

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Bil Llety Ymwelwyr \(Cofrestr ac Ardoll\) Etc. \(Cymru\)](#)

This response was submitted to the [Finance Committee](#) consultation on the [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#).

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Bangor Business School response to Senedd Finance Committee's Consultation on the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill

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This paper lays out our response to the Senedd Finance Committee's consultation on the [Visitor Accommodation \(Register and Levy\) Etc. \(Wales\) Bill](#).

Our views are informed by our general academic expertise in the areas of tourism (Osti) and public finance (ap Gwilym). More specifically, we have carried out two research projects related to the possible introduction of a Tourism Tax in Wales.

The first of these projects assessed the tax systems facing the tourism industry in general, and the accommodation sector specifically, in Wales and other European countries with similar (potentially competitor) tourism sectors. The findings of this work are reported in [ap Gwilym et al \(2022\)](#).

The second of these projects examined the ways in which tourist tax revenues are used in various destinations around the world, with a particular emphasis on the environmental, social, and cultural impacts of that spending. The findings of this work are reported in [ap Gwilym and Osti \(2024\)](#).

For transparency, we note that both projects were funded by the Welsh Government.

Objectives of the Bill

The consultation document sets out the objectives of the Bill as follows:

1. To ensure a more even share of costs to fund local services and infrastructure that benefit visitors between resident populations and visitors.
2. To provide local authorities with the ability to generate additional revenue that can be invested back into local services and infrastructure to support tourism.
3. To support the Welsh Government's ambitions for sustainable tourism.

On our count, if this Bill passes, Wales will become the twenty fourth country in Europe, and the fiftieth worldwide, where tourists are required to make some form of contribution to public coffers via some form of taxation targeted specifically at tourism activities.

Our research shows that there are two main grounds upon which visitor levies have been justified in the jurisdictions where they currently exist. The first is in order to pay for local, public goods specific to the tourism sector, such as tourism infrastructure or destination marketing. The second is in order to pay for the mitigation of external costs associated with tourism activity. The objectives listed above can be interpreted as being consistent with these two principles.

Furthermore, evidence suggests that tourists themselves accept these grounds as a legitimate basis



for taxation. There is a body of literature that establishes that tourists' willingness to pay tourism taxes increases when they believe that the revenues from the tax are used to improve the sustainability of the destination (see, for example, Rotaris 2020 and Duran-Roman et al 2021).

We conclude that there is a legitimate case to argue that the legislation of a tourist tax could be used to mitigate the negative effects of tourism and/or fund infrastructure used by tourists.

We note that the present proposals only apply to overnight stays. In many Welsh destinations, day visitors outnumber overnight visitors. Day visitors often contribute less to the local economy while still using resources, polluting the environment, and disrupting the lifestyles of local communities through increased traffic and congestion. We note that road-charging and taxes on parking places as well as entrance fees for day visitors (as recently introduced in Venice) provide ways of addressing the externalities caused by day visitors and funding the public infrastructure that they use.

Concerns Expressed by Industry Bodies

We note that opposition to the principles of this legislation has been voiced by numerous groups, including industry bodies. Their arguments tend to be based around (1) concerns that a levy will deter potential visitors, and (2) on a view that the industry in Wales is already highly taxed relative to elsewhere in Europe.

Our view on the first of these arguments is nuanced. The theory is straightforward. An increase in the cost of holidays will reduce demand. However, if tax revenues are used to improve the quality of the offer to visitors, then this will increase demand.

There is a paucity of robust empirical evidence regarding which of these effects dominates in practice. In the seven destinations which we studied in [ap Gwilym and Osti \(2024\)](#), the number of visitor nights continued to increase after the implementation of the tax in every case. However, we cannot claim robust evidence of causality in either direction, and no such evidence exists in the academic or policy literature.

There is some evidence to suggest that tourists view a holiday holistically from a budgetary perspective ([Disegna and Osti 2016](#)). In other words, the total cost of the holiday is more salient than individual components of the basket of goods and services that constitute the holiday. Therefore, when the price of one item within the basket increases, tourists may respond by reducing expenditure on other items within the basket. Hence, we might expect tourists to economise on other spending when the cost of the overnight stay increases due to the imposition of a tourism tax.

Our views regarding the second argument are equally nuanced. Our report, [ap Gwilym et al \(2022\)](#), is focused on this very issue. In our research, we calculated exemplar tax wedges for various suppliers of tourist accommodation, to highlight the salient differences between the tax regimes in Wales and countries with similar tourism sectors.

In brief, we found that micro enterprises in Wales face a much lower tax wedge than similar firms in the comparator countries that we considered, but that larger businesses faced an above average tax wedge. These results are driven by:

1. Labour taxes in Wales are highly progressive at the lower end of the income distribution relative to the comparator countries. This is of particular note for the tourism sector, where a high proportion of jobs are low paid.



2. CIT rates in Wales are towards the lower end of the group of close comparators, but not by a substantial margin.
3. VAT: The high threshold for VAT registration in the UK is unique amongst the group of close comparators. This means that no VAT is payable on the value added of non-VAT registered micro enterprises in Wales's tourism sector. On the other hand, for those businesses which are registered, the VAT rate in Wales on accommodation is significantly higher than in the majority of the comparator economies.
4. Property taxes on businesses in Wales (in the form of non-domestic rates, NDR) are generally very high by international comparison. However, the Small Business Rates Relief scheme exempts many micro businesses from NDR and reduces the rates payable for many others. This is particularly relevant in the tourism sector in Wales where, as previously noted, there is a prevalence of micro enterprises.

Register of Accommodation Providers

The draft Bill obliges all visitor accommodation providers (VAPs) in Wales to register as such. This is a common practice across numerous European jurisdictions, including parts of Spain, France, Italy, Germany, and the UK (e.g. Northern Ireland and Scotland).

We recognise the importance of keeping registration processes simple, so as to avoid onerous bureaucracy for VAPs. However, we believe that the registration process provides an important opportunity for low-cost data gathering that could be of significant value to policy makers, academics, and the industry itself. As such, we suggest that the following be noted in the register:

1. Number of rooms.
2. Bedspace capacity.
3. Seasonal availability (e.g. opening dates).
4. Year of opening.
5. List of services provided (e.g. bed-making / daily cleaning / meals / bar / leisure facilities / night porter etc.).

The draft Bill (Clause 4.2.f) requires that the register includes the type of accommodation that each VAP offers to provide. We suggest that the Bill should specify a typology of accommodation for this purpose^{1,2}.

The draft Bill (Clause 6) specifies that Welsh Ministers may publish information derived from the register. We suggest that Welsh Ministers should be obliged to publish the register in full, subject to any redactions required by privacy laws, and in an accessible format.

¹ We note that the Bill as it stands is not completely transparent with respect to the terms it uses. For example, Clause 13.1.a. refers to "camping", but it is not clear to us whether this should be interpreted narrowly to include only tents, or more broadly to include campervans, touring caravans, or even static caravans.

² Any such typology should be consistent with [NACE](#) (Statistical Classification of Economic Activities in the European Community) categories I.55.1 to I.55.9 so as to enable comparison with statistics published by Eurostat. However, we would argue that NACE is not sufficiently disaggregated and that a subordinate level be added to differentiate, for example, between traditional bed and breakfast accommodation and hotels. The [2016 Visit England accommodation Stock Audit](#) provides a possible exemplar for such a disaggregation.



Levy Rates

The draft Bill currently sets just two rates – a rate of 75p per person per night for camping³ and accommodation in a dormitory, and £1.25 per person per night for all other accommodation. LAs may increase either or both of these rates, but cannot introduce other rates.

The headline rates appear to be sensible in their size. They are in line with the average rates that we found in France and the Netherlands ([ap Gwilym et al 2022](#)). We are unaware of any work which evaluates the scale of tourism externalities in Wales, or the cost of tourism related public infrastructure. As such, introduction of the tax at a modest rate in the first instance is appropriate in our view.

The draft Bill entails that it will not be possible for LAs to vary rates dependant upon any of the following:

1. Age of visitor.
2. Quality of accommodation (e.g. Visit Wales Star Grading).
3. Length of stay.
4. Day of week or season of year.
5. Geographic location within the LA.

Notably, and in contrast to the legislation recently adopted in Scotland, this will be a flat rate rather than a percentage of the accommodation bill. This is consistent with the Welsh Government's justification for the tax. There is no obvious basis for arguing that tourism externalities and use of infrastructure are correlated with the overall accommodation bill rather than being flat across individuals.

This intuition may also justify the invariance of rates to variables 1 and 2 above.

However, there are good reasons to believe that tourism externalities and use of infrastructure are correlated with variables 3, 4 and 5. Congestion and use of infrastructure are likely to be significantly higher on arrival and departure days, hence falling with length of stay. Externalities from visitors are likely larger on weekends and during peak seasons than during mid-week or low season.

Similarly, externalities are higher in tourism hotspots than elsewhere and can vary significantly across small geographic distances. As it stands, the Bill requires that the rate should be the same in Abersoch and the Bala, whilst it allows for variation between Bala and Corwen.

Our view is that the geographic scope of tourism tax rates should reflect the geographic extent of the incidence of externalities from tourism and the scale of tourism infrastructure. In a Welsh context, we believe that this coincides more closely with communities rather than with Principal Council (LA) areas.

Collection of the Levy

It is extremely important, in our opinion, that the collection of the levy should place as light a burden as possible on VAPs. However, we also believe that the revenue collection process provides an excellent opportunity for data collection that could transform the abilities of policy makers and trade bodies to support the development of the tourism sector and to react effectively to shocks of the type experienced during the Covid-19 pandemic.

³ See footnote 1. The definition of camping is not clear.



The quarterly or annual returns outlined in the bill appear to us to be antiquated, and fail to fully satisfy either the criterion of simplicity or the criterion of timely data.

We would suggest that the WRA be tasked with producing a digital app that facilitates the registration of overnight stays by accommodation providers and subsequent payment of the levy. This digital app should also support integration with the systems of intermediaries such as West Wales Holiday Cottages, Coast & Country Holidays Ltd, AirBnB and booking.com, thereby reducing the burden on accommodation providers. Such a platform could provide timely, granular data for policy makers and trade bodies, whilst allowing small providers to pay automatically through their intermediaries.

Use of Proceeds of Levy by Principal Councils

Our report ([ap Gwilym and Osti 2024](#)) makes eight recommendations regarding the management and spending of tourist tax revenues, based on the research that we conducted. These are listed in full in Annex A of this document.

Our view is that the draft Bill explicitly implements Recommendations 1 and 5, which together entail that revenues should be hypothecated to fund tourism-specific public goods and the mitigation of the external costs of tourism.

The Bill leaves significant scope for Local Authorities (LAs) to determine the specific mechanisms by which revenues are allocated to meet these ends. Whilst we are generally supportive of the principle of subsidiarity, and agree that the Bill should not be too prescriptive with regards to revenue management, we believe that the Bill could provide clearer guidance for LAs in this respect.

A clear risk of the Bill as presently constituted is that LAs could use this new revenue stream to fund existing spending on tourism-specific public goods and/or the mitigation of the external costs of tourism, and divert existing revenue streams to other unrelated areas of expenditure.

The implementation of Recommendations 2, 3 and 4 of our report would guard against this risk, and ensure that the new revenues are used to strengthen the links between the tourism sector and local communities. This could be achieved by amending the Bill to require LAs to establish independent organisations with the responsibility for disbursing the revenues of the tax. These might be constituted so as to also act as Destination Management Organisations (DMOs), as is the case in South Tyrol, Italy. Alternatively, they might simply be grant making bodies, on the lines of the Icelandic Tourist Site Protection Fund.

Summary

We are supportive of the general principle of taxing tourists and hypothecating those funds to support the sustainable development of the tourism industry and its host communities. In our view, there is strong evidence that similar taxes introduced in various destinations around the world have been used effectively to support the sustainable development of tourism in those destinations. We do note, however, that day visitors will not be subject to this tax despite being heavy users of tourism infrastructure in many destinations across Wales.

We are supportive of the principle of local implementation of such a tax. Our interpretation of local, however, coincides with the geographical extent of tourism infrastructure and of tourism externalities. This does not coincide with Local Authority boundaries in Wales.



We, therefore, suggest that rates should be set at the destination level, and that revenues are managed at that subsidiary level via DMOs (destination management organisations) or other appropriate bodies.

We believe that the introduction of this levy, and the associated registration of VAPs, is a unique opportunity to substantially improve data collection relating to tourism in Wales. We have outlined above a number of ways in which this opportunity might be seized so as to aid the sector and policy makers in improving the performance of the industry in Wales.

Annex A: Recommendations of the Review of Impacts of Visitor Levies in Global Destinations ([ap Gwilym and Osti 2024](#))

1. Visitor levy revenues should be hypothecated to invest in tourism specific public goods such as tourism infrastructure and destination marketing, and to finance the mitigation of external costs relating to tourism.
2. Further consideration should be given as to whether a “Grant-making” model, a “Designated Body” model, or a hybrid of the two should be employed in Wales. In either case, appropriate organisations should be established to manage or advise on the disbursement of visitor levy revenues.
3. Whichever organisations are assigned the responsibility for disbursing visitor revenues in Wales, their decision-making bodies should represent a wide range of interested parties. These should include representatives of government (Welsh Government, local government and/or town and community councils), representatives of tourism businesses and representatives of wider civil society such as trades unions, cultural groups and environmental groups.
4. Prominence should be given to local considerations when determining the allocation of visitor levy revenues. If a “Designated Body” model is followed, then these bodies should be constituted at a level of locality that reflects the incidence of externalities from tourism and the scale of tourism infrastructure. If a “Grant-making” model is followed, then criteria which require local governance should be implemented.
5. Visitor levy revenues should be available to fund both tourism-specific public goods and the mitigation of the external costs of tourism. This should include a wide range of spending categories, including tourism infrastructure, destination marketing and activities aimed at the social, cultural and environmental sustainability of host communities.
6. Funded projects and activities should have clear objectives in terms of either the sustainability of the tourism industry or the social, cultural or environmental sustainability of host communities. Post-implementation assessments should be carried out to determine whether objectives are met so as to inform future funding decisions.
7. The process of allocating the revenues of the visitor levy to spending priorities should be as transparent as possible, to facilitate accountability. Details of projects and activities funded should be published publicly, and meetings where funding decisions are made should be publicly accessible.
8. Ongoing monitoring and evaluation of the implementation of the Visitor Levy across Wales should be carried out. This should include comparison of governance procedures and outcomes across local authority areas, so as to enable best practice to evolve and develop without hindering adaptation to local contexts.