

# Policy and Sustainability Committee

10.00am, Tuesday, 22 August 2023

## A Visitor Levy for Edinburgh: Progress Update and Draft Proposal

Executive/routine  
Wards

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### 1. Recommendations

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- 1.1 It is recommended that Policy and Sustainability Committee notes:
  - 1.1.1 That the Visitor Levy (Scotland) Bill was laid in the Scottish Parliament on 24 May 2023, and calls for views on the Bill and its Financial Memorandum were issued on 26 and 30 June 2023, with submissions due by 15 and 1 September 2023 respectively;
  - 1.1.2 The current timeline for implementation of a Visitor Levy in Edinburgh; and
  - 1.1.3 That this report will be used as starting point for further stakeholder engagement.
- 1.2 It is further recommended that Committee approves:
  - 1.2.1 The considerations around the proposed charge level and remit of the scheme, as set out in paragraphs 4.14 - 4.41;
  - 1.2.2 The possible use of the net proceeds, as set out in paragraphs 4.42 - 4.54;
  - 1.2.3 The proposed governance structure, as set out in paragraphs 4.55 - 4.60;
  - 1.2.4 Informal engagement with stakeholders around these parameters; and
  - 1.2.5 The proposed response to the Scottish Parliament's calls for views, as set out in Appendices 8 and 9, for submission by 15 and 1 September 2023.
- 1.3 Finally, Committee is asked to note that a further report, setting out the proposed final scheme for formal consultation, will be presented to Committee in early 2024, if the Bill passes through Parliament as currently expected.

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# Report

## A Visitor Levy for Edinburgh: Progress Update and Draft Proposal

### 2. Executive Summary

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- 2.1 This report provides a summary of the [Visitor Levy \(Scotland\) Bill](#) and a proposed response to the Scottish Parliament's Local Government, Housing and Planning Committee and Finance and Public Administration Committees calls for views on the Bill. The report also contains a draft proposal of the parameters of a Visitor Levy Scheme in Edinburgh.

### 3. Background

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- 3.1 The City of Edinburgh Council has pressed the Scottish Government for the power to introduce a visitor levy (VL) since 2018.
- 3.2 The VL concept has been discussed by the Council on several occasions. In June 2022, the Council's agreed [shared priorities](#) included to 'Support the introduction of Transient Visitor Levy (Tourist Tax)'. This commitment was further reflected in the [Council Business Plan 2023 to 2027](#) (to introduce [a VL] as quickly as legislation will allow). On 1 November 2022, Committee [agreed](#) that officers would work with Scottish Government Officials and the Convention of Scottish Local Authorities (COSLA) to support the development of the legislation for the Local Visitor Levy Bill.

#### **The Visitor Levy (Scotland) Bill**

- 3.3 The Visitor Levy (Scotland) Bill was published on 24 May 2023. A [report](#) was presented to the Council on 22 June 2023 providing an overview of the Bill. The report also set out the Council's agreed policy position thus far.
- 3.4 In response to the June report, Councillors agreed that there should be more freedom in how the revenue raised through a VL is allocated across the Council budget in order to mitigate against issues facing Edinburgh residents.
- 3.5 Councillors also requested that, in advance of the August meeting of Committee, officers should engage with the Scottish Parliament and COSLA to determine what can be done by local authorities in tandem with the Bill process and to seek clarity on whether any consultations can run concurrently (to allow for earlier implementation of a levy). Committee also asked for identification of any elements

of the statement of objectives which are in conflict with Edinburgh's previously stated objectives for the Bill.

## 4. Main report

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### Call for Views on the Bill

- 4.1 On 26 June 2023, the Local Government, Housing and Planning Committee issued a call for views on the Bill, with responses due by 15 September 2023.
- 4.2 In addition, the Finance and Public Administration Committee also issued a call, on 30 June 2023, for views on the Financial Memorandum of the Bill. Responses are due on 1 September 2023.
- 4.3 A proposed response to the Call for Views on the Bill is presented in Appendix 8. In summary it states that overall, the Bill addresses most of the requests that have been made by the Council, in that it empowers local authorities to raise revenue and make decisions on how it is allocated, based on their communities' needs and priorities.
- 4.4 Matters such as the Bill mandating a levy to be a percentage of room charges rather than a fixed fee, or the definition of a chargeable transaction, are different from what has previously been envisaged in Edinburgh but are not considered to have an adverse impact. As such the proposed response broadly agrees with these aspects of the Bill.
- 4.5 However, there are aspects of the Bill which warrant further consideration, as summarised below:
  - 4.5.1 The legislated implementation time of 18 months from the formal announcement of the introduction of a VL is understood to have been requested by national accommodation providers. While it is recognised that an implementation period will be required, it is proposed that local authorities should be able to set the implementation timescale for their area in conjunction with the industry. Initial engagement with stakeholders indicates that, in most cases, the technology and the applied finance system across multi-national accommodation providers and online booking agents could facilitate this scheme within a shorter timescale and with no detrimental impact on advance bookings. Furthermore, accommodation providers have suggested that, if the levy is to be introduced, they would prefer a quick implementation in order to be able to see the benefits from the revenue raised sooner rather than later; and
  - 4.5.2 The Bill requires that net proceeds of the scheme only be used to "achieve the scheme's objectives", which must be "to develop, support, or sustain facilities and services which are substantially for or used by persons visiting the area of the local authority for leisure purposes". This is considered to be too restrictive as it fails to include business tourism. For context, in 2019, (pre-pandemic) business visitors made up around 12% of Edinburgh's overnight visitor numbers - ranging from individuals staying for one night for a work meeting to large scale conventions booking multiple hotel rooms. As

business visitors would be paying the levy, it is important that revenue raised could be spent on activities specifically aimed at them.

- 4.6 The proposed response to the Call for Views on the Financial Memorandum is in Appendix 9. The draft response highlights that the Memorandum accurately reflects the information previously provided and summarises the anticipated costs of implementation.
- 4.7 If Committee approves the draft responses, these will be submitted to the Scottish Parliament Committees. In addition, officers will also raise the areas for further consideration (as summarised in paragraph 4.5) with Scottish Government directly.

### **A Visitor Levy for Edinburgh**

- 4.8 A VL is not a new concept and, as more destinations consider introducing or increasing charges for visitors, is something visitors are increasingly factoring into their costs.
- 4.9 Considering the ever-changing macro environment and a potential three-year lead time to introduce a VL, there is now an opportunity for Edinburgh to re-evaluate and consider its charging strategy and approach.
- 4.10 According to section (s.) 13 of the Bill, the implementation of any VL scheme must specify details such as: when and where it will be enforceable, the percentage rate(s) of the levy, and whether any exemptions apply. The implementation must also specify how decisions on use of the net proceeds will be made.
- 4.11 As the Bill is still in draft, some of these requirements may be subject to change, and some details (e.g. exemptions) are yet to be established by way of regulation. With this caveat, the following section sets out the main areas of consideration for Edinburgh's VL scheme and proposals which will form the basis of engagement with industry, residents and communities over the coming months, to help form the final VL scheme for Edinburgh.

### **Objectives of the scheme:**

- 4.12 Under s. 12 (1) (a) (ii), a local authority intending to introduce a VL scheme must state the objective of the proposal. It is further explained that 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 purposes.
- 4.13 Edinburgh's 2030 [Tourism Strategy](#) was endorsed by the Council in February 2020 and has an explicit shift from driving (tourism) growth to managing growth. It also clearly and directly aligns with the wider development of the city through the Council's Edinburgh Economy Strategy and a range of key policies (such as the commitment to achieving net-zero carbon emissions by 2030, tackling worklessness and poverty).
- 4.14 The VL scheme should directly relate to the ambitions set out in this Strategy and aim to achieve clear outcomes and visible success for the city that benefit both residents and visitors.

- 4.15 While the overall aim of the scheme would be to sustain Edinburgh's status as one of the world's greatest cultural and heritage cities, and ensuring that the impacts of a successful visitor economy can be managed effectively, the proposed objectives of the scheme for further discussion with stakeholders would be for it to:
- 4.15.1 Develop Edinburgh's cultural provision to ensure it remains world leading and competitively attractive to visitors as well as residents;
  - 4.15.2 Support the visitor economy in general, and encourage innovation in the sector as it seeks to meet the Climate and Nature emergency, and adapts to new approaches to business development and employment;
  - 4.15.3 Support destination marketing and promotion to maintain the city's long-term sustainable competitive advantage; and
  - 4.15.4 Sustain and enhance the essential public services that create an enjoyable and safe visitor experience.

**Charge level and remit:**

- 4.16 The [previous proposal](#) for an Edinburgh Transient Visitor Levy (TVL) was that it should be a fixed charge of £2 per room, per night.
- 4.17 However, since this was agreed, there has been a significant change in how the tourism industry looks. In the Covid-19 recovery and post-Brexit era, there are ongoing economic pressures from inflation and labour market shortages; and organisations are transitioning to new business and operating models.
- 4.18 The Bill states that charges must be a percentage of the room fee. While it is recognised that a flat fee is simpler to administer, a percentage is often perceived as fairer as it means that those paying a higher cost for accommodation will also pay a higher levy fee. There will also be a relative benefit of future proofing the revenue stream over time (Appendix 1 provides further comparison).
- 4.19 S. 3 of the Bill confirms the chargeable transaction as being the accommodation part only, meaning charges such as food and drinks, parking and entertainment should be deducted before the VL is applied. The Bill is silent on the treatment of Value Added Tax (VAT), as this is a matter retained by the UK Government and subject to confirmation from HMRC, but it has been assumed that the levy will be based on the chargeable transaction pre VAT.
- 4.20 In the 2018 Edinburgh consultation findings, the question asked was: "Is a charge of £2/2% about right?" 67% of respondents agreed but close to half (46%) felt that luxury accommodation should pay a higher rate (base 2,523). However, in an initial unprompted stakeholder engagement carried out by Marketing Edinburgh, residents on average felt a £5 charge on a £100 room fee per night would be reasonable, while visitors averaged £3.30 per £100 per night.<sup>1</sup>
- 4.21 The findings from the 2018 consultation also showed that there was a desire for the charge level to be "large enough to merit the administrative costs involved" and to

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<sup>1</sup> Views on the charge level was also dependent on who was answering the question, with accommodation providers less accepting of a high charge and residents calling for a higher charge level. 33% of Edinburgh accommodation providers felt that £2/2% was too high, however 9% of these respondents felt that it was not high enough. 21% of residents felt that the charge should be higher than £2/2%

“raise enough money to make a significant investment in the city”. At the time, residents felt that an estimated revenue of £11-13m p.a. was the minimum required to achieve a meaningful impact to the city.

- 4.22 Revenue estimates have been made using recent data, including the current stock of accommodation units and prices applied when the data was produced (Appendix 2). The estimates show that between £5.6 million and £37 million could be raised annually from a 1% and 7% (of room cost charge) levy if applied to all hotels, self-catering apartments, B&B/Guest house, short-term lets and hostels in Edinburgh.<sup>2</sup>
- 4.23 The revenue estimates must be considered with care, as it is recognised that revenue is not linear. Further research on impact on visitor demand is required and will be performed over the coming months.
- 4.24 It should be noted that there is strong concern from the industry, around the overall fiscal burden on visitors and accommodation provision already being higher in the UK than in other comparable destinations. As an example, following the UK’s departure from the EU, it is now no longer possible to reclaim VAT paid on goods upon leaving the country (i.e. duty free shopping) and it has been suggested that many other countries apply lower VAT to visitor services, and in some cases none at all, making the overall taxation of visitors higher in the UK than elsewhere. This is supported by VisitBritain [reporting](#) in 2022 that the UK is not being perceived as a ‘value for money destination’ by many international markets and describes this as the UK’s “Achilles heel”, concluding that “the impact of perceptions of value for money remain a core barrier for Britain”.
- 4.25 Competitiveness is not just about price though and, when interpreting any measure of price competitiveness, it is important to understand how the measure has been derived. For example, The World Economic Forum create a range of index values and rank countries relatively, creating something akin to a league table based on different data points. In their Travel and Tourism Development Index, the factors include business environment, prioritisation of travel and tourism, cultural resource and business travel, international openness, and price competitiveness. In 2021, the UK ranked joint 6th out of 136 economies.<sup>3</sup>
- 4.26 This reinforces that the UK (and Edinburgh, as the second most popular city to visit after London) remains competitive when assessed on a more comprehensive set of factors that collectively impact a visitor’s destination choice, alongside price.
- 4.27 Edinburgh has a high amenity value; it is rich in scenery, history and culture, architecture, attractions; hosts an annual international events programme; and has three UNESCO Heritage designations. When visitors consider a destination’s overall appeal (including the overall quality of the visitor experience, quality of

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<sup>2</sup> The estimation process was used taking available public data and the 2018 accommodation audit figures produced by an external consultant as part of the City Plan development. The approach has erred on the side of caution and may have underestimated the revenue receipts for a number of reasons including the assumptions taken over the expected occupancy levels at hotel accommodation. There is also no assumption for future expansion of accommodation stock, and no inclusion of student accommodations used in summer festival period, but it has factored in the likely changes in the short term lets sector over the coming years.

<sup>3</sup> <https://www.weforum.org/reports/travel-and-tourism-development-index-2021/shareables-214a5b33ff#report-nav>

events and the vibrancy of its cultural product, its food and drink offering and more) Edinburgh is extremely well placed.

- 4.28 These pull factors are not captured or considered within a generic measure or within a price-based analysis of competitiveness. Edinburgh is a global destination, and its competitiveness should not be assessed on cost and relative affordability only but evaluated holistically on its overall visitor appeal.
- 4.29 Furthermore, despite variations in national taxes between countries, anecdotal evidence as well as feedback from the 2018 survey shows that visitors are accustomed to paying a ‘visitor levy’, especially on city breaks. While budgets will certainly be a factor in planning travel, visitors are usually committed to a particular destination by the time they are ready to book, and it is unlikely that visitors would substitute one city for another for a marginal saving.
- 4.30 That said, when determining the right level for Edinburgh, consideration must be given to the visitor perception and how a charge compares with other cities, who may on an international level be seen as competitors (Appendix 3, Table 1). Among the cities that apply a percentage of the room cost, this varies from 4% in Budapest, 5% in Berlin, 6% in Bergamo to 7% in Amsterdam, and some even charge additional Euros per person per night on top of the percentage rates.
- 4.31 Accommodation owners adjust pricing by the day of week, month and year, time of booking and by booking agent. Dynamic pricing systems arguably create a degree of uncertainty over the potential impacts on consumer behaviour. This indicates that, as consumers are already familiar with paying incredibly variable accommodation rates, they will not be deterred by a marginal rise in prices.
- 4.32 Data from STR show that the average daily rate<sup>4</sup> in Edinburgh in 2022 was £150. Appendix 3, Table 2 shows the impact of charging a levy of 2% or 5% in Edinburgh compared with other European destinations, and illustrates that even at 5%, the levy would be smaller than other European cities.
- 4.33 Returning to the 2018 consultation, 81% of respondents wanted to see a cap on charges to help protect festival performers and other non-leisure visitors. The previous proposal was that the levy would be capped at seven (7) nights, meaning that with the fixed £2 fee charge, no person would ever pay more than £14. With a change to percentage, one person could reach that amount in only one nights’ stay in an upmarket hotel. It is proposed to have a cap on charges and to engage with stakeholders on whether this should be at a fixed amount, or number of nights.
- 4.34 While the Bill decrees for the levy to be percentage of the room cost, it does allow for other considerations such as variable pricing, whether to charge more or less over certain times of the year or charge more in certain areas of the city.
- 4.35 This approach could encourage visitor dispersal throughout the year or across the city. Some locations in Europe have tactically opted not to charge the levy during

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<sup>4</sup> This is the room revenue divided by the number of rooms sold – room revenue is no-show revenue, day use revenue, early departure fees, late check-out fees, rental of rollaway beds and service charges.

off-peak periods to make visiting cheaper at these times and thus 'extend' the peak season.

- 4.36 There is, however, a risk that adding the additional cost of a levy could cause some accommodation providers to make the decision to close entirely during the low season, impacting on workforce retention and seasonal visitor offer. There is also an argument that accommodation providers already apply dynamic pricing based on seasonality and location, meaning that there is no need to add to that.
- 4.37 In addition, during discussions with Amsterdam, officers were advised that charging lower visitor taxes in non-central hotels had no impact on demand for city centre hotel bookings, further highlighting the non-financial related drivers that influence booking decisions.
- 4.38 Edinburgh is largely a year-round destination although it is relatively more attractive for visitors during the summer, with October – March attracting more domestic visitors than international visitors (Appendix 4).
- 4.39 To maintain simplicity in the collections process, and in order to ensure fairness in visitors contributing towards the cost of a successful visitor economy, reflecting Edinburgh's year-round visitor appeal, and aligning with the levy's objectives, it is proposed that the levy would cover the full City of Edinburgh Council boundary and to be in place at the same rate throughout the year.
- 4.40 The Bill states that Scottish Ministers may specify by way of regulations, cases or circumstances in which the levy is not payable or a sum equivalent to the levy should be reimbursed (i.e. exemptions). Local authorities can also introduce their own local exemptions but will have to carefully consider the cost-effectiveness of these. The more exemptions a scheme has, the more complex and costly it becomes to administer.
- 4.41 To minimise complexity of the scheme, it is proposed that Edinburgh's VL scheme does not include any exemptions beyond those set out in regulation.

#### **Use of the net proceeds**

- 4.42 As stated previously, local flexibility over spend is limited by the provision in the Bill stating that any revenue raised must be spent on the Scheme objectives (must "develop, support, or sustain facilities and services which are substantially for or used by persons visiting for leisure purposes") (s.17 (1)).
- 4.43 It has already been highlighted that limiting any spend to benefit leisure visitors only would be too restrictive, and proposals have been developed on the understanding that this will be amended in the final version of the Bill.
- 4.44 S. 17 (2) (b) of the Bill explicitly states that, in using the net proceeds of the VL scheme, a local authority must have regard to its local tourism strategy (if any). Edinburgh's 2030 Tourism Strategy aligns well with other national and local strategic priorities (such as the [National Strategy for Economic Transformation](#), [Edinburgh's Economy Strategy](#) and [Scotland Outlook 2030](#), the national tourism strategy as well as the [Council's Business Plan](#)).



- 4.45 A key priority in all of these is sustainability and reaching Net Zero. This is especially relevant here due to the environmental impact of tourism (and particularly overnight visitors). It is therefore proposed that a proportion of the revenue (circa. 25%) is earmarked for initiatives across all programmes that can demonstrate a clear link to the sustainability agenda.

### **Portfolio of Programmes**

- 4.46 To ensure revenue delivers visible and significant impact for the city, its residents, and visitors, it is important that allocation is not diluted or spread too thinly. It is therefore proposed (in order to deliver the proposed objectives of the visitor levy set out in paragraph 4.13) that five portfolios of programmes could be introduced, including:
- 4.46.1 A **City Infrastructure Fund**, aimed at ensuring the city's core assets, buildings and greenspaces remain fit for the future, as well as ensuring public transport can be accessible and affordable to all;
  - 4.46.2 **Promotion and Marketing**, to make Edinburgh's full visitor offering more desirable within key markets, building on new visitor data as well as ensuring audience targeting and conversions achieves long term sustainable competitive advantage for the city;
  - 4.46.3 **Culture, Heritage and Festivals**, giving the city's cultural institutions the ability to reach everyone in the city through enhanced production and participation resources;
  - 4.46.4 **City Services**, aimed at enhancing the overall visitor impression and experience to generate a higher net visitor value for the city; and
  - 4.46.5 **Industry Growth and Resilience**, aimed at incentivising Net Zero across the sector, as well as innovation and diversification, enhancing skills, career growth, fair work and training in this key sector.
- 4.47 These portfolios will be further developed through stakeholder engagement and may also seek to leverage additional funds through match funding and borrowing and will invest services that make visiting, living, studying and working in this city an enjoyable and safe experience for all.
- 4.48 It is proposed that revenue is allocated across the programmes on a three-year cycle, with the exemption of capital projects which typically have longer lead-times. An illustration of the total value over the programme is shown in Appendix 5.
- 4.49 Part of the money raised could also be reserved for a Participatory Budgeting (PB) process that would help ensure access and opportunities for all communities in Edinburgh which meet the agreed criteria. This will also enable the Council to meet the Scottish Government requirement for 1% of the Council's budget to be allocated to PB.
- 4.50 Criteria for each programme/fund is yet to be determined but it is a key requirement of the overall portfolios that they do not only invest in, or promote, city centre and/or summer activities. All activity should be aligned to the Edinburgh 2030 Tourism

Strategy's aim of dispersing visitors across the whole city throughout the year and ensure that residents across the city can enjoy the financial benefits of the visitor economy.

- 4.51 As the Bill makes reference to net proceeds, this means that all costs for administering the scheme would need to be deducted before any investment can be made. It is estimated that the total administrative costs to the Council will be around £250,000 upfront for set up costs (over two years); then a further £500,000 recurring cost. These costs would broadly cover any decision making and consultation costs; set up costs; collection, processing of payments and monitoring/enforcement; and the potential upgrade or enhancement of new IT system and its ongoing maintenance.
- 4.52 The estimated total administrative cost is based on the main assumption that the scheme is easy and simple to administer. The higher the complexity in design of the scheme and/or the number of exemptions, the higher the administrative cost. Estimates will be reviewed as new evidence and insight become available through discussions with the Scottish Government's expert group and once the level of resource required to manage and supervise the scheme has been agreed.

### **Additionality**

- 4.53 The Council currently funds activities which directly support the Visitor Economy, (such as financial support to festivals, and destination marketing). In addition, the cost implications of being a major tourism centre are clearly seen in other areas of the Council (such as an increased maintenance for public space and parks, coordination of the roads network and public safety for events).
- 4.54 It is clear that the revenue raised by the VL could be used to both sustain these existing services and provide significant additionality through enhanced funding.

### **Governance**

- 4.55 The Bill establishes the requirement for consultation, both in establishing a VL scheme and in the use of the net proceeds. The Council has previously agreed to involve industry, residents, and communities in decision-making. However, as the power to introduce a VL, and the responsibility for reporting on its implementation and progress, is delegated to local authorities, the City of Edinburgh Council should retain overall leadership for delivery of the VL scheme.
- 4.56 In order to do this, it is proposed:
- 4.56.1 That a Council officer be assigned to each investment portfolio and to be responsible for developing and delivering the associated action plans (which should include project ideas collated via consultation processes);
- 4.56.2 That the portfolio output would be coordinated and monitored by a new team to be created within the Council. This team will act as a Programme Management Office (PMO) for the whole VL scheme and will ensure minimum criteria are fulfilled as well as proposing a longlist for investment; and

- 4.56.3 An Edinburgh VL Advisory Group be established, with membership drawn from across the tourism, culture and leisure industry, residents and community groups. This Group will oversee the development and delivery of a VL investment plan and will make recommendations to the relevant Executive Committee of the Council. The Committee will provide political oversight, approval and scrutiny of the proposed investment programme.
- 4.57 If approved, the investment portfolio leads would be responsible for overseeing full delivery of the action plans (including reporting on the positive impacts and learnings generated to the PMO, who will coordinate and report on the scheme as a whole).
- 4.58 The relevant Executive Committee would receive an annual report of the accounts and delivery, with detailed reports on individual portfolios as agreed.
- 4.59 In addition to the local governance, a report on the progress and outcomes from the Edinburgh VL scheme would be reported to the relevant Scottish Government department at least every three years, as set out in the Bill.
- 4.60 The proposed governance structure is shown in Appendix 6.

## **5. Next Steps**

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- 5.1 To develop supporting guidance towards the implementation of the legislation, an expert working group is being established by the Scottish Government to work in parallel with the Bill process. At the time of writing, this is anticipated to be a small group with representatives from key stakeholders in both the public sector and tourism industry, taking views from several sub-groups focussed on different aspects of the Bill such as implementation, exemptions etc.
- 5.2 Scottish Government officials have indicated that COSLA will be invited to participate in the lead group and that Council officers will be invited to participate in some, if not all, of the sub-groups.
- 5.3 The proposed timeline is illustrated in Appendix 7. If the recommendations in this report are agreed, officers will continue to engage with stakeholders to further develop the scheme and will bring a report, outlining the full scheme, back to Policy and Sustainability Committee for approval before initiating a formal public consultation. It is currently anticipated that this will be presented in early 2024.
- 5.4 While the consultation can be undertaken before the passage of the Bill, there is a risk that the final version of the Bill will differ from the scheme which is consulted on.
- 5.5 Subject to the agreement of Committee, officers will submit the response to the Scottish Parliament Committee Calls for Views (Appendices 8 and 9), and will continue engagement with COSLA, the expert working group and other local authorities on the introduction of an Edinburgh Visitor Levy. Council officers will also engage with the Scottish Government on the issues raised in paragraph 4.4.

## 6. Financial impact

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- 6.1 Initial estimates suggest that it will cost £250,000 to set-up the programme (this cost is expected to be split over two years), and £500,000 per annum to run the core operational activities of a scheme. Income collected from additional penalties and costs of undertaking extra enforcement proceeding for non-compliance have not been included.
- 6.2 The balance can, if used as per the recommendations in this report, help the Council support and sustain the visitor economy in Edinburgh as well as provide a way for the Council to manage the impacts of a successful visitor economy.
- 6.3 As the VL moves to its next phase of development, there is a need for project management resource to ensure the project delivers to the timescales in Appendix 7. At this stage it is proposed that this could be funded through the 'invest to save' fund. Approval for this will be sought from Finance and Resources Committee in September. Once the VL is fully operational, as noted in the main section of this report, there will be a requirement for a wider team to manage the levy on behalf of the city, and this would be funded as part of the administrative costs for the scheme.
- 6.4 Following the provision of external advice, it is assumed that any VL would be outside the scope of VAT as it is a statutory charge, meaning that the full amount of income generated would be available for reinvestment or to offset scheme operating costs. As VAT policy is a reserved matter for the UK Government, however, this treatment will not be confirmed until completion of the Bill's passage through Parliament.
- 6.5 As noted in the main report, a draft response to the Scottish Parliament's Finance and Public Administration Committee's Call for Views on the Bill Financial Memorandum is included in Appendix 9.

## 7. Stakeholder/Community Impact

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- 7.1 Consultations with European cities, industry stakeholders and communities have, and will continue to, inform the development of the Edinburgh VL scheme. One-to-one meetings with individual tourism businesses (such as, but not limited to, Edinburgh Hotels Association, Edinburgh's Festivals, and Edinburgh Tourism Action Group) will continue. It remains important that the voice of residents as well as the industry is heard, and further engagement will reflect this.
- 7.2 As part of the development of the scheme, an Integrated Impact Assessment will be performed and published.

## 8. Background reading/external references

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- 8.1 Scottish Parliament's Local Government, Housing and Planning Committee [call for views](#) on the Visitor Levy (Scotland) Bill – open 26 June 2023 – 15 September 2023.

- 8.2 [Visitor Levy \(Scotland\) Bill](#), Scottish Parliament, 24 May 2023
- 8.3 [Report](#) to Policy and Sustainability Committee, 1 November 2023: Edinburgh Transient Visitor Levy Update
- 8.4 [Report](#) to City of Edinburgh Council, 7 February 2019: [Edinburgh Transient Visitor Levy Consultation 2018](#)
- 8.5 [Report](#) to City of Edinburgh Council, 31 May 2018: Edinburgh Transient Visitor Levy - Reports

## **9. Appendices**

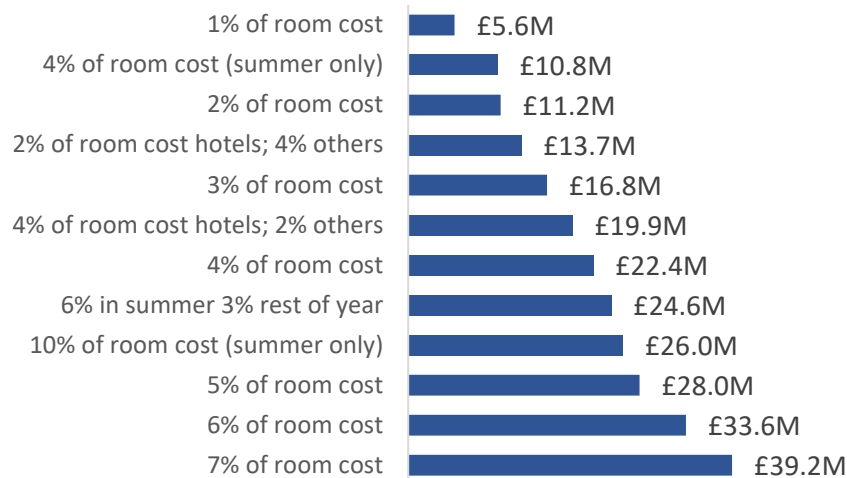
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- 9.1 Appendix 1: Comparative analysis of perceived benefits from a flat fee versus a percentage of the room cost.
- 9.2 Appendix 2: Estimated Revenue from an Edinburgh VL scheme.
- 9.3 Appendix 3: Comparative Analysis with other European cities.
- 9.4 Appendix 4: Edinburgh Visitors by season 2019.
- 9.5 Appendix 5: Proposed portfolios for revenue spend (after operational costs) over a one-year period.
- 9.6 Appendix 6: Governance Model.
- 9.7 Appendix 7: Timeline.
- 9.8 Appendix 8: Proposed submission to Scottish Parliament's Local Government, Housing and Planning Committee Call for Views on the Visitor Levy (Scotland) Bill.
- 9.9 Appendix 9: Finance and Public Administration Committee Call for Views on the Visitor Levy (Scotland) Bill Financial Memorandum.

**Appendix 1: Comparative analysis of perceived benefits from a flat fee versus a percentage of the room cost**

Flat fee per room per night (££/room/pn)			Percentage of room cost (%roomcost)
<p><b>Appears fairer to residents</b>, everyone who stays in Edinburgh and makes use of the city free attractions and facilities pays the same</p> <p><b>Appears fairer to industry and high-season visitors</b> as visitor levy fee is kept low relative to the cost of accommodation.</p>	✓	✓	<p><b>Perceived as fairer in general</b>, those that pay for higher priced accommodation options pay more, and those that pay for less expensive accommodation and face a smaller levy fee</p>
<p><b>Simple to administer:</b> More predictable revenue receipts estimates because calculations are based on occupied rooms and accommodation stock, this makes the enforcement and validation activities more straightforward.</p>	✓	✗	<p><b>Less simple to administer</b>, more variable revenue collection each quarter, could be more complex to predict revenue receipts in quarter period given lack of clarity of daily accommodation prices</p>
	✗	✓	<p><b>Additional Research data value</b>, because there is a rationale to gain addition data on visitors (occupancy number of guests etc.) to aid enforcement activities</p>
	✗	✓	<p><b>Higher revenue yield</b>, as a % approach future proofs revenue receipts over time and will automatically consider impact of inflation</p>

## Appendix 2: Estimated Revenue from an Edinburgh VL scheme



### ***Explanatory notes:***

Revenue generation potential under a percentage of the room cost approach will vary by both the supply of the accommodation for tourism as well as the price paid by visitors for their accommodation in the local area. These forecasts will be updated at appropriate periods.

These estimates in the chart above were based on the supply of the current accommodation stock and prices as recorded at the end of 2021, and as a representative of a full non-covid impacted season, the average occupancy rate observed between 2017 and 2019. The cost of the room price was then adjusted for inflation to 2023 prices using GDP deflators. The types of accommodation included in this estimated include hotels, self-catering apartments, B&Bs, guest houses, hostels and short term lets.

A conservative assumption has been applied to the potential cross over in accommodation lines and the future supply of the short term let sector in Edinburgh. There are some cross over between self-catering apartment and serviced apartments, also between Airbnb properties and guesthouses. In addition to this there will be an impact from the new licencing and regulations decision locally to be applied from September 2023. To account for all of these together, an assumption of an 80% reduction from the Edinburgh 2021 number of active listings reported on Airbnb, as a proxy for the size of short terms lets.

To note there has been no assumption on the growth of rooms or size of commercial accommodation (e.g. adding in future new hotels, hostels, apartments, and the use of student accommodation for leisure tourism).

### Appendix 3: Comparative Analysis with other European cities

Table 1:

City (Country)	Level of levy/tax
<a href="#">Amsterdam</a> (Netherlands)	7% + €3 per person, per night. Holiday rentals / Short term lets pay 10% of turnover
<b>Rome</b> <sup>5</sup> (Italy)	€3 - €7 per person per night, depending on type & quality of accommodation
<a href="#">Barcelona</a> <sup>6</sup> (Spain)	€3.75-€6.25 per person, per night, depending on type & quality of accommodation
<a href="#">Milan</a> (Italy)	€2 - €5 per person per night, depending on type & quality of accommodation
<a href="#">Florence</a> (Italy)	€3.5 - €8 per person per night, depending on type & quality of accommodation
<a href="#">Bergamo</a> (Italy)	6% of cost of accommodation and €0.5 per person per night for “Youth Hostels”
<a href="#">Berlin</a> (Germany)	5% of cost of accommodation
<a href="#">Budapest</a> (Hungary)	4% of cost of accommodation or 200-300 HUF per person per night
<a href="#">Lisbon</a> (Portugal)	€2 per person per night
<a href="#">Porto</a> (Portugal)	€2 per person per night

<sup>5</sup> Rome will increase their tourist taxes from start of October 2023 to between €3.5 and €10 per person per night. Source: [Extralberghiero.it](#)

<sup>6</sup> From April 2023 Barcelona City Council charges €2.75 per person on top of the variable regional tourist tax of Catalonia which varies between €1.00 and €3.00 per person per night. Source: [Catalonia tourist tax](#).



Table 2: Example of visitor levy totals payable by visitors across Europe of one night based in Euros with an illustrated example of an Edinburgh range between 2% and 5% of accommodation cost.

City (Country)	If €150 paid per room per night	If €250 paid per room per night
Amsterdam (Netherlands)	€17.21	€24.66
Florence (Italy) 4-star	€14.00	€14.00
Rome (Italy) 4-star	€12.00	€12.00
Barcelona (Spain) tourist rental accommodation	€10.00	€10.00
Milan (Italy)	€10.00	€10.00
Bergamo (Italy)	€9.20	€15.31
Florence (Italy) 2-star	€9.00	€9.00
Barcelona (Spain) 4-star	€8.90	€8.90
Rome (Italy) 3-star	€8.00	€8.00
Berlin (Germany)	€7.92	€13.19
Aachen (Germany)	€7.92	€13.19
Cologne (Germany)	€7.92	€13.19
Dortmund (Germany)	€7.92	€13.19
Utrecht (Netherlands)	€8.00	€13.33
Rotterdam (Netherlands)	€7.20	€11.99
<b>Edinburgh (UK) 5% (pre VAT – post VAT)</b>	<b>€6.96 - €8.70</b>	<b>€9.28 - €11.60</b>
Budapest (Hungary)	€5.59	€9.30
Vienna (Austria)	€4.74	€7.89
Salzburg (Austria)	€4.74	€7.89
Lisbon (Portugal)	€4.00	€4.00
Porto (Portugal)	€4.00	€4.00
<b>Edinburgh (UK) 2% (pre VAT – post VAT)</b>	<b>€2.78 – €3.48</b>	<b>€3.71 - €4.64</b>

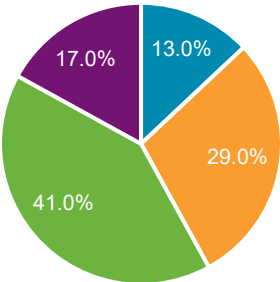
### Explanatory notes:

This analysis compares the per night cost of visitor levy across different cities who employ different tourism taxes. Costs are expressed in euros for a two person stay in a room for one night only. Exemptions and price or duration caps have not been shown in this analysis. The Edinburgh illustration shows the payment of the tourist tax between the values of 2% and 5% both if applied against the pre-VAT accommodation cost and the post-VAT or inclusive of VAT accommodation cost for a €150 and €250 price per night.

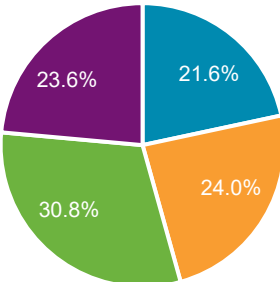
The above table should not be used to compare the value of visiting each destination as all cities provide unique attractions and experiences. Cost of travel, cost of eating and drinking out, cost of transport at the destination and many other considerations are not reflected in the table above.

# Appendix 4: Edinburgh Visitors by season 2019

Overseas visitors

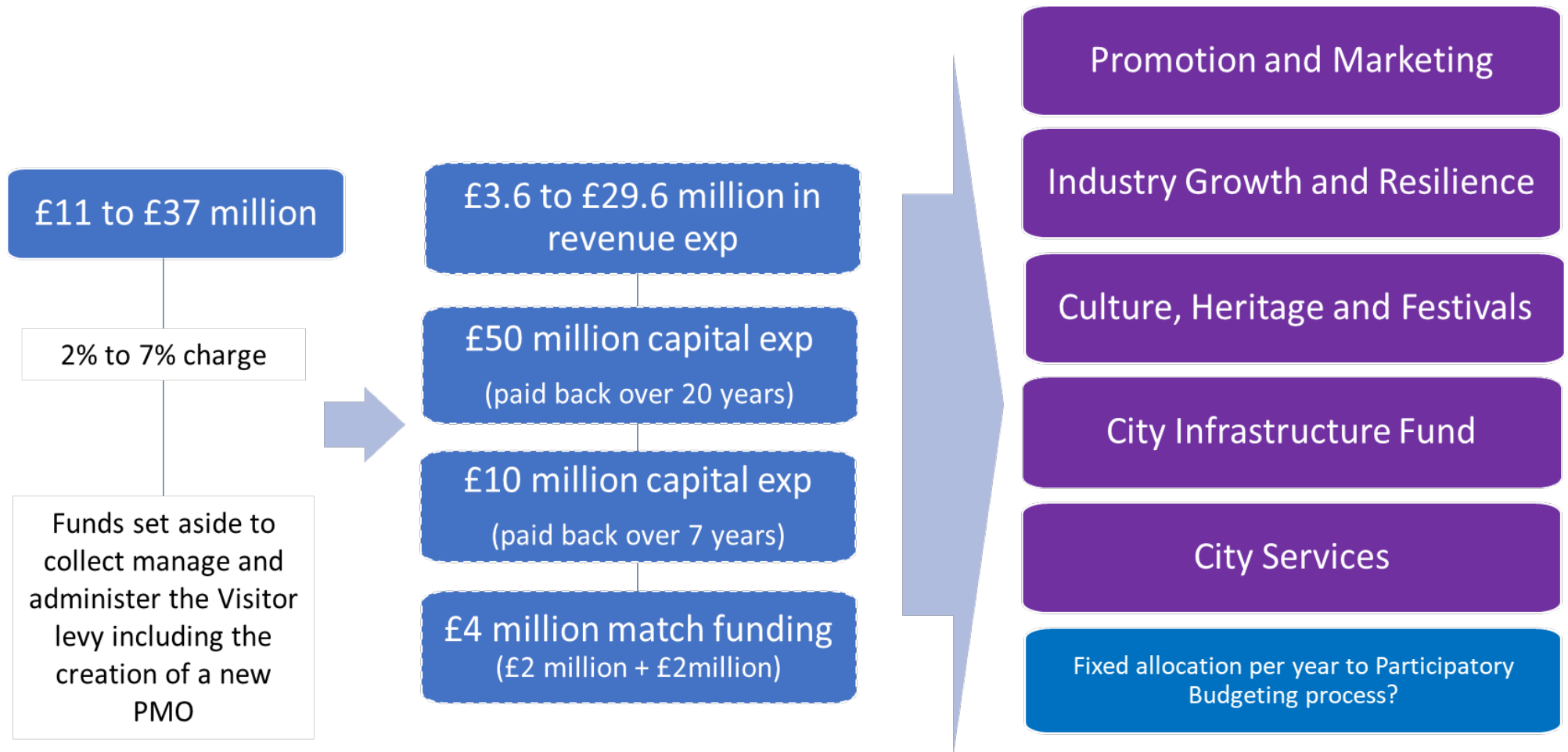


Domestic visitors



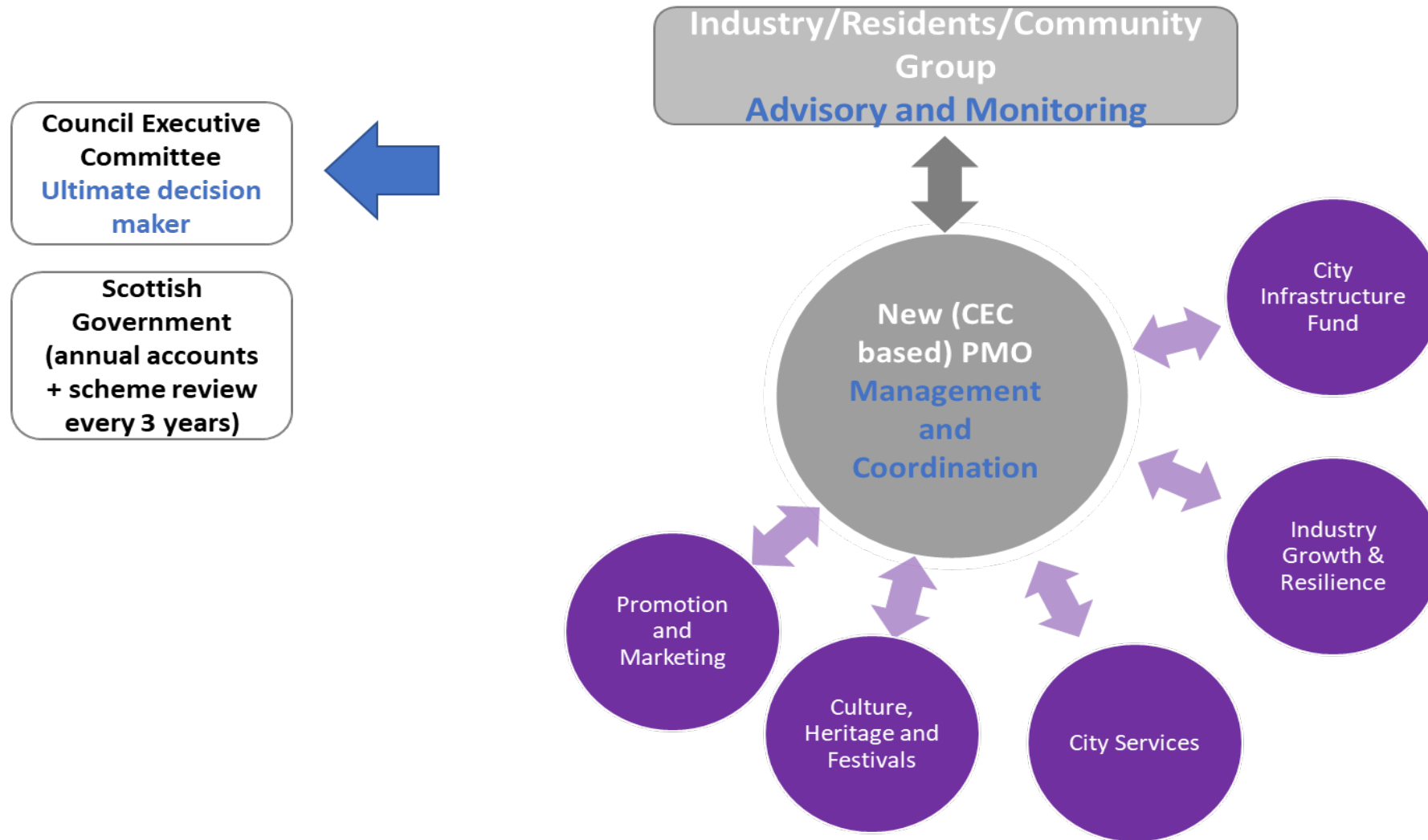
- Jan-Mar
- Apr-Jun
- Jul-Sept
- Oct-Dec

**Appendix 5: Proposed portfolios for revenue spend (after operational costs) over a one-year period**



Explanatory notes: The examples of capital expenditure and match funding amounts are only illustrative, the required payback period and size of expenditure has not been decided, and these will depend on many factors (such as the infrastructure type and expected lifecycle). These are subject to change as details on the exact proposals and use of the net proceeds from the visitor levy are developed.

## Appendix 6: Proposed Governance Model



## Appendix 7: Timeline

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Stage:	Engagement and Visitor Levy Bill development			Prepare for Edinburgh Visitor Levy Public Consultation							
Bill Passage (estimated, not official)	Bill introduction and Stage 1		Stage 1 and 2	Stage 2 and 3	Royal Ascent						
Update data, share Bill information											
Report findings to Committee / Council											
Undertake engagement & develop of Edinburgh Visitor Levy position											
Develop final design, and revenue commitments (conditional on the Bill's passage in the Scottish Parliament)											
Consultation on visitor levy (conditional on the Bill's passage in the Scottish Parliament)											
Implementation Period (18 month)											
Begin Acquisition of collection system and resources.											
Scheme starts in Edinburgh (assumption)											End Q1 2026

**Appendix 8: Proposed response to Scottish Parliament’s Local Government, Housing and Planning Committee Call for Views on the Visitor Levy (Scotland) Bill**

**1. What are your views on whether local authorities should have a power to place a levy (a type of additional charge or fee) on top of the price charged for overnight accommodation in their area?**

The City of Edinburgh Council supports the view that Local Authorities (LA) should have powers to place a levy on top of overnight accommodation in their areas.

We understand that the original purpose of the Bill was to empower LAs to raise revenue and make decisions on how that is allocated, based on their communities’ needs and priorities. This is in line with our previous stance when we, together with COSLA, lobbied for a discretionary Transient Visitor Tax for the following reasons:

- To strengthen local democracy and choice; and;
- To generate revenue that would contribute to the cost of maintaining public services which are required to provide and support a thriving visitor economy (by reinvesting in local facilities and services used by visitors and residents).

**2. Given that the Bill is likely to result in different councils introducing a visitor levy in different ways or not doing so at all, what impact do you think the Bill will have in your area and across different parts of Scotland?**

**For example, this could include any impact (positive or negative) on local authority finances, local accountability and flexibility, businesses, or on numbers of overnight visitors.**

The overnight accommodation visitor charge is the most widely established tourist related charge in the world.

In terms of Scotland’s overnight visitor market share, in 2019, Edinburgh accounted for 64% of total international visitors and 45% of its bed nights, and 20% of domestic visits and 15% of its nights. It is clear that Edinburgh is the primary pull factor for the country and demonstrates a co-dependent relationship with the rest of Scotland.

For both domestic and international overnight stays in Scotland during 2019, it was reported by VisitScotland that over a quarter of total nights in Scotland were spent in Edinburgh (IPS, 2019). Edinburgh therefore hosts a disproportionately large share of visitors and needs sustained investment to continue to remain attractive for visitors to stay in the city or visit the rest of Scotland.

The pace at which visitor demand is growing in the capital, while economically advantageous for the sector, requires sustained and further investment. In addition, current financial and economic conditions limit Edinburgh’s ability to sustainably invest in its visitor economy (e.g. product development, built environment, infrastructure, transport etc.).

A recent impact assessment of the Edinburgh Festivals (published in 2023) reported a 333% return – for every £1 invested in delivering the festivals, £33 was generated for the local economy through spending.

In terms of the impact on overnight visitors, research carried out with other European cities returned no evidence to suggest that an overnight charge on accommodation would reduce demand or bookings. In fact, cities such as Amsterdam have continued to see a rise in visitor demand despite increasing its tourist tax level.

It was found that, while cost is a factor, there are many considerations which contribute to a destination's desirability including its events, culture, security, accessibility and convenience of travel.

Edinburgh has a high amenity value; it is rich in scenery, history and culture, architecture, attractions; hosts an international events programme; and has three UNESCO Heritage designations. Visitors consider a destination's overall appeal including its affordability, the overall quality of the visitor experience, quality of events and the vibrancy of its cultural product, its food and drink offering and more. Edinburgh is extremely well placed in this regard.

These pull factors are not captured or considered within a generic measure or within a price-based analysis of competitiveness. Edinburgh is a global destination and its competitiveness relative to other destinations should not be assessed on price alone and considered holistically on its overall visitor appeal.

Furthermore, despite variations in national taxes between countries, anecdotal evidence and feedback from a survey carried out in Edinburgh in 2018 shows that visitors are accustomed to paying a 'visitor levy', especially in city breaks. While budget certainly will be a factor in planning a holiday, visitors are usually committed to a particular destination by the time they are ready to book, and it is unlikely that they would substitute one city for another for a marginal saving.

It is also important to consider that visitors do not generally consider a visitor levy as an unreasonable charge because accommodation costs already vary considerably. Edinburgh hosts large-scale events and festivals every year and is very susceptible to the impacts of dynamic pricing and increased demand on rooms. This results in rising accommodation prices. The observed volatility was recently reported in an analysis of Edinburgh hotel prices in May 2023 ([published](#) by STR 19 June 2023). It could be argued that not all areas in Scotland experience the same degree of accommodation cost volatility, however, this further justifies the extent to which the destination's overall visitor offering is more influential on visitor demand.

**3. Do you agree with the Bill's definitions of a "chargeable transaction" and of "overnight accommodation"? If not, what definitions do you think would be better?**

Regarding "chargeable transaction", the City of Edinburgh Council considers the definition to be reasonable and recognises the deduction of any commission payable by the person providing the accommodation to a travel booking service. The definition of overnight accommodation is also clear.

The Council requests clarification in respect of VAT. It is currently understood that the chargeable transaction should be applied before VAT is added. Care should be taken to ensure that the Bill does not encourage advertising of accommodation pricing net of VAT and other items and thus risk undermining consumer protection measures which requires the total price payable by the consumer to be provided, recognising that if the levy is applied after VAT, this would not be consistent with other destinations and would potentially mean visitors being taxed twice

**4. What are your views on the Bill's proposal to allow councils to set the levy as a percentage of the chargeable transaction? Are there any other arrangements that you think might be better? If so, please give examples and a short description of the reasons why.**

In general, the City of Edinburgh Council believes that local authorities should be able to choose the type of scheme that reflects their own circumstances.

There are pros and cons for both fixed fees and percentage of room options, with the percentage option creating fairness in that those that can afford to pay more do so and would future proof revenue against inflation. A fixed rate offers visitors greater visibility, simpler calculations over what is to be paid, and could be easier to administer. Similarly, it could be argued that this is fairer as every person pays the same cost per room per night. However, proportionally, it means that those staying in cheaper accommodation would be paying a higher proportion of their room cost.

The enforcement and validation of revenue receipts are relatively more difficult with the percentage route; however, would still be achievable.

For Edinburgh, there are arguably marginally more benefits from a percentage of room cost approach (including future proofing the revenue with the impact of inflation). It is a more proportionate approach to the visitor levy and means those who pay more for accommodation pay a higher levy. Compared to Edinburgh's previous policy position on TVL, there will be relative benefit of future proofing the revenue stream over time. Therefore, the perceived fairness and ensuring longevity of the revenue stream appears favourable.

**5. What are your views on the absence of an upper limit to the percentage rate (which would be for councils to decide) and that it could be different for different purposes or different areas within the local authority area, but not for different types of accommodation?**

A nationally set cap or upper percentage limit contradicts the legislation's original intent; to grant fiscal powers to improve local democracy. Like the Scottish Government, local Councils are democratically elected entities and should be trusted to act without being subjected to arbitrary limits. This is also consistent with the Transport (Scotland) Act 2019, where the Workplace Parking Licensing provisions places no upper cap on local authorities. Instead, a Workplace Parking Licensing Guidance published key principles within its National Guidance.



During stakeholder consultations, the City of Edinburgh Council heard that it was important to ensure that no part of the accommodation industry or visitors choosing accommodation were disproportionately advantaged or disadvantaged by being exempt from a VL. The focus of this principle is often around ensuring that the short term lets economy is fairly and equally contributing to the city in the same way as other types of visitors and indeed local taxpayers. Similarly, several respondents commented that they felt those in more expensive accommodation should pay more. We believe this point is being adequately addressed by the introduction of a percentage based levy.

In summary, we support the absence of an upper limit to the percentage rate and agree that local authorities should be given the freedom to consider seasonal and geographical variations to design a scheme that meets the needs and nuances of their visitor economy and communities.

**6. The Bill would allow councils to apply local exemptions and rebates to some types of guests if they choose to. It also allows the Scottish Government to set exemptions and rebates on a national basis where it considers it appropriate. What are your views on the Bill's proposals in relation to exemptions and rebates?**

There is general agreement that exemptions create complexities in the collection, enforcement and administration of the scheme, and could generate avoidance opportunities for accommodation providers. It may also become confusing for visitors who may be exempt in one area but not in another.

Despite this, the City of Edinburgh Council agrees with the provisions in the Act that devolve discretion to local authorities to determine exemptions and rebates that are appropriate for their local circumstances. Edinburgh looks forward to contributing to the development of national guidance as part of a cross industry group, learning and sharing best practice to ensure that areas of Scotland interested in the visitor levy approach can benefit from the scheme and the opportunities it creates as soon as the legislation would permit.

**7. Do you agree with the Bill's requirements around the introduction and administration of a visitor levy scheme, including those relating to consultation, content, and publicity (Sections 11 to 15)? Are there any other requirements you think should be met before any introduction of the levy in a given area?**

Under section 74 of the draft Bill, some provisions necessary to introduce a visitor levy locally are delegated to Scottish Ministers. The duration of time for these to be completed after formal commencement could further delay implementation. The Council would welcome any opportunity to work with stakeholders to reduce these timescales if possible.

The Local Visitor (Scotland) Levy Bill sets out requirements which a Local Authority must undertake to introduce a Visitor Levy (VL) for the area. This indicates that the earliest time a VL could be introduced is early to mid-2026 (assuming that the regulations to support implementation of the scheme are immediately available), with the primary contributing factor being the 18-month timeframe for implementation from announcement to collection.

It is understood that the 18-month period was requested by national accommodation representatives to provide sufficient time for providers to communicate to customers, plan and set up collection systems, and to protect future advance bookings. The City of Edinburgh Council believes that this removes the opportunity for authorities and areas with advanced plans to introduce the scheme swiftly.

The City of Edinburgh (the Council as well as its industry groups) require this additional revenue to be available sooner than 2026. While it is agreed that a notice period is required, to mandate this to be 18 months is, in the Council's opinion, unnecessarily excessive.

The Council's engagement with accommodation stakeholders in Edinburgh has highlighted that the technology and applied finance system across multi-national accommodation providers and online booking agents could facilitate the scheme's introduction with relative ease and with no detrimental impact on advance booking that cannot be easily mitigated. Industry representatives have explicitly said that they would rather see a quicker implementation and sooner access to the revenue.

Furthermore, this extended grace period is inconsistent with standard notice periods and practice elsewhere (where implementation has varied from three months to 10 months).

We therefore ask for the 18-month implementation period to be reviewed and replaced with a recommendation for a notice period provided as non-statutory guidance, the length of which should not be defined in the legislation but decided by the local authority in consultation with the providers who would be collecting the levy from visitors.

**8. What are your views on the Bill's requirements for local authorities in respect of records keeping, reporting, and reviewing? (Sections 16, 18 and 19)**

The Council should be able to conduct financial audits of the returns in the same way as assessors have access to when assessing rateable values of hotels. This would be done where it is proportionate, based on risk and not as a matter of course.

**9. The Bill requires that net proceeds of the scheme should only be used to "achieve the scheme's objectives" and for "developing, supporting, and sustaining facilities and services which are substantially for or used by persons visiting the area of the LA for leisure purposes." Do you agree with how the Bill proposes net proceeds should be used and if not, how do you think net proceeds should be used?**

The current wording sets a precedent by under-valuing the importance of business visitors. Every year Edinburgh welcomes a large number (12% of overnight stays in 2021) of business visitors, ranging from individuals staying for one night for a work meeting to large scale conventions booking multiple hotel rooms over the course of several days. As business visitors would be paying a visitor levy, it would not be right to be unable to spend the revenue raised on activities specifically aimed at them (such as convention bureau activities, subventions and business events marketing).

In addition, setting such a narrow focus for the spend would restrict local decision making, and it is local decision making which can lead to better outcomes. Local decision includes stakeholder involvement and coordination.

There is benefit and greater public acceptability (including support) for a scheme where the funds raised from a visitor levy be pledged for the purposes of tourism. This supports the messaging to visitors and residents and creates a clearer link between the levy or tax and the service provided.

However, spend restricted to one area does not always lead to an optimal outcome (as this can restrict local decision making and prioritisation of how revenue is spent). Additionally, spend in one area may indirectly or directly benefit another (e.g. spending on environmental initiatives may make the area cleaner and more welcoming and attractive to visit. This may encourage tourism and improve the wellbeing of residents and visitors).

**10. What are your views on the Bill's requirements for accommodation providers to identify the chargeable part of their overnight rates, keep records, make returns, and make payments to relevant local authorities? Are there any other arrangements that you think would be better, for example, by reducing any "administrative burden" for accommodation providers?**

Accommodation providers are most familiar with their charging structures and are in the best position to determine what is the chargeable part of the transaction as long as, as part of reviewing returns, local authorities can ask for evidence to support the calculations.

Simplicity would suggest that submissions should be made electronically into an agreed system that has parity across Scotland, so accommodation providers are not burdened by having to input different information to different areas of Scotland should more than one local authority area decide to introduce a visitor levy.

For the Council to effectively perform its role in overseeing the implementation and to validate returns, it would require access to specific information from current and historic accommodation providers, which could be ascertained by the registration process on such a system.

It is understood that, in Amsterdam, businesses are required to update their online records each year. While other cities, like Lisbon, Porto and Budapest, request monthly submissions from their providers.

While the Bill currently proposes a percentage fee, the introduction of a flat fee for the accommodation provider, similar to the flat fee option for VAT payments, reduce the administrative burden for the accommodation providers.

The Council could also, where possible, make use of the establishment of shared platform providers to facilitate the automated collection of visitor levy totals. This would involve the platform provider collecting the appropriate taxes from the visitor at the time of payment and then remitting them back to the Council, without any direct involvement from the accommodation provider themselves. Such options would support providers to comply with the condition being placed on them and the automation of the collection procedure would be effective in deterring non-compliance

and prevent compliant businesses from being unduly penalised and ensure that the right revenues are collected.

**11. Do you have any comments on Part 5 of the Bill (Enforcement and Penalties and Appeals)? Are there any other arrangements that you think might be more appropriate in ensuring compliance and reducing the risk of avoidance?**

The Council's position would be to work with industry as a partner in developing these systems and to strongly support a culture of voluntary compliance based around a shared understanding and support for the added value that the raised income will bring for all.

The proposed penalties of £100 for the initial infringement; £10 per day for 3 months; the greater amount of 5% of the levy and £300 for 6 months; and the greater amount of 100% of the Levy and £300 for 12 months are not proportionate to the value of the levy being collected. In some instances, businesses could be better off paying the fine over submitting the levy collection.

It is suggested that fines at the level indicated are unlikely to deter non-compliance. Fines should be used as a deterrent to providers and be worthwhile of the enforcement effort if enacted upon. The size of the charge should be proportionate based on the business size.

The Council notes that the powers available are civil only and may not be sufficiently robust to act as a deterrent or to deal with any persistent or wilful non-compliance. As a final resort and in exceptional cases, other options should be considered (such as the power to seek court orders to restrict trading or to comply with a notice served under the Act). The power to revoke an operating license, where applicable, might be another option for non-payment after 12 months would be a sufficient deterrent.

In terms of the language in the Bill around powers of entry to inspect and require information, there is no provision to obtain a warrant which would normally underpin powers of entry

There are various types of contraventions which may apply to the scheme (such as Failure to register for the visitor levy scheme; failure to register all units for the visitor levy scheme; breach of any locally set licence conditions; intentionally providing false or misleading information; and obstructing or refusing access or information).

In order to ensure accurate validation of the collected revenues from accommodation providers, it might be necessary for authorities to acquire better understanding of each local authority's accommodation supply and supplementary information to be collected.

**12. Do you have any comments on the issues that the Scottish Government proposes to deal with in regulations after the Bill has been passed? (Set out in the Delegated Powers Memorandum) Are there any that you think should be included in the Bill itself rather than being dealt with by regulations and if so, why?**

To future proof the bill and ensure its fit for emerging market trends, we believe cruise ships should be regulated.

**13. Do you have any comments on the accuracy of the estimated costs for the Scottish Government, local authorities, accommodation providers and others as set out in the Financial Memorandum and Business and Regulatory Impact Assessment (BRIA)?**

Arguably, there is no consistent methodology or standard approach to how estimates have been calculated and the costs to administer the scheme vary significantly.

BRIA work is thorough and comprehensive, and Edinburgh welcomes its input into parts of this work.

## **Appendix 9: Finance and Public Administration Committee Call for Views on the Visitor Levy (Scotland) Bill Financial Memorandum**

### Call for Views on the Visitor Levy (Scotland) Bill Financial Memorandum

- 1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?**

The City of Edinburgh Council previously made a submission to the Scottish Government consultation on the 'Principles of a Local Discretionary Transient Visitor Levy or Tourist Tax' in 2019 and this was also [reported](#) to the Council's Policy and Sustainability Committee on 25 November 2019. This submission did not comment on projected financial assumptions at that time.

Council officers engaged with the Scottish Government Bill Team, COSLA and other local authorities in information sharing events during the development of the Bill in 2022 and 2023. The Council volunteered and shared findings with the Bill team during this process,

- 2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?**

Yes, cost assumptions from the local government were captured in the financial memorandum report.

- 3. Did you have sufficient time to contribute to the consultation exercise?**

Yes, sufficient time was available to respond.

- 4. If the Bill has any financial implications for you or your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.**

Financial implications for Scottish Local Government (as set out in the Financial Memorandum) are accurate. Costs to local authorities are expected in the pre-implementation stage before launch of the visitor levy. The costs will vary based on the complexity of the scheme being set up, the extent of consultation engagement and research required, and the additional resources to administer, manage and communicate the visitor levy project.

There will also be costs associated with changes to software and IT and regular maintenance charges, followed by further staffing costs in the years following the introduction of a Levy. The costs will be based on the type of scheme, size of authority and volume of transactions the local authority required to manage when collecting the charge from accommodation providers.

**5. Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?**

See above.

**6. If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?**

The initial costs associated with administration and setup of a Visitor Levy within a local area are expected to be recovered through revenue raised in the years following the launch of a Levy.

In order to save costs and ensure consistency across the country, the City of Edinburgh Council aims to work with other authorities to explore shared platforms and services for collection in order to achieve greater efficiencies.

**7. Does the FM accurately reflect the margins of uncertainty associated with the Bill's estimated costs and with the timescales over which they would be expected to arise?**

The Financial Memorandum accurately reflects the expected costs and associated timescales for Local Government.