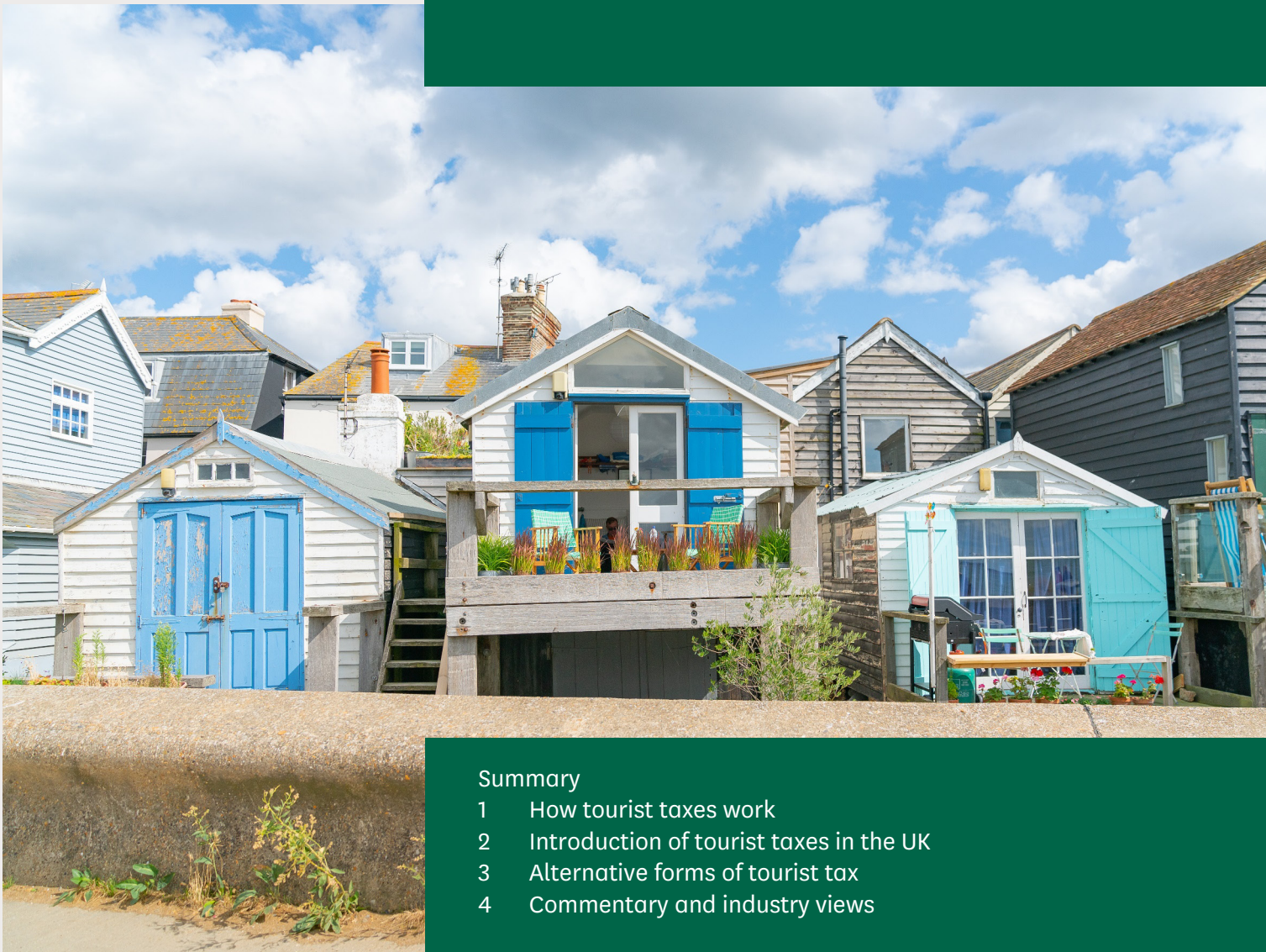


Research Briefing

12 December 2024

By Mark Sandford

Tourist taxes: policy and debates



Summary

- 1 How tourist taxes work
- 2 Introduction of tourist taxes in the UK
- 3 Alternative forms of tourist tax
- 4 Commentary and industry views

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Summary

A 'tourist tax' (or 'transient visitor levy' or 'occupancy tax') comprises a levy on the occupation of hotel beds in a local authority area. It normally takes the form of a charge per occupied bed or room per night, levied on short-term accommodation providers. Charges may be set at a flat rate or a percentage of the price of the bed or room.

This research briefing explains how tourist taxes work, and looks at recent debates on their introduction at the UK level. It explains the Scottish Government's introduction of powers for Scottish local authorities to introduce tourist taxes, and the Welsh Government's bill to introduce similar powers in Wales. It also explains how some English cities have introduced forms of 'tourist tax' using Business Improvement Districts (BIDs).

The briefing also describes alternative forms of tourist tax, including cruise passenger levies, day visitor taxes, and taxes on visitors arriving or departing a state or locality. It provides some detail of commentary, industry views and research on tourist taxes.

1 How tourist taxes work

1.1 Charges

A ‘tourist tax’ (or ‘transient visitor levy’ or ‘occupancy tax’) comprises a levy on the occupation of hotel beds in a local authority area. In most cases the decision to levy the tax, and the tax rate, is taken by local rather than national governments.

A tourist tax normally takes the form of a charge per occupied bed or room per night, levied on short-term accommodation providers. Charges may be set at a flat rate or a percentage of the price of the bed or room. They can be set at different rates for different times of the year. Some authorities exempt, or give discounts for, beds occupied by children, police or armed forces, or those travelling for medical reasons.

As of November 2024, English local authorities do not have the power to introduce a tourist tax. A few English authorities have used a legal workaround to introduce a levy on businesses in the tourism sector (see section 2.3 below). Scottish local authorities will have the power to do so as of April 2026 (see section 2.1). The Welsh Government introduced the [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#) into the Senedd on 25 November 2024 (see section 2.2 below).¹

A list of selected European cities and states in which tourist taxes operate can be found in the European Travel Association’s 2020 report *Tourism taxes by design*.²

Coverage

Tourist taxes may be levied on some or all categories of overnight accommodation. This can include campsites, bed and breakfasts, non-serviced accommodation, and hotels.³ Different types of accommodation may be charged different rates of tourist tax: for instance, Paris charges different rates for hotels according to their star rating.⁴

¹ See also a Senedd [Written Statement on 10 February 2022](#) committing to introducing this bill.

² See European Travel Association, [TOURISM-TAXES-BY-DESIGN-NOV12-2020.pdf](#) [PDF], 2020, p19. See also PriceWaterhouseCoopers, [The impact of taxes on the competitiveness of European tourism](#), European Commission, 2017, p35-37; Matthew Daley, [Options for a tourism levy for London](#), Greater London Authority (London Finance Commission), 2017, pp20-22

³ Matthew Daley, [Options for a tourism levy for London](#) [PDF], GLA Economics, 2017

⁴ As above, p22

It is also possible to apply tourist taxes to living accommodation that is let out for short-term lets on online platforms such as AirBnB. Transport for London's 2017 report estimates potential revenue from a tourism levy taking into account nights spent in accommodation booked through AirBnB.⁵

Hypothecation

In many countries where a tourist tax operates, the revenues from the tax must be spent on matters related to the tourism industry (known as 'hypothecation' or 'ringfencing'). A 2017 report from the European Commission, investigating the impact of taxes on the sector, noted that this was done in Croatia, France, Lithuania, Malta, Poland, and parts of Spain.⁶

Hypothecating tourist tax revenues clarifies that revenues would be used to promote the tourism industry rather than being absorbed into general local government spending. This can help to secure support from the tourist industry and from customers.

The proceeds from any tourist taxes introduced in Scotland will have to be used for "developing, supporting or sustaining facilities or services which are substantially for or used by persons visiting the scheme area for leisure or business purposes".⁷ The Senedd bill introduced by the Welsh Government in November 2024 will require revenue to be spent on "destination management and improvement of [the local authority's] area".⁸

The Greater London Authority's 2017 report [Options for a tourism levy for London](#) also notes the practice of hypothecation, and includes some suggestions for the types of body that could ultimately benefit from the funds raised by a tourist tax.

- cultural attractions (especially those publicly funded free or subsidised entry)
- London & Partners (for promotion)
- public bodies providing public services used by tourists for which they currently receive no contribution (e.g. local authorities, TfL etc)
- hotel employees and owners (or industry bodies) for activities to support the sector such as education and training.⁹

⁵ As above, pp28-35

⁶ PriceWaterhouseCoopers, [The impact of taxes on the competitiveness of European tourism](#), European Commission, 2017, p37

⁷ [Visitor Levy \(Scotland\) Act 2024](#), section 13 (2)

⁸ [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#), clause 23 (1)

⁹ Matthew Daley, [Options for a tourism levy for London](#), Greater London Authority (London Finance Commission), 2017, pp15

VAT rates

Many countries charge lower rates of VAT on the hotel and accommodation sector compared to the state's standard rate. The European Commission's 2017 report on taxes and the competitiveness of tourism provides a table of VAT rates charged by EU member states.¹⁰ This is not the case in the UK, where accommodation is charged the standard rate of 20% (see the Library briefing [VAT on tourism](#) for more details).¹¹ The Scottish and Welsh governments do not have the power to alter VAT rates, which are reserved to the UK government.

1.2

UK government policy

The 2019-24 Conservative government stated in September 2023 that it would not introduce a tourist tax:

Rachael Maskell: To ask the Secretary of State for Culture, Media and Sport, whether she has made an assessment of the potential impact of a tourist tax on (a) Treasury receipts, (b) tourist numbers and (c) tourists' experiences; and if she will enable the introduction of pilot schemes for such a tax in local areas.

Sir John Whittingdale: The Chancellor continually keeps the tax system under review. At present, HM Government does not have any plans to introduce a national tourism tax or a pilot scheme for such a tax in local areas. An assessment on the potential impact of a national tourist tax on Treasury receipts, tourist numbers and tourists' experiences has therefore not been made.¹²

In similar terms, the previous government stated in December 2023 that it did not support proposals for a tourist tax in Wales:

Kevin Foster: What recent discussions he has had with the Welsh Government on the potential financial impact of proposals to implement a visitor levy for Wales on the tourism sector.

David T.C. Davies: The UK Government are investing in Wales and in the Welsh tourism industry, which has been evidenced most recently by the decision to allocate £500,000 to the Hay Festival—a project championed by my hon. Friend the Under-Secretary. It is a pity that the Welsh Government are not taking the same view about the importance of the tourism industry and are introducing a tax that signals that Wales is closed for business.¹³

¹⁰ See PriceWaterhouseCoopers, [The impact of taxes on the competitiveness of European tourism](#), European Commission, 2017, pp29-31

¹¹ Reduced VAT rates were charged on some sectors, including tourism, during the covid-19 pandemic: see HMRC, [VAT: reduced rate for hospitality, holiday accommodation and attractions](#), Dec 2022

¹² [PQ HC 199425 2022-23](#), 18 Sep 2023

¹³ [HCDeb 6 Dec 2023](#) c321. David TC Davies was the Secretary of State for Wales at the time. The Senedd has legislative competence on this matter.

In an answer to a Parliamentary Question in December 2024, the 2024 Labour Government said “We have no plans to introduce a tax on tourism”.¹⁴

1.3 How much could tourist taxes raise in the UK?

The 2019 Institute for Fiscal Studies report [Taking Control](#) estimated that a £1 per night levy on bed occupancy would raise £420 million per year across England, skewed towards large cities and other areas with strong tourist economies such as Cumbria, Devon, Cornwall and North Yorkshire.

A research report from the Greater London Authority in 2017 modelled the potential revenue arising in London from a number of different approaches to a tourism levy.¹⁵ It estimated that a £1 flat-rate levy per person per night would raise £91 million per year across London. A 5% levy on the cost of accommodation would raise £239 million per year. The report also includes details of tourism taxes imposed in a number of other countries.

The Scottish Government estimated that a 2% visitor levy would raise £34 million per year if it was levied across all local authority areas in Scotland, of which £12 million would be raised by Edinburgh City Council.¹⁶ This estimate used a forecast of visitor spend in 2023 and assumed an average of 35% of visitor spend was spent on accommodation. The figures were based on an assumption that a tourist tax would not lead to a ‘behavioural response’ – that is, that visitors would not change their choices because of the presence of a tourist tax.

The Welsh Government estimated that a £1 per person per night tourist levy would raise £28 million if established across the whole of Wales. This estimate too made no correction for behavioural effects.¹⁷ Both the Scottish and Welsh studies state that the absence of detailed data meant that the estimated revenues were approximate.

1.4 Tax-free shopping

The phrase ‘tourist tax’ has been used in some media articles to describe demands to reinstate tax-free shopping for visitors to the UK.¹⁸ Until the end of 2020, the UK participated in an EU-wide scheme that enabled goods

¹⁴ [PQ HC 13652 2024-25](#), 4 Dec 2024. See also a more circumspect answer to a Parliamentary Question in October 2024: [PQ HC 8193 2024-25](#), 17 Oct 2024

¹⁵ Matthew Daley, [Options for a tourism levy for London](#) [PDF], GLA Economics, 2017

¹⁶ Scottish Government, [Visitor Levy Bill: business and regulatory impact assessment](#), 2023, paragraph 4.8.4 and Annex A

¹⁷ LE Wales, [Preliminary estimates of potential tourism tax revenues in Wales](#) [PDF], Welsh Government, 2021, pp9-11

¹⁸ See, for instance, Seren Morris, Nuray Bulbul and William Mata, [What is the ‘tourism tax’ affecting London’s economy and how might it change?](#), London Evening Standard, 5 Feb 2024

bought but not consumed in the country of purchase to have the VAT refunded. Since then, international visitors to Great Britain (but not Northern Ireland) have paid VAT on purchases there in those circumstances.

This use of the phrase ‘tourist tax’ is entirely separate from the concept of visitor levies.

This matter was the subject of a debate in Westminster Hall on 7 September 2023.¹⁹ Further information can be found in the Library’s debate pack for that debate, [Tax-free shopping for international visitors](#). The 2024 Labour government was non-committal on this matter in a response to a Parliamentary Question on 2 September 2024.²⁰

¹⁹ [HCDeb 7 Sep 2023 c230WH&FF](#)

²⁰ [PQ HC 1936 2024-25](#), 2 Sep 2024

2 Introduction of tourist taxes in the UK

2.1 Scottish visitor levy

The Scottish Parliament's [Visitor Levy \(Scotland\) Act 2024](#) received Royal Assent on 5 July 2024. Scottish local authorities now have the power to introduce a tourist tax. A decision to do so must include an 18-month implementation period and a consultation, meaning that the earliest that any Scottish local authority could introduce a tourist tax would be the 2026/27 financial year.²¹

The Act contains various additional requirements:

- Local authorities must establish a 'scheme' for a tourist tax.
- The local authority must establish a 'visitor levy forum' containing representatives of the tourist industry and of 'communities'.
- The revenues 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".²²
- Exemptions are mandatory for those in receipt of certain disability benefits, and the Scottish Ministers may exempt other categories of people.²³

In 2023, Visit Scotland, the Scottish Government's tourist authority, [established an expert group](#) including the Convention of Scottish Local Authorities (COSLA), the Scottish Tourism Alliance, and other sector groups. This will provide guidance on the detailed operation of visitor levies by authorities across Scotland.

Edinburgh City Council has begun drafting a scheme for a tourist tax, which the council currently anticipates launching from April 2026 (the earliest possible date under the 2024 Act). Details of its proposed scheme [can be found on the council's website](#). Hotels, hostels, B&Bs and short-term let properties will all be required to pay 5% of the nightly accommodation charge before VAT. The levy will apply for a maximum of 7 nights per stay. The costs of food, drink, parking and other additional items are not included in

²¹ See Scottish Government, [Visitor Levy Bill passed](#), 28 May 2024

²² [Visitor Levy \(Scotland\) Act 2024](#), section 13 (2) and section 19

²³ As above, section 14 (1)

the charge. Campsites are exempt. The city council anticipates the levy raising £45-50 million per year by 2028/29.

As of November 2024, [Aberdeen City](#), [Argyll and Bute](#), and [Highland](#) councils are also planning to consult on introducing a tourist tax. Orkney, Shetland and the Western Isles are planning a feasibility study on introducing one.²⁴

2.2 Wales visitor levy

The Welsh Government introduced the [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#) into the Senedd on 25 November 2024.²⁵ This bill will require accommodation providers in Wales to register with the Welsh Government. This requirement will create a Wales-wide register: it is not restricted to the areas of local authorities that decide to introduce a visitor levy.

The Bill sets two Wales-wide levy rates. The lower rate of 75p per person per night applies to camping and dormitory accommodation. The higher rate of £1.25 per person per night applies to all other accommodation.

Welsh local authorities can decide whether or not to impose the levy, and may add a premium to the basic rates. There is no limit to the premium on the face of the bill, but the Welsh Ministers may make regulations to set a limit. An authority must use the revenue from a levy for “destination management and improvement of its area”.²⁶ This is defined as:

- (a) mitigating the impact of visitors;
- (b) maintaining and promoting use of the Welsh language;
- (c) promoting and supporting the sustainable economic growth of tourism and other kinds of travel;
- (d) providing, maintaining and improving infrastructure, facilities and services for use by visitors (whether or not they are also for use by local people).²⁷

A local authority in Wales will have to publish a notice of its decision to introduce a levy. The levy can only be introduced at least 12 months after the notice is published – unless the Welsh Revenue Authority agrees to a period of less than twelve months. The date of introduction must be 1 April or 1 October. Stays that were booked before the date on which the notice was published will not be subject to the levy.

The explanatory memorandum published with the bill says:

²⁴ See Shetland News, [Island councils team up to study feasibility of visitor levy scheme](#), 19 Nov 2024

²⁵ See also a Senedd [Written Statement on 10 February 2022](#) committing to introducing this bill.

²⁶ [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#), clause 23 (1)

²⁷ As above, clause 23 (2)

The visitor levy's policy aim is to ensure a more even share of costs to fund local services and infrastructure that benefit visitors between resident populations and visitors and provide local authorities with the ability to generate additional revenue that can be invested back into local services and infrastructure to support tourism and support our ambitions for sustainable tourism whilst in turn enhancing the Gross Value Added (GVA) from tourism in Wales.²⁸

The Welsh Government had previously published:

- a paper in May 2024 entitled [A Visitor Levy for Wales](#);
- a [Consultation on proposals for a discretionary visitor levy for local authorities](#), September 2022, and a [summary of responses to the consultation](#) in March 2023;
- a written statement, [Development of a local tourism levy](#), on 10 February 2022

The May 2024 paper estimated that the earliest date that a visitor levy would be established in any part of Wales was April 2027. This estimate is based on the time taken for the bill to pass through the Senedd, and to the twelve-month notice period that local authorities will normally be required to give before imposing a levy.²⁹

The explanatory memorandum to the bill states that the tourism levy provisions apply to stays that last for 31 nights or less. However, it does not include the proposal in the September 2022 consultation for a 'cap' on the number of nights for which a visitor levy would apply. That would have meant, for instance, that if a cap was set at 10 nights per stay, no levy would be payable in respect of nights 11, 12, 13 and so on.

The explanatory memorandum estimated that a levy could raise approximately £33 million per year across Wales if all local authorities introduced it.³⁰

2.3

Tourism BIDs: 'tourist taxes' in England

As of October 2024, English local authorities do not have the power to introduce a tourist tax. Primary legislation in the UK Parliament would be required to introduce this power.

In some UK local authority areas, Business Improvement Districts (BIDs) have been established that cover tourism-related businesses only. This has been

²⁸ Welsh Government, [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill explanatory memorandum](#) [PDF], 25 Nov 2024, p5

²⁹ See Welsh Government, [A visitor levy for Wales](#), May 2024

³⁰ Welsh Government, [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill explanatory memorandum](#) [PDF], 25 Nov 2024, p49

used as a legal workaround to enable a form of tourist levy to be collected in those areas. BIDs are not public sector bodies and are operated by businesses in their local areas.

BIDs collect additional business rates payments from businesses operating in specified geographical areas. Normally these revenues are used for matters such as business facilities, wardens, or street scene and cleaning. A BID can only be established if it is approved in a referendum of the affected businesses. Businesses within the BID area are then obliged to pay the BID levy (regardless of whether they voted for it in the ballot). BID levy income is managed by the BID management board, not by the local authority.

More general information on BIDs can be found in the Library briefing paper [Business Improvement Districts](#).

An ‘accommodation BID’ was introduced in Manchester from 1 April 2023, following a ballot on 7 November 2022. 39 of 79 affected businesses cast a ballot (just under 50%). The BID levy is payable by hotels and serviced apartments with a rateable value of £75,000 or more, in an area within Manchester city centre and a small adjoining part of Salford.³¹

In Manchester, the formula used by the BID to calculate the levy amount for individual properties is based on the occupancy of the accommodation. In other words, it resembles the standard structure of a tourist tax, whereas most BIDs calculate levies based on the rateable value of a property. The business plan says:

Under the proposed methodology, hotels and short stay serviced apartments in the Manchester Accommodation BID (ABID) can opt to collect £1 per room/unit, per night, from tourists staying overnight. This will be called a “City Tourism Charge”, and from April 1st, 2023, properties will be encouraged to recharge this to overnight guests by adding this to every guest bill within the ABID area. This will be additional to the room rate and properties will be encouraged to identify the City Tourism Charge as separate from the property’s other charges ...³²

The Manchester business plan anticipated the BID levy raising £3.5 million to £3.8 million per year between 2023 and 2028.³³ A media report in April 2024 stated that the levy had raised £2.8 million in the first year, which had been spent to date on “street cleaning and marketing campaigns”.³⁴

In Liverpool, an accommodation BID was established on 1 April 2023, with the BID levy payable in respect of properties with a rateable value of £45,000 or more. The levy is administered by Liverpool BID Company, which already

³¹ See Manchester City Council, [Manchester Accommodation Business Improvement District A BID, 2022](#)

³² Manchester Accommodation BID, [Proposal and business plan for Manchester Accommodation Business Improvement District 2023-2028](#), 2022, p13

³³ Manchester Accommodation BID, [Proposal and business plan for Manchester Accommodation Business Improvement District 2023-2028](#), 2022, p11

³⁴ BBC, [Manchester's 'tourist tax' raises £2.8m after first year](#), 7 Apr 2024

operates a 'retail and leisure' BID and a 'culture and commerce' BID. It is expected to raise some £4.3m over its five-year term.³⁵

An attempt to establish an accommodation BID and levy in Bournemouth, Christchurch and Poole was approved in mid-2024.³⁶ However, the BID decided in July 2024 to delay introducing the levy following an appeal against the ballot by several businesses.³⁷

Elsewhere, tourism-related BIDs operate in [Blackpool](#), [Great Yarmouth](#), [Tweed Valley](#), [Moray & Speyside](#), and [Inverness / Loch Ness](#).

Tourism BIDs cannot apply to properties that are offered for short-term lettings on online platforms, unless those properties are required to pay business rates instead of council tax.

³⁵ Jennifer Williams, Oliver Barnes and Lukanyo Mnyanda, [English cities move towards 'hotel tax' to plug hole in state funding](#), 29 Nov 2022

³⁶ BBC, [Bournemouth, Christchurch and Poole hotels vote for 'tourist tax'](#), 24 May 2024

³⁷ BBC, ['Tourist tax' put on hold amid hotel opposition](#), 1 Jul 2024

3 Alternative forms of tourist tax

3.1 Charges on day visitors

Occupancy-based tourist taxes are not charged on people who visit a locality only for the day, without an overnight stay. Day visitors use services and local infrastructure, and may also spend less in the local economy than overnight visitors.

One case made for tourist taxes is to provide support for localities where tourism increases costs for local governance, such as extra strain on physical infrastructure, or higher demand for waste collection and disposal. This argument can also be made in respect of day visitors. However, applying a direct charge to day visitors to a locality is often impractical, as there are few ways of distinguishing them from the locality's inhabitants.³⁸ This type of tax can be most easily levied in a locality which has a limited number of points of arrival or access.

Venice levies a '[contributo di accesso](#)' (sometimes described as the 'day-tripper fee') of €5 on day visitors. On certain days from April through to July, visitors who enter the city between 8.30am and 4pm must pay a fee. Individuals who enter the city after 4pm are not required to pay. The fee is payable only once – visitors can come and go from the city as many times as they choose on the day in question. There are various categories of exemption, including children under 14, residents of Venice, people born in Venice, students, and disabled people with any accompanying person. Certain outlying islands in the Venice lagoon are not covered by the charge.

Venice also has an accommodation levy that overnight visitors must pay. Overnight visitors do not have to pay the contributo di accesso as well as the accommodation levy, but they must obtain an exemption voucher from it from their accommodation provider.

The Scotsman reported in mid-2024 on suggestions for a day visitor tax on motorhomes, applying to visitors to popular locations in Scotland such as the Isle of Skye.³⁹ The report suggests that this type of tax could be applied using number plate recognition technology, applied only to certain classes of vehicle.

³⁸ This subject was discussed in the Welsh Government's response to its 2023 consultation [Proposals for a discretionary visitor levy for local authorities](#), pp21-24

³⁹ Alison Campsie, [Motorhome 'tourist tax' for Scottish island backed using number plate recognition cameras](#), The Scotsman, 1 Sep 2024

This would amount to a road user pricing scheme, akin to the congestion charge and the ULEZ in Greater London. The setup costs for this type of scheme can be considerable. This type of scheme would require a decision on how the tax should distinguish between tourists and people who lived in, or near, the location that was covered.

3.2 Cruise passenger levies

Some local authorities in other countries operate a ‘cruise passenger levy’. This normally consists of a charge per passenger levied on all cruise ships that dock at the charging location. The charge is normally levied on the shipping company, which must then decide whether and how to pass the charge on to their customers. Examples of cruise passenger levies include:

- Lisbon launched a charge of €2 per passenger in January 2024. A single €2 is payable regardless of the length of the cruise ship’s stay.⁴⁰
- Amsterdam charges €14 per cruise ship passenger per night.⁴¹ This applies to all passengers except under-twins and crew members.⁴² Amsterdam defines a cruise ship as “a seagoing vessel exclusively intended and used for the commercial transport of passengers undertaking the journey for the purpose of tourism, consisting principally of the sea journey itself”.⁴³
- The Greek government plans to introduce a levy applying to certain ports between June and September in 2025. The rate will be €20 per passenger for popular destinations such as Santorini and Mykonos, and €5 for other Greek ports. 60% of the levy will be charged in April, May and October, and 20% during the other months of the year.⁴⁴
- Barcelona operates a charge of €7 per passenger per day (€3 in 2023/24, €1 previously). In 2024 the mayor, Jaume Collboni, announced plans to increase this by an unspecified amount.⁴⁵

Reports suggest these taxes are imposed by port authorities on ‘cruise ships’: they do not appear to apply to all boats carrying passengers, or freight. The rationale for introducing them is akin to one of the arguments for visitor

⁴⁰ See Port of Lisbon, [Tourist Tax Collection in Lisbon for Cruise Passengers Starting in 2024](#), 20 Dec 2023

⁴¹ Port of Amsterdam, [Harbour dues and tariffs sea cruise](#)

⁴² Port of Amsterdam, [Day Tourist Tax: everything you need to know](#)

⁴³ Port of Amsterdam, [General terms and conditions and rates of sea harbour quay buoy and dolphin dues Port of Amsterdam 2024](#), 2024, p8

⁴⁴ See Greek Travel Pages, [Greece Rolls Out Cruise Passenger Levy with High Rates for Santorini and Mykonos](#), 16 Sep 2024

⁴⁵ Sky News, [Barcelona set to 'substantially' raise tourist tax for stopover cruise passengers](#), 24 Jul 2024

levies; that these locations experience considerable impact from high volumes of tourism and the levy is intended to mitigate those impacts.

No power exists in the UK to introduce a cruise passenger levy. The Scottish Government's [2024/25 Programme for Government](#) states that it is considering powers to introduce one. One of its action points is to “Intensify work on designing a cruise ship levy and undertake the necessary public consultation”.⁴⁶ No formal consultation had appeared by the end of September 2024. However, Orkney Islands Council reported that a round table was held on 4 September 2024 on the subject, chaired by the Cabinet Secretary for Rural Affairs.⁴⁷

The Convention of Scottish Local Authorities (COSLA) had proposed including powers in the [Visitor Levy \(Scotland\) Act 2024](#) to permit local authorities to impose a cruise ship levy, but the Scottish Government did not do so.⁴⁸

3.3 Arrival taxes

In February 2024, the Indonesian island of Bali [introduced a ‘tourist tax’ on international travellers](#) of 150,000 Indonesian rupiahs (approximately £7.50 in 2024). This is payable online before leaving the island. A small number of categories of exemption exist.⁴⁹ Reports differ on some aspects of the levy – for instance, whether a fresh payment must be made every time a visitor enters Bali or whether it applies for a certain length of time; and how payment will be enforced.

⁴⁶ Scottish Government, [Programme for Government 2024-25: Serving Scotland](#), 2024/25, p23

⁴⁷ Orkney Council, [Cruise round table in Orkney](#), 5 Sep 2024

⁴⁸ See COSLA, [COSLA Briefing: Visitor Levy \(Scotland\) Bill Stage 2](#), Feb 2024, p1 [PDF]

⁴⁹ See [Bali Tourist Tax - How to pay the Bali Tourist Levy](#)

4 Commentary and industry views

4.1 Business views in Scotland

The Scottish Tourism Alliance published a [‘manifesto’ on a transient visitor levy](#) in January 2023. The STA’s manifesto noted that it was strongly opposed to the introduction of a levy, but it published the manifesto when it became clear that the Scottish Government had decided to introduce one. The manifesto made a range of recommendations about how to introduce one effectively. Detailed points in the manifesto include:

- Consideration should be given to reduced levy rates in off-season periods;
- The levy should cover rented motorhomes (“beds on wheels”) to ensure a level playing field with other forms of accommodation. (This links to the idea of a ‘motorhome tax’: see section 3.1 above);
- The name of the levy should be carefully chosen. The manifesto gives the example of New Zealand’s “International Visitor Conservation and Tourism Levy”. The choice of name for the tax can increase support amongst those paying the tax;
- Consideration should be given to providing discounts on local services and attractions for those paying the levy;
- A working group should be established between the tourist industry and COSLA (Convention of Scottish Local Authorities);
- Businesses should have setup costs for the collection of a levy reimbursed.

The Scottish Government’s consultation with the sector in the context of the 2024 Act indicated strong preferences for a national framework for the levy.⁵⁰

4.2 Business views in Wales

In advance of introducing a bill into the Senedd in November 2024, the Welsh Government published the results of a consultation in March 2023. The vast

⁵⁰ See Scottish Government, [Tourism tax: messages from the national discussion](#), 2019, paragraphs 35-37

majority of respondents to this consultation were Welsh businesses from sectors that would likely be impacted by a tourist tax. 78% of respondents to this consultation opposed discretionary powers for Welsh local authorities to set a tourist tax. Reasons given included opposition to the power being located at local authority level, lack of clarity about which types of business would be in scope, and concerns about the administrative burden falling on business owners. The burden would include business owners submitting some form of return to the local authority, indicating the number of taxable stays and the estimated tax owed.

Other themes of the consultation included ensuring a simple design, avoiding disproportionate impact on low-income households (amongst the guests paying the tax), and a preference for a centrally (i.e. all-Wales) administered scheme rather than discretionary powers for local authorities, which could introduce competition between areas.⁵¹ Respondents also supported hypothecating the revenues from any tourist tax:

Specific suggestions [for the use of the revenues] were wide ranging, including improvements to transportation networks, ecosystem management, destination marketing, and promoting the Welsh language. There was generally strong support for ring-fencing of revenues for these purposes, rather than local authorities having full discretion.⁵²

The Wales Tourism Alliance submitted evidence to the Senedd in January 2022. This evidence suggested that visitors on day trips potentially have more impact on local facilities and amenities than visitors spending the night in popular tourist locations.⁵³ It also addressed the claim that tourist taxes are normally set at sufficiently low levels not to impact on consumer choices – suggesting that this was not necessarily the case:

Finally, the argument that a few pounds doesn't make a difference to a holiday choice. In many cases it won't, of course. In others, buyers will be sufficiently irritated to displace their choice to somewhere nearby which doesn't charge. In others, they will be sufficiently annoyed to go outside Wales to somewhere else within the UK with a comparable offer....⁵⁴

4.3 Economic impacts

The European Commission's 2017 report found that the impact of tourist taxes (referred to as 'occupancy taxes') on the tourism sector was unclear. It states that tourist taxes can be:

⁵¹ Welsh Government, [Proposals for a discretionary visitor levy for local authorities](#) [PDF], March 2023, pp2-3

⁵² As above, p8

⁵³ This point is also discussed in the Welsh Government's 2023 response to consultation: Welsh Government, [Proposals for a discretionary visitor levy for local authorities](#), 2023, pp21-23

⁵⁴ Wales Tourism Alliance, [Additional evidence on the Welsh Government Draft Budget 2022-23 – Key points about the tourism levy \(TT\)](#), 2022 [PDF]

... particularly discriminatory towards the accommodation sector in comparison to other tourism sectors. For businesses operating in this sector, they could mean either a loss in profit margins if businesses are unable to sufficiently pass on the cost to guests, or a reduction in revenues if consumers reduce demand in response to an increase in price (for example, by spending fewer nights or by choosing alternative forms of accommodation which are not subject to an occupancy tax or which are taxed less heavily).⁵⁵

The report quoted research that found that tourist taxes had only a minimal impact on the revenues of hotels, and speculated that this was because tourist tax charges were relatively small. It also notes that tourist taxes are very visible to consumers and could therefore affect behaviour to a greater extent than might be expected from the level of the charge.

The explanatory memorandum published alongside the Welsh Government bill of November 2024 said:

3.2.6 There is currently a market failure in tourism globally in that increased demand increases production and competition without account for environmental or natural resource impact. The phenomena of ‘over-tourism’ or unbalanced tourism is growing because as consumer demand increases so does the supply of services to meet that demand. ...

3.2.7 Bio-diversity loss and heavy littering were witnessed as visitor numbers boomed in hotspots during the COVID-19 pandemic. Research was undertaken by Natural Resources Wales to explore these impacts and understand the way nature responds to increased visitor numbers. Reduction in biodiversity, erosion and littering were all highlighted in the research as impacts that increased as visitor numbers increased.

3.2.8 Finally, it should be recognised that there are also costs associated with the provision of services and infrastructure that are used by visitors. For example, visitors will use road infrastructure, public transport, car parks, street lighting, waste management services, public toilets, tourist information centres, emergency and health services, footpaths, seating, and other built infrastructure. Taxes fund these critical elements, but currently there is nothing in the taxation system which directly accounts for visitor use of these services.⁵⁶

4.4

Public opinion research

The Welsh Government published research in March 2023 on attitudes to a tourist tax amongst consumers and residents in Wales.⁵⁷ This research consisted of interviews with individuals who had taken a holiday in the UK in

⁵⁵ PriceWaterhouseCoopers, [The impact of taxes on the competitiveness of European tourism](#), European Commission, 2017, p124

⁵⁶ Welsh Government, [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill explanatory memorandum](#) [PDF], 25 Nov 2024, p9-10

⁵⁷ Welsh Government, [Visitor levy – views of consumers and residents](#), Government Social Research report 33/2023, March 2023

the last 12 months, and a survey of 3000 respondents across the whole UK (i.e. not just in Wales).

The research found a majority supporting the principle of tourists contributing to the destinations that they stayed in, but slightly lower support once the concept was made specific. Objections rose amongst those with lower household incomes. The research also found that:

4. Not all objections related to personal financial means. The qualitative research indicated some objected on principle – ‘paying to travel in their own country’, ‘lack of understanding of the details’, ‘regional reputation’, ‘national reputation damage’ and ‘concern for local business’ (particularly those that locals also used) all mentioned. Positively, however, the qualitative research indicated that explaining the reasoning behind the levy and adding clarity to what it would look like, helped allay some negativity.

5. Almost all subgroups felt it was very important that they be told where the funds would be spent, particularly Wales residents who have lots of tourism in their area. ‘Protecting the local environment’ and ‘maintaining local services and infrastructure’ were the main ways in which both holiday-makers and locals felt funds should be spent, although the order of priority changed between the two.

6. A range of ideas were put forward to ensure the levy is a success – including trialling in busy destinations, being accountable for funds raised, relabelling as an environmental tax, launching with other destinations and waiting until the cost-of-living crisis has lifted before launching.⁵⁸


⁵⁸ As above, slide 13

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