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Dear Peredur,

Thank you for your letter of 13<sup>th</sup> December 2024 following the Finance Committee's scrutiny session of the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill on 5 December. I am writing to provide you with the further information requested by the Committee.

**When consulting on your proposals for a discretionary visitor levy for local authorities, most respondents were against local autonomy in the tax framework, citing how local autonomy could introduce inconsistencies across different areas and incentivise competition across local authorities.**

**1. How did these views shape your thinking around your approach to designing the framework for the levy?**

The visitor levy is discretionary, and the aim is to put decision making in the hands of those local authorities that decide a visitor levy would be of value to their area.

We have approached the design of the framework for the visitor levy with a view to balance local autonomy with the need for consistency. Overall, you will note that the Bill takes an approach of ensuring national consistency across all but one area of the levy design, to ensure simplicity for visitors and visitor accommodation providers.

The one area where we have provided some local autonomy is in the setting of an additional amount (a premium) on top of the rates set in legislation. This is consistent with our approach to other local taxes such as council tax where local authorities can also set a premium. Furthermore, this approach recognises that some areas will face higher tourism costs and will therefore have a need to generate more revenue to offset those costs. Our approach will allow for this local autonomy, following successful implementation of a visitor levy. We do not anticipate the use of a premium straight away.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## **2. How have you mitigated these concerns given the proposals in the Bill are based on a local discretionary visitor levy?**

There is little local autonomy in the operation of the levy and we have taken the approach of ensuring consistency in the tax design. We have designed the levy to be simple to collect and manage. Wherever a levy is introduced, it will be the same type of rate, the same exemptions, nil rates and refundable scenarios. It will also operate across an entire local authority area rather than allowing for sub-local authority variations.

We will develop consistent branding and messaging that can be used by local authorities seeking to introduce a visitor levy. The Welsh Revenue Authority (WRA) will also develop operational guidance for taxpayers, and a centralised system for collection and management. We will continue to explore opportunities to ensure ease of use and understanding of the register and levy when designing the service. This approach has been informed by our consultation responses.

**An overarching theme from the consultation's summary of responses is the potential for the legislation to place an administrative burden on smaller accommodation providers.**

## **3. In your view, to what extent will the legislation provide administrative challenges to accommodation providers such as individuals running guesthouses and bed and breakfast accommodation?**

We have designed the visitor levy to be as simple and straightforward as possible in application for both visitor accommodation providers and visitors. The WRA has undertaken user engagement and discovery work and will continue to engage with the sector to ensure things run smoothly. Joining up the registration and levy systems will ensure reduced administrative burden for providers.

Smaller providers who collect less than £1000 of visitor levy per annum will be able to choose to file returns and make payments annually. This limits any additional administrative burden on our smaller providers.

**Respondents to the consultation also highlighted the potential for the levy to have a disproportionate impact on smaller accommodation providers.**

## **4. What analysis have you undertaken to measure the impact on smaller accommodation providers and what support will be given to these providers?**

The EM/RIA sets out the potential impacts on smaller providers.

We have designed the visitor levy to be simple, straightforward, and easy to comply with for businesses. Most small businesses will only be required to submit returns on an annual basis, significantly reducing any additional administrative burden.

The WRA are committed to helping deliver a fair tax system for Wales through what they call 'Our Approach,' a Welsh way of doing tax. This is based on educating and supporting taxpayers with their responsibilities.

The WRA will continue to undertake user engagement and work with stakeholders across the sector to design and deliver a system that operates efficiently for all providers. As part

of the WRA's approach, they will produce guidance and tools for providers, as well as continue to work closely with stakeholders pre- and post-implementation of the levy.

**A majority of respondents disagreed with there being a list of visitor accommodation providers available to the tax authority, citing the use of existing systems and registers instead.**

**5. What consideration did you give to utilising existing sources and why did you feel making provisions in the Bill for a register of visitor accommodation providers would be a more effective approach?**

There is no single, statutory data source available that can be used to provide for a register of visitor accommodation providers. Existing statutory data sources may outline some relevant information but will not capture all visitor accommodation providers. Having a statutory register addresses this information gap as outlined within the EM/RIA.

Feedback from the consultation indicated the need to have a statutory registration scheme in place first before a levy could be effectively administered. This is what we are proposing in the legislation.

The most common reason raised by consultation respondents for disagreeing with the creation of a list of visitor accommodation providers was concern it would not be useful given doubts about how effective it would be in identifying all providers, as well as potentially generating additional financial costs and administrative burden. The additional financial costs are based on the time to complete the registration process and we are not proposing to charge a registration fee.

Having all visitor accommodation providers registered through a statutory registration scheme is of benefit for the visitor levy. This is because more effective estimates of the tax base can be made to inform a local authorities decision making regarding use of a levy. Furthermore, it will provide valuable information in regard to ongoing decision making and policy development for the levy.

**The consultation's summary of responses noted that the charging of a per person, per night levy could place a disproportionate financial burden on low-cost accommodation providers, which could "also disproportionately raise the cost of accommodation used by low-income visitors."**

**6. Do you agree with this statement and what could be done to ensure low-income visitors are not excluded from overnight stays in Wales?**

I do not agree with this statement. The levy is a modest charge and generally set at a lower rate than levies applied elsewhere. Furthermore, a lower banded rate has been included to account for stays on campsite pitches and shared rooms in hostels. These visitor accommodation types are generally more affordable, building in fairness to the approach. The EM/RIA sets out the potential increase in costs for visitors and businesses.

We discounted a percentage rate due to the complexities involved in administering that rate type. A per person per night rate is most aligned to the policy intent as it would ensure that providers account for and charge all visitors when they pass the costs on. This would be the most understandable for visitors as it is directly levied on a per person basis.

We have focussed on keeping the design and implementation of the levy simple and clear to avoid placing a significant administrative burden on accommodation providers.

**Respondents highlighted the impact of information provision relating to the levy, including the general resources that would be required to comply with the necessary data requirements, such as investment into updating and reconciling administrative and booking systems.**

**7. Do you anticipate implementation issues for visitor accommodation providers when integrating the levy into their systems?**

We do not anticipate any issues when integrating the levy into systems given there are visitor levies across the world which are already integrated into systems. Most providers will already be collecting the relevant information as part of the booking process to enable them to effectively pass the levy costs on to visitors. The visitor levy is an indirect tax, and visitor accommodation providers can choose to absorb the cost or to increase their costs to account for the levy. We anticipate most providers will pass the costs on through raising their prices. The Bill does not require providers to charge the levy to visitors, but a provider must account for each visitor for levy purposes.

Additionally, providers will likely be using booking platforms which will facilitate the implementation and collection of the visitor levy. These platforms operate across the world and have the functionality to support the collection and management of a visitor levy. Section 36 of the bill supports this approach.

**There was strong support for there being local engagement from organisations such as tourist boards and tourist industry members to help decide how levy revenues are allocated.**

**8. Did you consider including a formal role for local stakeholders in deciding how revenue is spent in the Bill rather than leave it to the discretion of local authorities?**

We recognise that local authorities have well established relationships and fora through which they can discuss the use of the visitor levy and revenues generated. It will be for locally elected officials to make spending decisions about how the revenues from the levy are spent. Regular discussion with local stakeholders regarding use of revenues from the levy will ensure well-informed spending decisions.

There will be a high degree of transparency required of local authorities as they will need to publish a separate annual report as to how the proceeds of the levy have been used.

Section 23 of the Bill also sets out the requirements for how net proceeds from the visitor levy may be used.

**Register of visitor accommodation providers**

**During the evidence session you indicated that registration would commence in 2026, focussing “in the first instance on those local authority areas that intend to introduce the visitor levy, and thereafter we will phase registration across Wales” (paragraph 69).**

**9. When do you expect the registration of visitor accommodation providers across all principal councils to be completed?**

Registration will be an ongoing process reflecting the fluidity of the sector. For example, a visitor accommodation provider may provide visitor accommodation one year but not the next.

No final decisions have been made regarding the timescales for roll-out to all principal council areas, but the intention is for all visitor accommodation providers to be registered by 2028.

**Accounting for, and payment of, the levy**

**In accordance with section 20(2), the deadline for payment of the levy aligns with the filing deadline for the returns.**

**10. Do you think visitor accommodation providers are being allowed sufficient time to pay?**

The 30 day return timeframe is consistent with the wider tax system. This provides consistency for annual and quarterly filers, and visitor accommodation providers will work towards one deadline for payment and filing. This also minimises the number of deadlines visitor accommodation providers will need to keep track of. The return process will be straightforward as the levy is a simple tax. The WRA will work closely with visitor accommodation providers at every stage to promote compliance through an educative approach in line with the WRA's 'Our Approach', a Welsh way of doing tax.

**Use of proceeds of levy by principal councils**

**Section 23 of the Bill requires the principal council to use the revenues generated by the levy for the purposes of destination management and improvement in its area.**

**11. Do you expect that the proceeds of the levy will be used as additional funding for destination management and improvement and what would stop this funding displacing any existing funding by principal councils for these purposes?**

We expect that proceeds of the levy would be additional funding, not displacing existing funds. The Bill at section 25 sets out that principal councils must consult before introduction of a levy, and we expect that any such consultation should include consideration of the use of the revenues.

The Bill also requires principal councils to provide an annual report about the visitor levy which extends to how the revenues have been used towards destination management and improvement.

Principal councils already report on how they allocate their existing budgets. Clearly, this level of transparency would provide appropriate safeguards to ensure the revenues are used appropriately.

**On the appropriate use of the proceeds of the levy by principal councils, during the evidence session you said:**

**“I think it is for local players to conduct that oversight. It can be done at the council itself, but it can be done by any one of those other broader civic bodies, to challenge the local authority, if they feel that the money is not being applied in line with the purposes set out in the Bill.” (paragraph 235)**

**12. What oversight will the Welsh Government provide in terms of monitoring and evaluating principal councils’ use of the proceeds within the ‘destination management and improvement’ parameters set by Welsh Ministers in the Bill?**

We have a high trust relationship with local authorities. Ultimately, locally elected officials must make spending decisions and account for those spending decisions.

The annual visitor levy report plus their statement of accounts provided by local authorities will give sufficient detail as to the impact of the visitor levy.

### **Introducing, changing or abolishing the levy**

**Section 25(3) of the Bill requires the principal council to consult a series of mandatory consultees, or other appropriate persons, on its report and proposals in respect of the levy.**

**13. As part of the mandatory consultation process on the levy, would you expect principal councils to seek the views of people who do not live, work or study in the principal council’s area, for example, regular visitors to the area?**

We anticipate that consultations for the visitor levy will be publicised and accessible for those wishing to respond to a local authority’s consultation who do not live, work or study in the council’s area will be able to do so.

Local authorities must consult such persons as they consider appropriate and may wish to seek views of visitors as part of their consultation, but this is not required. Tourism related bodies are mandatory consultees.

**Section 26(3)(a) of the Bill enables the principal council and the WRA to agree to shorten the 12 month period on which the levy would come into effect after publishing a notice of its intention to implement a levy.**

**14. Why should it be left to the council and the WRA to decide to shorten the implementation period thus giving visitor accommodation providers less time to prepare for the levy’s introduction?**

Shortening of a period when the levy may change is intended to be used in circumstances where a deadline for introduction has just been missed, for example by a day or a week.

The WRA will need to recruit staff and ensure they are operationally ready. Once the first levy is in place in Wales, we will learn lessons about how providers and booking platforms

have adapted. It may be that a shorter or longer notification process is appropriate based off these initial lessons.

The shortening of the notification period also applies for cessation of the levy. The WRA will have employed staff to operationalise the levy, therefore it is appropriate they have appropriate notice to respond.

## **Schedule 1 – Amendments to the Tax Collection and Management (Wales) Act 2016**

**Paragraph 6 requires the WRA to collect the levy and pay net proceeds to the relevant principal council.**

### **15. How will costs be allocated fairly and will collection costs incurred by individual councils depend on the level of take-up of the levy?**

The policy intention is that the visitor levy will eventually become entirely self-funding with the WRA's costs split between local authorities in a manner that is proportionate to their revenue generation.

We have not included a costs apportionment formula on the face of the Bill to ensure that if only one local authority were to initially take up the levy that any associated costs incurred from levy receipts are proportionate.

**Paragraph 14 contains provision about when information is to be regarded as made available to the WRA in relation to WRA assessments.**

### **16. Could you clarify why this is required?**

The Bill amends the definition to clarify when information is regarded as 'made available' to the WRA where they should make an assessment because there has been a loss of tax or excessive repayment of tax. The amendment seeks to provide clarity on what 'made available' means for the WRA and taxpayers. This additional clarity will be important going forward as WRA deals with a larger and diverse customer base. The clearer definition will help our new taxpayers understand how and why assessments may or have been raised. This clarity is already available to HMRC taxpayers.

**Paragraph 17 removes the requirement for the WRA to seek the approval of the tribunal before issuing a taxpayer notice requiring them to provide information or documents.**

### **17. Does this weaken taxpayer protection?**

Both HMRC and Revenue Scotland have the ability to issue taxpayer notices without the prior approval of a notice by the tribunal; as such this is a well understood power used across other taxes and allows for greater consistency, and so clarity in the tax system.

Aligning WRA powers with HMRC and Revenue will also improve the efficiency of administration of all taxes the WRA collects and manages. This will be particularly important as it prepares to support increasing numbers of taxpayers as the visitor levy is implemented.

Where WRA issues a notice without Tribunal approval, the decision will be an appealable and reviewable decision to ensure appropriate checks and balances are still in place. Therefore, appropriate and well-established taxpayer protections remain in place.

## Other issues

**During the evidence session you committed to write to us to confirm whether visitor accommodation providers will be required to itemise the levy on a visitor's bill.**

There is a regulation making power included in section 37 which may be used to require visitor accommodation providers to itemise the levy on a visitor's bill.

Good practice by visitor accommodation providers would be to itemise the visitor levy where the charge is passed on to visitors, however as a minimum we would expect the charge to be indicated through any booking process, advertisement or displayed within the premises. These are not requirements in the Bill and it will be for visitor accommodation providers to decide how best to display or notify that a visitor levy applies.

**Does 30 days relate to calendar days or working days?**

During the evidence session on the 5 December the Committee asked for clarity on whether the reference in section 15(2) of the Bill to 30 days, was to calendar or working days. We can confirm this reference is to calendar days.

**On the Welsh Government's plans for further amendments at Stage 2, you said: "There is one further important area, which is the area of data sharing. I do anticipate that there will have to be Stage 2 amendments on that. I hope to share a document with the committee. I may not be in a position, as we are with the enforcement processes at this moment, to give you the actual text of the amendments, but I do hope to write to the committee shortly setting out the approach we are taking to data sharing." (paragraph 148)**

**We also look forward to receiving further information on your proposed approach to data sharing.**

We attach a letter at Annex 1 setting out this approach.

Yours sincerely,



**Mark Drakeford AS/MS**

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg  
Cabinet Secretary for Finance and Welsh Language

## Annex 1

### Visitor Accommodation (Register and Levy) Etc. (Wales) Bill - Data Sharing Policy Aims

#### Keeper of the register

We intend to make clear through amendment at Stage 2 that the WRA will be the keeper of the register.

#### The register

As it stands, the Bill sets out that the register **must** contain the following information (“mandatory information”) in relation to every visitor accommodation provider in Wales:

- (a) the name of the visitor accommodation provider (“VAP”),
- (b) any trading name used by the VAP,
- (c) the proper address of the VAP,
- (d) a statement of whether the VAP is an individual, a partnership, a body corporate or an unincorporated body,
- (e) the type of visitor accommodation that the VAP provides or offers to provide, and
- (f) the name and address (including the county or county borough) of the premises at which that visitor accommodation is provided.

By the end of Stage 2 the Bill will provide clarity as to what the WRA’s powers will be relating to the register, which will as well as the above include a power to collect other information that the WRA considers appropriate. This power could include information in relation to capacity or seasonality data as this will support the development of accurate utilisation statistics and estimations of leviable amounts which could be collected. We are also exploring what other information the register can hold in the future, for example licensing information.

#### Publication of data from the register

It is intended that most of the mandatory information collected and contained on the register (and some additional information collected) will be published where there is public interest. There may be some scenarios where it may not be proportionate to publish data about visitor accommodation providers or the premises they operate. A key example would be a visitor accommodation provider offering to provide or providing visitor accommodation in their own home; we may only wish to publish limited information in such a circumstance.

The mandatory information from the register is intended to be used for several purposes. It will be used to:

- Support the collection and management of the visitor levy (the WRA)
- Support decision making by principal councils regarding introducing the visitor levy (principal councils)
- For research and analysis to inform ongoing policy development across tax, housing and tourism (Welsh Ministers)
- Provide a foundation for any future licensing scheme (TBC – licensing authority)

## Disclosure of data from the register by the WRA

As the WRA will hold the register, there will need to be provision that enables registration data to be shared with other public bodies for specified purposes related to their functions. This is because not all the information contained on the register will be made public (for example, contact information), but it will be needed by other public bodies pursuant to their respective functions.

This will support join-up of government services, reduce the administrative burden on users of those services and provide better value for money for taxpayers.

Access to information from the register will be needed by the following bodies and for the following purposes:

- Principal councils – where information not on the public register relates to the exercise of their functions.
- Welsh Ministers – for research and analysis purposes to help inform policy development.
- Future licensing authority – for licensing functions to help identify which providers and premises need to be licensed, and to streamline the administration as far as possible.

We will look to include a regulation making power for the Welsh Ministers to enable other disclosures from the register in the future. This is an area where we would like to undertake further work before making any regulations.