Dr Stephen Herbert
The Scottish Parliament
Edinburgh,
EH99 1SP

Dear Dr Herbert,

<u>Transient Visitor Levy</u>

We are writing to you ahead of Thursday's meeting of the Culture, Tourism, European and External Affairs Committee session on Transient Visitor Levy (TVL). We are aware that in this initial session the Committee is only taking evidence from COSLA and local authorities supporting the implementation of a TVL and therefore thought it important that all members understand fully the views of the tourism and hospitality sector in Scotland, which would be significantly affected if such a tax or levy were to be imposed on its already highly taxed customers.

UK Hospitality (UKH) and the Scottish Tourism Alliance (STA) continue stridently to oppose proposals by local authorities to secure powers from the Scottish Government to impose a TVL. The proposed tax is not supported by industry bodies representing a wide spectrum of tourism businesses - not just the accommodation sector which, it is proposed, will collect a TVL from its customers. These include over 20 organisations which are in membership of the STA Council such as the Federation of Small Businesses, Hostelling Scotland, the Edinburgh (and other city) Hotels Association, Association of Scotland's Self Caterers, Association of Scottish Visitor Attractions and the Scottish Destination Management Association.

The Scottish Government has not announced any plans to bring forward enabling legislation and we continue to support the Scottish Government's position not to introduce a TVL without the full involvement of the tourism industry and ensuring that the long-term interests of the industry are fully recognised. We believe firmly that this is an issue of national interest, rather than an issue for local debate and conjecture.

There has been no thorough examination of options to, or any assessment of the impact on businesses or consumers of, such a tax. Local government (both individual local authorities and COSLA) has singularly failed to listen to the informed views of an industry that is close to and understands its consumers. Quite simply:

- The imposition of a TVL will make our hospitality and tourism sector less price-competitive than it currently is. The World Economic Forum ranks the UK as 5th out of 136 countries in terms of tourism 'capability' (attractiveness, enabling environment, resources etc) and 135th out of 136 in terms of price competitiveness.
- The UK is one of only 3 EU countries not to apply a reduced rate of VAT to tourism and accommodation services – the average is around half of the 20% rate charged to visitors to the UK / Scotland.
- Proponents of a TVL point to the fact that a tax like this is levied in many European countries yet completely fail to acknowledge that in the majority of cases this is done against a background of reduced rates of VAT on tourism services in these destinations.
- Local authority interests have thus far failed meaningfully to consult with the industry on their proposals. For example:

    - The City of Edinburgh Council, while meeting on 2-3 occasions with Edinburgh Hotels Association, has not taken on board the opposing views expressed by EHA at these meetings. EHA has declined to attend a meeting called by the City Council for 13 September stating that 'it has consistently stated that it is not in support of the introduction of any form of levy in the city'. Nor has the City Council sought to engage with national representative bodies such as STA or UKH;
    - Aberdeen City Council, while engaging on a number of occasions with the Aberdeen City and Shire Hotels Association, in citing a consultation with the 'British Hospitality Board' is referring to an informal meeting which took place on 7 June between a senior city official and UKH at which the pros and cons of a TVL were generally discussed and the opposition thereto by UKH was made quite clear;
    - In advance of the publication by COSLA of its report on TVL on 26 June, officials contacted UKH on or around 20/21 June seeking to discuss its intention but without sharing the report. In these circumstances a meeting was declined by UKH [UKH attended a meeting with COSLA officials on 17 July at which TVL was generally discussed and at which UKH's concern that there had been no consultation prior to the publication of the report and its opposition to TVL were made quite clear];
- Tourism industry interests are concerned that local authorities continue to develop plans for a levy for which they have no power to implement in isolation from the Scottish Government and national tourism and hospitality representative bodies.

The Scottish hospitality and tourism sector asserts that:

- Hotels and tourist businesses are already major contributors to public funding including Scottish Government and local authority budgets through the current taxation regime (including VAT, business rates and contributions to BIDs).
- There remains a lack of clarity about the purpose of a tourism tax and why visitors (including those from other parts of Scotland who would be penalised for visiting events, friends and relatives in areas applying a TVL) should be singled out for paying an additional tax. There is a lack of clarity from all local authorities proposing a TVL as to what the money would be spent on and how this would directly benefit visitors and the tourism and hospitality sector.
- Imposing an additional tax on visitors who choose to stay in commercial accommodation (and who make the greatest economic contribution to a destination) ignores the pressures created by day visitors (in the case of Edinburgh 18.5m such visitors per annum) and the many visitors who elect to stay with friends and relatives.
- As alluded to above, there is not a level playing field across the EU as to how tourism businesses and their customers are taxed or receive relief from VAT. A TVL cannot be viewed in isolation from other taxes that businesses and consumers pay. With one of the highest rates of VAT on tourism services in the EU, the proposed TVL is anti-competitive and not in the longer-term interests of businesses or their consumers. VAT rates vary widely across the EU – there are significant differences to be borne in mind when comparing the tax rates being applied in one country to that of the UK. Most EU countries with a tourist tax apply reduced rates of VAT to tourism services. For example: Ireland 9% VAT on a hotel room, no tourist tax; Germany 7% VAT and tourist tax of eg 5% in Berlin; France 10% VAT and tourist tax in Paris €0.20 – 1.50; Spain 10% VAT and tourist tax in Barcelona €0.45 – 2.50.
- Tourism is a price-sensitive market as demonstrated by significant academic research. Overseas visitors are influenced by relative prices and currency variation; while price may not necessarily be the determinant of a decision to visit it will have a bearing on spend in the destination and resultant econo0mic contribution.
- Hotels make a distinct contribution to local economies, bringing a unique offering that benefits other sectors and provides a wide range of employment opportunities. Imposing higher costs on customers could lead to difficult investment choices in the future.

We would be delighted to provide further information on any of the points raised in this letter and hope that this will help in your consideration of the issue.

Yours sincerely

Willie Macleod
Executive Director, UK Hospitality

Marc Crothall
Chief Executive, Scottish Tourism Alliance