



**VISITOR LEVY (SCOTLAND) BILL**

Report by Deputy Chief Executive

**PURPOSE**

- 1.1 The purpose of the Report is to update members on the progress of the Bill and seek establishment of a Short-life Working Group to oversee policy developments.

**EXECUTIVE SUMMARY**

- 2.1 Through the [Visitor Levy \(Scotland\) Bill](#) the Scottish Government has committed to create a discretionary power for local authorities to apply a levy on overnight visitor stays in various accommodation settings. The intention is that this will generate funds to invest in local tourism-related facilities and services to attract more visitors.
- 2.2 The Visitor Levy (Scotland) Bill was introduced to the Scottish Parliament in May 2023 and as of March 2024 has now progressed to Stage 3 of the Process. Here, final amendments are undertaken before it is debated and voted in Parliament on whether to pass the Bill. If passed, and given Crown Consent, the legislation will give local authorities the ability to add a levy to overnight accommodation should they wish to do. This would be based on a percentage of the cost, with the rate set by individual Local Authorities.
- 2.3 Tourism is one of the largest economic sectors in the Outer Hebrides and – if introduced – collection of a levy could potentially provide a significant income-stream to the islands. The Visitor Levy Bill stipulates that all income should be spent on supporting the development and maintenance of local visitor strategies and infrastructure, together with the administration of the levy.
- 2.4 If Consent is achieved the local implementation process will formally begin which involves consultation with stakeholders and an 18-month development and implementation phase to agree on how the levy should be delivered and the income utilised in the Outer Hebrides. Therefore, the formation of a Members Short-Life Working Group to explore policy and arising implications would be beneficial to assist in progressing an Outer Hebrides Visitor Levy Scheme.

**RECOMMENDATIONS**

- 3.1 It is recommended that the Comhairle:
  - (a) note the progress of the Bill through the Scottish Parliament; and
  - (b) establish a Short-life Working Group to oversee policy developments, consultation and implementation.

Contact Officer: Kathlene Morrison, Economic Development Officer - Innovation  
Background Papers: [Visitor Levy \(Scotland\) Bill – Bills \(proposed laws\) - Scottish Parliament | Scottish Parliament Website](#)  
[Minute of the SD Committee Meeting – 19 September 2023](#)

## IMPLICATIONS

4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	The Levy will generate income to be used to support tourism and visitor infrastructure and developments. However, financial support will be required at the outset - for year 1 - to set up the levy's administration. The Scottish Government have stated that they will not provide support for this.
Legal	If the bill is passed, The Comhairle's Legal team will be engaged in the development and delivery of the scheme.
Staffing	It is expected that the scheme will require continued staffing to ensure compliance and collection of the levy from providers.
Assets and Property	None
	Implications/None
<b>Strategic Implications</b>	If the Bill is passed then there is reputational and financial risk associated with the delivery of the scheme in terms of the financial implications to set it up, the administration and animation and the risk to ensure all providers and visitors are aware of the requirements and increased costs.
Risk	All equalities requirements will be taken into consideration if a scheme is developed.
Equalities/Child Rights	<i>Strategic Priority: Economy &amp; Jobs:</i> <u>Branding</u> - 'Ensure that the Outer Hebrides are an attractive place to live, work, study, invest and visit.' <u>Tourism</u> - 'Support local businesses so that the 'quality' of local tourism is improved.' <i>Strategic Priority: Communities &amp; Housing:</i> <u>Culture</u> - 'Develop sustainable economic opportunities from our natural, cultural, and historic resources.'
Corporate Strategy	None
Environmental Impact	Extensive consultation requires to be undertaken should the Bill be passed, and a Scheme is proposed in the Outer Hebrides before its implementation.
Consultation	There is an 18-month consultation period written into the Bill as presented, once bill is enacted LA's will be required to carry out this consultation before implementing the scheme.

## BACKGROUND

- 5.1 Through the [Visitor Levy \(Scotland\) Bill](#) the Scottish Government has committed to create a discretionary power for local authorities to apply a levy on overnight visitor stays in various accommodation settings. The intention is that this will generate funds to invest in local tourism-related facilities and services to attract more visitors.
- 5.2 The Visitor Levy (Scotland) Bill was introduced to the Scottish Parliament in May 2023 and as of March 2024 has now reached [Stage 3 of the Process](#), where final amendments are undertaken before it is debated and voted in Parliament on whether to pass the Bill. If passed, and given Crown Consent, the legislation will give local authorities the ability to add a tax to overnight accommodation should they wish to do.

- 5.3 Tourism is one of the largest economic sectors in the Outer Hebrides and – if introduced – collection of a levy could potentially provide a significant income-stream to the islands. The Visitor Levy Bill stipulates that all income should be spent on supporting the development and maintenance of local tourism strategies and infrastructure, together with the administration of the levy.

## VISITOR LEVY HIGHLIGHTS

- 6.1 The main national premise of the proposed Bill is to allow local authorities to introduce a visitor levy scheme as follows:
- the payment of a levy on the purchase of overnight stays in certain types of accommodation;
  - the amount of the levy will be a percentage of the cost of the accommodation with the rate set by individual local authorities; and
  - the person liable to process the levy to the local authority is the person who provides the accommodation.
- 6.2 In terms of the Act, “overnight accommodation” will mean ‘*a room or area provided to a visitor for residential purposes in or at a type of accommodation listed*’ below:
- hotels, guest houses and bed and breakfast accommodation,
  - hostels,
  - self-catering accommodation,
  - camping sites, and caravan parks,
  - accommodation in a vehicle, or on board a vessel, which is permanently or predominantly situated in one place,
  - any other place at which a room or area is offered by the occupier for residential purposes otherwise than as a visitor’s only or usual place of residence.
- 6.3 Stage 2 of the process reconfirmed the SG’s position that the levy will be charged as a percentage of the accommodation portion of the cost of the overnight accommodation, as opposed to a flat rate. They state that this reflects a visitor’s ability to pay and would automatically take account of changes in accommodation prices due to seasonality and any changes in inflation.
- 6.4 A key concern is that as a levy included the total accommodation price it would be liable for VAT, which could have significant implications for many businesses operating just beneath the (recently enhanced) £95,000 threshold. Whilst the recent increase will assist some businesses it could still potentially prove an issue for those who operate underneath the threshold. Feedback from smaller accommodation providers was that they would consider the possibility of closing the businesses for a period of time so as to stay below the VAT threshold. This would have a detrimental impact on the tourism market by limiting the availability of all-year round visitor accommodation. The SG have stated that exclusion on these terms would be at the local authorities discretion under the Exemptions section of the Bill where the levy is not payable for a specific reason.
- 6.5 Prior to introducing a Visitor Levy Scheme all Local Authorities (LA) must:
- (i) Prepare a scheme proposal and its objectives and publicise it.
    - *‘the objectives must relate to developing, supporting or sustaining facilities or services which are substantially for or used by persons visiting the scheme area for leisure or business purposes (or both).’*
  - (ii) Consult with representative of communities, businesses engaged in tourism and tourist organisations in its area or anyone affected by the proposal.
  - (iii) Prepare and publicise a report which summarises the consultation responses, states whether the LA intends to proceed with implementation and why.

- 6.6 The date on which a VL scheme is to come into force must be at least 18 months after the date of the local authority's decision to introduce the scheme and consequently section 6.5 above must be met in the first instance. This may result in a Visitor Levy Scheme not being introduced in the Outer Hebrides – and in other regions – until Autumn 2026 at the earliest, however this is dependant on when Crown Consent is obtained.
- 6.7 When developing the local scheme LA's will also require to consider the administration, accounting, monitoring, evaluation, enforcement and reporting requirements including the method of disbursement of the income. Therefore, the Comhairle will require to draw on various departments to support the development and delivery of the scheme.

## **WORKING GROUPS**

- 7.1 Taking into account the above and, should the levy obtain Crown Consent, the Comhairle will then require to develop a local scheme proposal and implementation programme. Therefore, the formation of a Members Short-Life Working Group to explore policy and arising implications would be beneficial to assist in progressing the local Visitor levy programme.
- 7.2 Due to the complexities of implementing and enforcing the levy an Officers Working Group will also be convened to draw on colleagues expertise from various services including finance, legal, audit, economic development and other relevant sections.
- 7.3 Participation in external networking groups, like the HIREP's Tourism Levy Group, the SLAED Tourism Group and Finance Officers Group and the Outer Hebrides Tourism Leadership Group – to name but a few, will also support the development and implementation of a local scheme.

## **CONCLUSION**

- 8.1 Should the Bill be introduced the Comhairle has already stated its support for the implementation of a visitor levy in the Outer Hebrides, and whilst it will generate significant income for improving the local visitor economy and experience, a considerable amount of planning and developmental work is initially required to be undertaken in the next two years. Therefore, formation of the working groups will support the pace of this work.