, the main benefit of this visitor levy scheme is visitor revenue. Visitor revenue was calculated the same way as the year-round levy, but the number of days was taken to be 214 days for the seasonal levy.

Occupancy was estimated using Airdna data of the average occupancy of accommodations in 2024 from April to October. The average occupancy from April to October across 2024 was 75%, which is higher than the year-round levy as this is peak tourism season for the Outer Hebrides. As this is an average figure, and does not include all accommodation types, economic adjustments were applied, which are discussed below.

Economic adjustment factors

The same economic adjustment factors for the seasonal levy have been used as for the year-round levy to help provide a more accurate and realistic assessment of the net benefits of implementing a visitor levy by accounting for various economic and behavioural influences. As before, the following percentages were applied to each adjustment factor based on government and social value engine guidance and present a “moderate” approach.

Deadweight: A deadweight figure of 10% of the visitor revenue has been used.

Substitution Effect: A substitution effect adjusts the visitor revenue figure by 5%.

Displacement: To account for this factor, we adjust the visitor revenue figure by 15% to account for the potential loss of visitors to other destinations.

Optimism Bias: The optimism bias factor adjusts the estimates to provide a more realistic and conservative assessment. With this in mind, we have applied a 20% optimism bias on the visitor revenue figure.

Leakage: A 10% leakage figure has been taken from the visitor revenue figure.

The total benefits for each percentage levy scenario by year, including all economic adjustments, are illustrated in the table below.

Table 41- Annual revenue for seasonal levy by levy percentage, adjusted

Outer Hebrides seasonal	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
Revenue 1% levy				£347,061.66	£359,208.82	£371,781.12	£384,793.46	£398,261.23	£412,200.38	£426,627.39	£441,559.35	£457,013.93	£473,009.41
Revenue 3% levy				£1,041,184.97	£1,077,626.45	£1,115,343.37	£1,154,380.39	£1,194,783.70	£1,236,601.13	£1,279,882.17	£1,324,678.05	£1,371,041.78	£1,419,028.24
Revenue 5% levy				£1,735,308.29	£1,796,044.08	£1,858,905.62	£1,923,967.32	£1,991,306.17	£2,061,001.89	£2,133,136.96	£2,207,796.75	£2,285,069.64	£2,365,047.07
Revenue 7% levy				£2,429,431.60	£2,514,461.71	£2,602,467.87	£2,693,554.25	£2,787,828.64	£2,885,402.65	£2,986,391.74	£3,090,915.45	£3,199,097.49	£3,311,065.90
Revenue 9% levy				£3,123,554.92	£3,232,879.34	£3,346,030.12	£3,463,141.17	£3,584,351.11	£3,709,803.40	£3,839,646.52	£3,974,034.15	£4,113,125.34	£4,257,084.73

Unquantifiable benefits

The net proceeds from the visitor levy must be used to support the objectives of the visitor levy scheme, which include developing, supporting, and sustaining facilities and services for visitors. As these objectives and related investment plan have yet to be developed and adopted, the wider benefits of the scheme cannot be quantified at present. However, these benefits may include:

- **Enhanced Visitor Experience:** Higher quality services and facilities for tourists leading to increased satisfaction and likelihood of repeat visits.
- **Support for Local Tourism Businesses:** Grants, training, and advice for local businesses leading to strengthening the local economy and creating jobs.
- **Environmental Conservation:** Funding for conservation projects and sustainable practices. Protection of natural landscapes and wildlife.
- **Community Development:** Investment in community projects and initiatives leading to improved quality of life for residents.
- **Cultural Preservation:** Support for cultural heritage sites and events. Promotion of local traditions and history.
- **Improved Infrastructure:** Enhanced roads, public toilets, signage, and footpaths leading to better maintenance and development of local amenities.

It should be noted that the benefits listed above require the income from any visitor levy to be significantly higher than the costs associated with administering the levy. If sufficient excess income cannot be obtained for investment into infrastructure etc, then developing benefits requiring investment will not be possible.

Results and Sensitivities

This section explores the year-round and seasonal scenario for implementing the visitor levy and conducts a sensitivity analysis to understand how changes in key variables affect the outcomes. Each scenario represents a different approach to applying the levy, and the sensitivity analysis tests the robustness of the results under varying conditions.

The table below demonstrates the annual net revenue from a year-round visitor levy set at 1%, 3%, 5%, 7%, and 9%. The net revenue is the total revenue, minus all the costs incurred by the council and the local businesses.

Table 42- Annual balance, year-round levy

Outer Hebrides year round	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
1% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	-£823,247.14	-£1,046,091.92	-£1,117,262.13	-£1,086,260.81	-£1,124,279.94	-£1,163,629.73	-£1,204,356.77	-£1,246,509.26	-£1,290,137.08	-£1,335,291.88
3% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£33,108.58	-£159,763.75	-£199,912.48	-£136,803.91	-£141,592.05	-£146,547.77	-£151,676.94	-£156,985.64	-£162,480.13	-£168,166.94
5% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£889,464.30	£726,564.42	£717,437.18	£812,652.98	£841,095.83	£870,534.19	£901,002.89	£932,537.99	£965,176.82	£998,958.00
7% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£1,745,820.02	£1,612,892.59	£1,634,786.83	£1,762,109.87	£1,823,783.72	£1,887,616.15	£1,953,682.72	£2,022,061.61	£2,092,833.77	£2,166,082.95
9% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£2,602,175.74	£2,499,220.76	£2,552,136.49	£2,711,566.77	£2,806,471.60	£2,904,698.11	£3,006,362.54	£3,111,585.23	£3,220,490.72	£3,333,207.89

The analysis indicates that a 1% and 3% year-round levy will not generate a positive net revenue over a 10-year implementation period.

Due to the set-up and consultation costs which will be incurred in the years preceding the collection of a potential levy, significant capital will be at risk prior to making returns from a visitor levy. For the 3% levy, net revenue is minimal and actually sees it go from positive to negative in year 3 of the implementation period due to the three-year review costs.

After the 10 year implementation period, a visitor levy at 5% or greater is profitable. At implementation year-10 (2037/38), a 5% levy will generate £3,358,549.60 in net revenue, and a 7% levy is estimated to generate £6,404,795.23. A 9% levy is estimated to generate £23,451,040.86.

The Net present value (NPV) and Benefit Cost Ratio (BCR) of the visitor levy at different percentages over the 10-year implementation period is summarised in the table below. Both the 1% and 3% visitor levy have negative NPVs, indicating that a visitor levy at these percentages is not expected to generate net benefits for the Outer Hebrides.

Table 43- Key findings, year-round levy

Levy percentage	Net present value	BCR
1% Levy	-£16,733,941.66	0.23
3% Levy	-£6,687,696.03	0.69
5% Levy	£3,358,549.60	1.15
7% Levy	£13,404,795.23	1.62
9% Levy	£23,451,040.86	2.08

In comparison, the 5%, 7%, and 9% levies have positive NPVs and BCR's after 10 years, which suggests that the levy at these rates is a worthwhile investment, as it is likely to provide a return on investment and contribute positively to the local economy.

However, due to the set-up and consultation costs which will be incurred in the years preceding the collection of a potential levy, significant capital will be at risk prior to making returns from a visitor levy. For the council, this figure amounts to £181,500.00 before the levy is collected. There are significantly higher costs to businesses prior to implementation.

A benefit-cost ratio (BCR) greater than 1 indicates that a project will generate more benefits than costs it incurs. The 5% levy is the lowest levy percentage which has a BCR greater than 1. For example, the 5% levy has a BCR of 1.15, which indicates that for every £1 spent, it is expected to generate £1.15 in benefits. Following the Green Book standard for project evaluation²⁰, a BCR between 1 and 1.5 is considered 'acceptable'. This positive ratio suggests that the visitor levy

²⁰ <https://www.gov.uk/government/publications/dluhc-appraisal-guide/dluhc-appraisal-guide#vfm-categories>

project at a 5% levy or higher can deliver a favourable return on investment and contribute positively to the local economy.

To show the effects of having a 2% business reimbursement scheme as discussed on page 107. Annual net revenue from a year-round visitor levy set at 1%, 3%, 5%, 7%, and 9%, including the reimbursement costs, is shown in the table below.

Table 44- Annual balance, year-round levy, including business reimbursement

Outer Hebrides year round	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
1% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	- £1,827,871.70	- £2,050,716.48	- £2,121,886.70	- £2,090,885.37	- £2,128,904.50	- £2,168,254.30	- £2,208,981.34	- £2,251,133.82	- £2,294,761.65	- £2,339,916.45
3% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	- £971,515.98	- £1,164,388.31	- £1,204,537.04	- £1,141,428.48	- £1,146,216.61	- £1,151,172.34	- £1,156,301.51	- £1,161,610.20	- £1,167,104.70	- £1,172,791.50
5% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	- £115,160.26	- £278,060.14	- £287,187.38	-£191,971.58	- £163,528.73	- £134,090.37	- £103,621.68	-£72,086.58	-£39,447.75	-£5,666.56
7% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	£741,195.46	£608,268.03	£630,162.27	£242,514.69	£180,840.84	£117,008.41	-£50,941.85	£17,437.05	£88,209.20	£161,458.39
9% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	£1,597,551.17	£1,494,596.20	£1,547,511.93	£1,706,942.20	£1,801,847.04	£1,900,073.55	£2,001,737.98	£2,106,960.67	£2,215,866.15	£2,328,583.33

The analysis indicates that if a business reimbursement scheme of 2% were introduced along with the visitor levy, only a levy of 9% would generate a positive net revenue over a 10-year implementation period.

Seasonal levy

The table below demonstrates the annual net revenue from seasonal visitor levy set at 1%, 3%, 5%, 7%, and 9%. The net revenue is the total revenue minus all the costs incurred by the council and the local businesses.

Table 45- Annual balance, seasonal levy

Outer Hebrides seasonal	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
1% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	-£312,713.34	-£391,669.18	-£434,937.36	-£395,701.16	-£409,550.70	-£423,884.98	-£438,720.95	-£454,076.19	-£469,968.85	-£486,417.76
3% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£381,409.97	£326,748.45	£308,624.89	£373,885.76	£386,971.77	£400,515.78	£414,533.83	£429,042.51	£444,059.00	£459,601.07
5% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£1,075,533.29	£1,045,166.08	£1,052,187.14	£1,143,472.69	£1,183,494.24	£1,224,916.53	£1,267,788.61	£1,312,161.21	£1,358,086.86	£1,405,619.90
7% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£1,769,656.60	£1,763,583.71	£1,795,749.39	£1,913,059.62	£1,980,016.71	£2,049,317.29	£2,121,043.39	£2,195,279.91	£2,272,114.71	£2,351,638.73
9% Levy	-£37,500.00	-£37,500.00	-£5,221,875.00	£2,463,779.92	£2,482,001.34	£2,539,311.64	£2,682,646.55	£2,776,539.17	£2,873,718.05	£2,974,298.18	£3,078,398.61	£3,186,142.57	£3,297,657.55

Similar to the year-round levy, the seasonal levy does not generate net benefits at 1% or 3% across a 10-year implementation period. In comparison, the 5%, 7%, and 9% levies have positive NPVs, which suggests that the levy at these rates is a worthwhile investment, as it is likely to provide a positive return on investment and contribute to the local economy. For example, a seasonal visitor levy of 5% is expected to generate a total of £6,771,551.55 over the 10-year implementation period. A 7% levy is estimated to generate £14,914,585.06. A 9% levy is estimated to generate £23,057,618.58.

Chart 46- Key findings, seasonal levy

Levy percentage	Net present value	BCR
1% Levy	-£9,514,515.48	0.30
3% Levy	-£1,371,481.97	0.90
5% Levy	£6,771,551.55	1.50
7% Levy	£14,914,585.06	2.10
9% Levy	£23,057,618.58	2.70

Similar to the year-round levy, it must be highlighted that capital will be at risk due to the costs incurred in the set-up and consultation activities before the revenue starts to be collected.

The 5% levy is the lowest levy percentage which has a BCR greater than 1. For example, the 5% levy has a BCR of 1.50, which indicates that for every £1 spent, it is expected to generate £1.50 in benefits. Following the Green Book standard for project evaluation²¹, a BCR between 1.5 and 2 is considered 'medium'. A BCR between 2 and 4, seen in the 7% and 9% levy, is considered 'high'.

These BCRs suggests that the visitor levy project at a 5% levy or higher can deliver a favourable return on investment and contribute positively to the local economy.

To show the effects of having a 2% business reimbursement scheme as discussed on page 112. Annual net revenue from a year-round visitor levy set at 1%, 3%, 5%, 7%, and 9%, including the reimbursement costs, is shown in the table below.

²¹ <https://www.gov.uk/government/publications/dluhc-appraisal-guide/dluhc-appraisal-guide#vfm-categories>

Table 47 - Annual balance, seasonal levy including business reimbursement

Outer Hebrides seasonal	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38
1% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	- £1,127,016.69	- £1,205,972.54	- £1,249,240.71	- £1,210,004.51	- £1,223,854.06	- £1,238,188.33	- £1,253,024.30	- £1,268,379.54	- £1,284,272.20	- £1,300,721.11
3% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	- £432,893.38	- £487,554.90	- £505,678.46	- £440,417.59	-£427,331.59	- £413,787.57	- £399,769.52	- £385,260.84	- £370,244.35	- £354,702.28
5% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	£261,229.94	£230,862.73	£237,883.79	£329,169.34	£369,190.88	£410,613.18	£453,485.26	£497,857.86	£543,783.50	£591,316.54
7% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	£955,353.25	£949,280.36	£981,446.04	£1,098,756.27	£1,165,713.35	£1,235,013.94	£1,306,740.04	£1,380,976.56	£1,457,811.36	£1,537,335.37
9% Levy	- £37,500.00	- £37,500.00	- £5,221,875.00	£1,649,476.57	£1,667,697.99	£1,725,008.29	£1,868,343.19	£1,962,235.82	£2,059,414.69	£2,159,994.83	£2,264,095.26	£2,371,839.21	£2,483,354.20

The analysis indicates that if a business reimbursement scheme of 2% were introduced along with the visitor levy, only a levy of 7% and 9% would generate a positive net revenue over a 10-year implementation period.

Scenarios and sensitivities

Sensitivity analysis tests the robustness of the results by varying key assumptions and parameters. This helps to understand how changes in these variables affect the outcomes and provides insights into the potential risks and uncertainties.

Year-Round Levy Sensitivity Tests

Exemptions

The legislation allows local authorities to grant exemptions on who has to pay the overnight accommodation levy. In the public engagement sessions and survey, it was clearly highlighted that there is an expectation that Outer Hebrides residents should be exempt from paying a levy. Participants also indicated that those seeking medical treatment and children and young people should also be exempt. Additionally, exemptions might be considered for long-term visitors who stay beyond a certain number of days, promoting extended stays and deeper engagement with the local community. This would be in addition to the statutory exemptions, such as for those receiving certain disability benefits, outlined in the legislation.

It is important to note that those who are exempt would have to pay the levy in the first instance and then retrospectively claim the money back from the council.

As the exemptions would be decided during the development of the scheme, the percentage of stays that would be exempt cannot currently be estimated with available data. As a result, the table below provides a summary of the net revenue from a 1%, 5%, and 7% visitor levy, with different scenarios demonstrating no exemptions, and 10%, 20%, 30%, and 40% of stays being exempt from the levy.

Table 48- Exemptions sensitivity analysis, year-round levy

1% Outer Hebrides Year-Round	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£5,023,122.82	£4,520,810.53	£4,018,498.25	£3,516,185.97	£3,013,873.69
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48
Net revenue (Total benefits-total costs)	-£16,733,941.66	-£17,236,253.94	-£17,738,566.23	-£18,240,878.51	-£18,743,190.79
5% Outer Hebrides Year-round	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£25,115,614.08	£22,604,052.67	£20,092,491.26	£17,580,929.85	£15,069,368.45
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48

Net revenue (Total benefits-total costs)	£3,358,549.60	£846,988.19	-£1,664,573.22	-£4,176,134.62	-£6,687,696.03
7% Outer Hebrides Year-round	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£35,161,859.71	£31,645,673.74	£28,129,487.77	£24,613,301.80	£21,097,115.83
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48	£21,757,064.48
Net revenue (Total benefits-total costs)	£13,404,795.23	£9,888,609.26	£6,372,423.29	£2,856,237.32	-£659,948.65

As can be seen, at all exemption levels for the 1% levy net revenue is negative and continues to decrease. If 20% or more of stays are exempt at the 5% levy rate, then the net revenue is negative. At 7% levy rate of 40% or more visitors are exempt, net revenue will be negative. This provides a baseline overview however, further analysis should be done to get a full understanding of how many visitors may be exempt under any proposed exemptions.

Decrease in rooms

The following test is to show the effect on revenue of reducing the number of rooms available would have if a visitor levy been introduced. The reason for this test is that many stakeholders said they would consider closing down due to the increased cost and time effort the legislation would bring. However, stakeholders involved in the short-term let licence, which saw similar threats, revealed that the decrease in providers was not realised in their case.

The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no decrease, 10% and 20% decrease in the number of rooms available across the Outer Hebrides.

Table 49- Decrease in rooms sensitivity test, year-round levy

Outer Hebrides Year-round	No Decrease	10% Decrease	20% Decrease
Revenue	£25,115,614.08	£19,978,021.55	£14,394,029.37
Total costs	£21,757,064.48	£21,757,064.48	£21,757,064.48
Net revenue (Total benefits-total costs)	£3,358,549.60	-£1,779,042.93	-£7,363,035.11

As the percentage of rooms decreases, we see revenue fall, resulting in lower net revenue. If there is a 20% decrease in the number of rooms, the net revenue of the 5% visitor levy is negative. Again,

this highlights a significant risk if the decrease in available rooms was realised. For example, if accommodation providers shortened their seasons to stay below the VAT threshold or if accommodation providers ceased operating due to the increased administration work created from the levy.

Increase in costs

The following test is to show the effect on net revenue should the costs of introducing the visitor levy increase. The reason for this test is to test the robustness of the levy scheme due to a number of both council and accommodation costs not being finalised as of yet. The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no increase, 10% and 20% increases. As total costs increase, net revenue falls.

Table 50- Increase in costs sensitivity analysis, year-round levy

Outer Hebrides Year-round	No Increase	10% Increase	20% Increase
Revenue	£25,115,614.08	£25,115,614.08	£25,115,614.08
Total costs	£21,757,064.48	£23,932,770.93	£26,108,477.37
Net revenue (Total benefits-total costs)	£3,358,549.60	£1,182,843.15	-£992,863.30

Seasonal Sensitivity Tests

Exemptions

Similar to the year-round levy, any exemptions would be decided during the development of the scheme, the percentage of stays that would be exempt cannot currently be estimated with available data. As a result, the table below provides a summary of the net revenue from a 1%, 5% and 7% seasonal visitor levy, with different scenarios demonstrating no exemptions, and 10%, 20%, 30%, and 40% of stays being exempt from the levy. As can be seen, at 1%, net revenue is negative at all exemption levels. If 40% of stays are exempt from the 5% levy, this has a negative net revenue over the 10-year period. At the 7% levy rate, net revenue is positive at all exemption levels.

Table 51- Exemptions sensitivity analysis, seasonal levy

1% Outer Hebrides seasonal	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£4,071,516.76	£3,664,365.08	£3,257,213.41	£2,850,061.73	£2,442,910.05
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24
Net revenue (Total benefits-total costs)	-£9,514,515.48	-£9,921,667.16	-£10,328,818.83	-£10,735,970.51	-£11,143,122.19
5% Outer Hebrides	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt

seasonal					
Revenue	£20,357,583.79	£18,321,825.41	£16,286,067.03	£14,250,308.65	£12,214,550.27
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24
Net revenue (Total benefits- total costs)	£6,771,551.55	£4,735,793.17	£2,700,034.79	£664,276.41	-£1,371,481.97
7% Outer Hebrides seasonal	No exemptions	10% exempt	20% exempt	30% exempt	40% exempt
Revenue	£28,500,617.30	£25,650,555.57	£22,800,493.84	£19,950,432.11	£17,100,370.38
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24	£13,586,032.24
Net revenue (Total benefits- total costs)	£14,914,585.06	£12,064,523.33	£9,214,461.60	£6,364,399.87	£3,514,338.14

Decrease in rooms

The following test is to show the effect on revenue of reducing the number of rooms available would have if a visitor levy been introduced. The reason for this test is that many stakeholders said they would consider closing down due to the increased cost and time effort the legislation would bring. The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no decrease, 10% and 20% decreases.

Table 52- Decrease in rooms sensitivity test, seasonal levy

Outer Hebrides Seasonal	No Decrease	10% Decrease	20% Decrease
Revenue	£20,357,583.79	£16,193,283.04	£14,394,029.37
Total costs	£13,586,032.24	£13,586,032.24	£13,586,032.24
Net revenue (Total benefits-total costs)	£6,771,551.55	£2,607,250.80	£807,997.13

As the percentage of rooms decreases, we see revenue fall, resulting in lower net revenue.

Increase in costs

The following test is to show the effect on net revenue should the costs of introducing the visitor levy increase. The reason for this test is to test the robustness of the levy scheme due to a number of both council and accommodation costs not being finalised as of yet. The table below provides a summary of the net revenue from a 5% visitor levy, with different scenarios demonstrating no increase, 10% and 20% increase in costs.

Table 53- Increase in costs sensitivity test, seasonal levy

Outer Hebrides Seasonal	No Increase	10% Increase	20% Increase
Revenue	£10,452,167.42	£10,452,167.42	£10,452,167.42
Total costs	£13,586,032.24	£14,944,635.46	£16,303,238.69
Net revenue (Total benefits-total costs)	£6,771,551.55	£5,412,948.32	£4,054,345.10

As total costs increase, net revenue falls.

Limitations which may require further consideration

The cost benefit analysis has provided a robust analysis of all quantifiable costs and benefits from the available data. However, it is generally accepted that this methodology is limited by the fact that not all costs and benefits can be quantified, and it can be difficult to account for all variables which may affect potential costs and benefits. For example, an external shock affecting the tourism sector, such as the Covid-19 pandemic, cannot be predicted and would significantly affect the models.

Different approach per island group

Although the Outer Hebrides, Shetland and Orkney Island Councils have jointly commissioned this research, bespoke analysis has been done for each local authority. During the engagement, it was recognised that taking a unified approach across the island authorities may create an ‘economy of scale’, reducing administrative costs if all three local authorities jointly agreed to implement the same scheme.

However, a digital service for collecting the overnight accommodation visitor levy is being developed by the Improvement Service. Local authorities will be able to pay a one-off cost and an annual fee to the Improvement Service for access to this digital platform which will allow accommodation providers to quickly submit a return, and the money will be remitted back to the local authorities. This service will provide customer service and technical support, administer payments, and enforcement. However, time and resources will still be required from the local authorities to support the implementation and administration of the visitor levy.

As the feasibility of the visitor levy is being analysed in the present commission, it is not prudent to assume that any number of the island authorities would take the same approach, should a visitor levy be adopted. As a result, the Cost Benefit Analysis models the full cost of implementing and administering a visitor levy bespoke to the Outer Hebrides using the Improvement Service platform, without the assumption that the costs could be shared by other island local authorities should this agreement arise.

On the other hand, the engagement phase revealed concerns that implementing a visitor levy in the Outer Hebrides, but not other island authorities, may push visitors to these areas instead of

the Outer Hebrides. This would result in a decrease in visitors, and revenue from the visitor levy as a result. The sensitivity analysis accounts for potential decreases in visitor numbers, and as the decision of the other local authorities will be made concurrently, it is not possible to quantify the number of visitors who may travel elsewhere, should they not implement the levy.

Inclusion of Mainland and exclusion of isles

One scenario arising out of the engagement was to exempt the Outer Hebrides' outer islands from the visitor levy to encourage visitors to explore areas outside of the Mainland or major towns in each local authority. For example, this could mean that visitors would pay a visitor levy on visits to Stornoway, while visitors to Castlebay are exempt.

The potential scenarios for which islands, or areas, should be included and excluded from the visitor levy would be taken when developing the visitor levy. To model the impact of these exclusions in the CBA, a proposal on which areas would be included would be needed.

Cap on the number of nights

The legislation gives local authorities the power to create a limit on the number of nights a visitor levy would apply. For example, if the visitor levy was capped at 5 nights, a person staying in the same accommodation for 2 consecutive weeks would only pay the levy for their first 5 nights.

Should a visitor levy be progressed, further economic analysis should be conducted if the cap on the number of nights is proposed. Just over 50% of stakeholders supported a cap, with the majority supporting a 7 night cap, based on their experience of length of stay. Stakeholders' reasoning for wanting a cap on the number of nights is further discussed in the stakeholder engagement section.

Appendix 3: Key informant stakeholders interviewed

The following list consists of the stakeholders who participated in one-to-one interviews.

- Revenue Scotland
- Shetland Tourism Group
- Edinburgh City Council
- Argyll and Bute Council
- Improvement Service
- OIC Head of Finance and Service Manager Accounting (Enterprise and Sustainable Regeneration)
- OIC Licensing Officer
- HAIL
- OIC Harbours and cruise lead
- Destination Orkney
- Chief Executive, Outer Hebrides Tourism
- Chair of Outer Hebrides Tourism
- HIAL, Chief Operating Officer



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