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VAB102 The Professional Association of Self-Caterers UK

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Bil Llety Ymwelwyr (Cofrestr ac Ardoll) Etc. (Cymru) | Visitor Accommodation (Register and Levy) Etc. (Wales) Bill

Ymateb gan Cymdeithas Broffesiynol Hunanddarparwyr y DU | Evidence from The Professional Association of Self-Caterers UK

General principles

1. What are your views on the general principles of the Bill and the need for legislation to deliver the Welsh Government's stated policy objective, which is to:

- **ensure a more even share of costs to fund local services and infrastructure that benefit visitors between resident populations and visitors;**
 - **provide local authorities with the ability to generate additional revenue that can be invested back into local services and infrastructure to support tourism;**
 - **support the Welsh Government's ambitions for sustainable tourism?**
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(We would be grateful if you could keep your answer to around 500 words).

PASC UK believes that the Bill fails on each of the three policy objectives:

1. "... a more even share of costs ..."

There are approximately 70 million day trips to Wales annually, of which only 8 million involve overnight stays. As a result, the entire levy is to be paid by the 11% of visitors who stay overnight, creating a grossly unfair situation.

As the levy is a fixed charge per person per night, regardless of accommodation cost, it disproportionately affects budget-priced stays as enjoyed by families on lower incomes. For example, a businessperson staying in a £150-per-night hotel for two nights would pay £300 with a £3 Levy equating to 1%. In contrast, a family of six staying for a week in a lodge at £300 per week would pay £63 in levy charges, amounting to a rate of 21%. The impact will therefore be most keenly felt by low-income families

choosing to holiday in Wales and the accommodation providers who cater for their needs.

2. “... the ability to generate additional revenue ... to support tourism”

Two key findings published by the Welsh Government indicate that introducing the levy is counterproductive to this aim:

Their Visitor Levy Survey revealed that 21% of respondents said they would either not visit or would reduce their stay, with an additional 21% indicating that they would cut back on spending.

<https://www.gov.wales/sites/default/files/statistics-and-research/2023-03/visitor-levy-research-views-consumers-and-residents.pdf>

Their Economic Impact Assessment predicts losses to the visitor economy ranging between £17.7m and £26.8m in GVA, along with 485 to 730 FTE jobs. If, however, the costs are borne by accommodation providers the assessment projects a £40m loss.

<https://www.gov.wales/sites/default/files/publications/2024-11/the-potential-economic-and-greenhouse-gas-impacts-of-a-visitor-levy-in-wales.pdf>

The most pressing need for rural and coastal areas is job creation; reducing jobs in the tourism sector will seriously harm these fragile economies. Tourism is vital to the Welsh economy, employing 11.8% of the total workforce, with short-term rentals contributing over £3 billion to Welsh GDP. The reduction in tourism, as predicted by the government’s own assessments, will significantly impact the entire Welsh economy.

Furthermore, PASC UK does not believe that the Bill adequately ensures that levy funds will provide additional support for tourism rather than being diverted to general local government spending. Although the funds are intended for destination management and improvement, we believe they will likely replace existing spending in these areas, freeing up resources to be used for unrelated purposes.

3. “... support ... sustainable tourism”

In economic terms, for the self-catering sector, PASC UK (Wales) has already observed an unsustainable race to the bottom in terms of pricing. This is largely due to the combined effects of the 182-day threshold, which forces operators to discount heavily or even run at a loss during the low season to avoid punitive premium council taxes, and the general decline in visitor numbers caused by the economic downturn and poor recent weather.

The proposed levy will exacerbate these economic sustainability challenges by forcing operators to absorb the additional costs to remain competitive. At the same time, the anticipated further decline in visitor numbers will make the financial situation for holiday let providers even more precarious.

Charging the levy on overnight stays is also likely to shift the balance of visitors away from staying overnight toward taking day trips. This will have two important consequences. First, reduced local income, as overnight visitors spend significantly more than those on day trips. Second, increased environmental impact, as encouraging day trips will lead to greater ecological damage due to increased road travel.

The Bill's implementation

The Regulatory Impact Assessment is set out in Part 2 of the Explanatory Memorandum (<https://senedd.wales/media/g5ipwvwh/pri-ld16812-em-e.pdf>). This includes the Welsh Government's assessments of the financial and other impacts of the Bill and its implementation.

2. Are there any potential barriers to the implementation of the Bill's provisions? If so, what are they, and are they adequately taken into account in the Bill and accompanying Explanatory Memorandum and Regulatory Impact Assessment?

(We would be grateful if you could keep your answer to around 500 words).

The majority of self-catering activity involves small micro-businesses. A recent PASC UK (Wales) survey found that 45% of operators are aged 60 years or older. The administrative burden that the levy will impose on these small businesses is significant, and the age demographic indicates a need for additional support during both the registration process and the collection of the levy.

At present, it is unclear to what extent levy collection can be delegated to agencies. Given the common practice of providers passing revenue collection to agencies, it is likely that there will be a desire for levy collection to follow a similar model. However, we foresee considerable barriers and risks if this is allowed in a piecemeal fashion, with some providers delegating levy collection while others handle it independently. This could result in inconsistent itemising of levy costs. A further complication is that it is common for agencies to delegate bookings to a secondary platform such as Airbnb, VRBO or Booking.com. Responsibility for any devolved levy collection is then even more challenging.

We strongly recommend that the legislation provides greater clarity on the role of agents in levy collection. This is particularly crucial because booking platforms will

need to undertake significant work to ensure compliance with the legislation well in advance of implementation. This process will entail substantial costs and ongoing administrative efforts that have not been factored into any of the economic impact assessments.

3. Are any unintended consequences likely to arise from the Bill?

(We would be grateful if you could keep your answer to around 500 words).

A high proportion of Welsh holiday let businesses are operated by individuals aged 60 or over, accounting for 45% of operators according to PASC UK surveys. The majority of these operators are women. Therefore, it is essential to consider the administrative burden the levy imposes in the context of both gender and age demographics.

The Bill proposes a levy based on charges per person per night. In the self-catering accommodation sector, bookings are typically made by a single individual on behalf of a group, with group sizes ranging from one person to the property's maximum occupancy. However, it is not standard practice to collect detailed information about all additional guests. Additionally, many holiday let owners live remote from their properties and are therefore unable to verify guest numbers in person. This will result in the following challenges:

1. Under-reporting of guest numbers

For example, if a booking is made for two guests in a property that sleeps six, operators would find it difficult to verify how many people actually stayed.

2. Exemptions and possible verification requirements

The Bill allows for exemptions, such as for guests with disabilities who can claim a refund. It is not clear how such claims will be verified, but if the holiday let operators are required to provide evidence for this, they would face a significant administrative burden. This would also necessitate confirming the identity of each and every guest, a task that operators neither currently perform nor can reasonably be expected to undertake.

3. Administrative burden on the WRA

The WRA would face substantial challenges in refunding levies for disability-related exemptions. Almost 10% of the UK population qualifies for disability benefits, which could result in an overwhelming number of legitimate claims. We do not believe that the Welsh Government has included the real costs of these refunds in their impact assessment.

PASC UK strongly believes that the responsibility for declaring guest numbers, disability status, and—if exemptions are introduced for children—the age of guests must rest with the individual who made the booking. Accommodation providers cannot reasonably be held accountable for policing or verifying this information.

4. What are your views on the Welsh Government's assessment of the financial and other impacts of the Bill?

(We would be grateful if you could keep your answer to around 500 words).

PASC UK believes that the Welsh Government's assessment underestimates the financial impact on the self-catering industry. While the published assessments consider the entire tourism economy, even if these average estimates are accurate, they fail to account for the full spectrum of effects. These impacts will disproportionately affect the short-term rental sector, in particular:

1. There will be a disproportionate impact on budget accommodation

A £1.50 (including VAT) levy on a £150-per-night hotel room will have far less effect on occupancy than it will on a budget holiday let, which might be available for £15 per person per night.

2. No consideration has been given to seasonality

While the increased costs from the levy might have minimal impact on a seaside property in August, they could have significant consequences for occupancy during mid-winter, especially in rural areas of Wales.

3. No consideration has been given to how the levy will interact with the 182-night occupancy rule

While the predicted overall 1.6% reduction in visitor numbers might seem minimal to those who assume it would simply reduce profits proportionally, for an operator who currently just reaches the 182-night threshold but falls short once the levy is in place, this could result in paying thousands of pounds in premium council tax.

4. No consideration has been given to regional impacts

The assessments indicate that jobs and revenue will shift from the tourism industry to local government. However, tourism is particularly concentrated in rural and coastal regions, whereas local government is centred in larger towns and cities. As a result, this shift is likely to reduce jobs in the most deprived areas of Wales.

5. No consideration has been given to cumulative financial effects

Numerous regulatory, tax and economic changes have impacted the Welsh holiday industry in recent years. The levy is being introduced alongside the 182-night occupancy rule, implementation of Article 4 Directions, the scrapping of the FHL tax regime, stricter fire regulations, increased employer NI contributions, a raised minimum wage, reduced business rates relief, increased air passenger duty, and significantly higher finance and utility costs. Collectively, these changes have greatly reduced the viability of short-term rental businesses, with the levy being yet another burden they will face.

6. The impact assessment assumes that all 22 local authorities will implement the levy.

Since this is unlikely to be the case, the overall economic benefit is likely to be significantly reduced.

7. UK hospitality already is highly taxed

When considering the international context of tourism taxes, it is important to note that the UK already has significantly higher VAT rates for hospitality compared to its European competitors, along with higher business rate costs for operators. According to The World Economic Forum's Travel and Tourism Development Index 2024, the UK ranks only 113th out of 119 countries for price competitiveness.

<https://www.weforum.org/publications/travel-tourism-development-index-2024/>

Any further price increases resulting from the levy will make Wales even less competitive as a holiday destination. The potentially damaging effect on international tourism is also highlighted in a recent House of Commons report on Wales as a Global Tourist Destination, which concludes "We are concerned that the proposed visitor levy may have a negative impact on the number of international tourists coming to Wales."

<https://committees.parliament.uk/publications/40824/documents/198909/default/>

8. The assessments predict a likely overall loss

Despite the deficiencies noted above, the assessments still predict a likely overall economic loss. It is unclear how this aligns with the national interest of Wales.

Subordinate legislation

The powers to make subordinate legislation are set out in Part 1: Chapter 5 of the Explanatory Memorandum (<https://senedd.wales/media/g5ipwvwh/pri-ld16812-em-e.pdf>).

The Welsh Government has also set out its statement of policy intent for subordinate legislation

(<https://business.senedd.wales/documents/s155951/Statement%20of%20Policy%20Intent.pdf>).

5. What are your views on the balance between the information contained on the face of the Bill and what is left to subordinate legislation? Are the powers for Welsh Ministers to make subordinate legislation appropriate?

(We would be grateful if you could keep your answer to around 500 words).

The Bill includes provisions to allow for a premium levy charge but does not set a cap on this or define in detail the processes by which it can be applied. This represents a significant deficiency that must be addressed in the final legislation.

The Bill also includes provisions for guests receiving disability payments to claim a refund from the WRA. However, there is no clarification regarding what evidence, if any, might be required from accommodation providers to facilitate this process. As this would impose a significant administrative burden on holiday let operators and necessitate guest identity verification well beyond current practices, the legislation must clearly define how this will be implemented and who will bear responsibility for such declarations.

PASC UK strongly recommends that the responsibility for any exemption declarations must lie solely with the guests, not with the accommodation provider.

Other considerations

6. Do you have any views on matters related to the quality of the legislation?

(We would be grateful if you could keep your answer to around 500 words).

PASC UK has significant concerns regarding the fairness of this form of taxation.

1. The levy is highly regressive

As it is a fixed charge, it constitutes a much high proportion of the total payment for lower cost accommodation. As a result, poorer people will pay a greater proportion of their costs than the wealthy.

2. The levy is applied to children, including infants and babies.

This is notably different from tourist taxes in most of Europe, where children are often exempt. PASC UK strongly believes that children should be exempt from paying the levy.

3. This is not a “Visitor” levy, it is an accommodation provider tax

Despite being called a “Visitor Levy,” it only applies to those staying in overnight accommodation, while the vast majority of day visitors will not contribute.

We also believe that certain aspects of the proposed legislation will be challenging to implement:

1. Insufficient implementation timescale

The timescale for initial implementation is too short. Booking platforms will not have enough time to implement the necessary changes, which will pose a significant administrative challenge. Work on the levy should not commence until the register has been fully completed.

2. Inadequate time for returns

The 30-day per quarter time period for owners to submit returns is too restrictive and should be extended to allow sufficient time for compliance.

3. Disability exemptions

While the provision allowing guests with disabilities to reclaim the levy is intended to be generous, it is poorly thought out. The large number of legitimate claims that could arise and the administrative burden required to verify them will create significant challenges.

7. On 26 November, the Cabinet Secretary wrote to the Finance Committee with some indicative additional registration and enforcement provisions

(<https://business.senedd.wales/documents/s155952/Letter%20from%20the%20Cabinet%20Secretary%20for%20Finance%20and%20Welsh%20Language%20Indicative%20Stage%202%20amendments%20that%20.pdf>) he intends to bring forward at Stage 2 of the legislative process

(https://senedd.wales/NAfW%20Documents/Assembly%20Business%20section%20documents/Guide%20to%20the%20Legislative%20Process/Guide_to_the_Legislative_Process-eng.pdf).

Do you have any views on the indicative additional registration and enforcement provisions the Welsh Government intends to bring forward at Stage 2?

(We would be grateful if you could keep your answer to around 500 words).

One of the greatest uncertainties in the legislation is the exact number of providers that will fall under the registration scheme. Estimates from the Welsh Government range from 16,000 to 55,000. This uncertainty makes it impossible to accurately assess the resource requirements for implementing the levy and undermines the reliability of any economic assessment based on these figures.

PASC UK has long advocated for a statutory registration scheme for short-term holiday lets, which would have addressed this uncertainty. However, the proposed registration scheme associated with the levy falls far short of what we believe is in the best interest of the industry, as it is limited to collecting just basic contact and billing information. We view this as a missed opportunity and strongly recommend revisiting the scope of the planned registration process to include provision for evidencing that operators are doing so in a safe and legal manner. We note that previous Welsh Government policy has promised to include this aspect, with Dawn Bowden MS, Deputy Minister for Arts and Tourism, on 9th January 2024 when launching Statutory Registration in Wales saying:

“The registration and licensing scheme is intended to deliver a register of visitor accommodation types and to enable providers to demonstrate compliance with safety and quality requirements”

<https://www.gov.wales/plans-unveiled-statutory-registration-and-licensing-scheme-visitor-accommodation-wales>

For the registration scheme, we also believe it should include recording the category of short term let. This category needs to be clearly defined as not all short-term lets could be primary homes, and many are subject to planning restrictions that prevent such use. This is particularly important in areas covered by Article 4 Directions.

8. Are there any other issues that you would like to raise about the Bill, the accompanying Explanatory Memorandum and Regulatory Impact Assessment, or any related matters?

(We would be grateful if you could keep your answer to around 500 words).

1. Registration issues

The proposed registration scheme falls far short of the statutory registration of accommodation providers that PASC UK has long advocated as being in the best interests of our industry sector. What is planned is merely the collection of data for billing purposes and does not include critical information related to health and safety, which we and others have called for. This represents a missed opportunity that could have been addressed within the proposed registration process.

We also believe it is essential to include an annual confirmation requirement to ensure the provider register remains accurate and up to date. This is vital for informed future decision-making, particularly in relation to potential Article 4 Directions.

Progressing the legislation in the absence of precise knowledge about the number of providers—given the Welsh Government’s own estimates range between 16,000 and 55,000—introduces significant uncertainties. When the estimated number of providers is not currently known within a factor of three, any extrapolation of the financial implications becomes highly unreliable and little more than guesswork.

2. VAT

The Bill and accompanying impact assessments are not yet definitive about whether the levy will be subject to VAT, though the assumption is that it will be. If VAT is applied, as seems likely, the levy will become even more regressive. Budget accommodation providers, who are more likely to operate below the VAT threshold, will need to include the cost of VAT on the levy, whereas larger premium providers can reclaim VAT, avoiding this additional cost.

3. Impact assessments and surveys

The Welsh Government’s own survey reveals that if a levy was introduced, 21% of respondents stated they would either not visit or would shorten their stay, with an additional 21% indicating they would cut back on spending.

<https://www.gov.wales/sites/default/files/statistics-and-research/2023-03/visitor-levy-research-views-consumers-and-residents.pdf>

This survey also highlights that the levy is particularly unpopular among those with lower household incomes, noting that “... for some respondents, negativity was visceral”. This demonstrates the extreme reactions that the levy may provoke and underscores its disproportionately negative impact on low-income families.

The Government's economic impact assessment demonstrates that the levy will lead to a substantial reduction in visitor numbers and jobs within the tourism industry, with little or no net compensating benefit to Wales as a whole.

<https://www.gov.wales/sites/default/files/publications/2024-11/the-potential-economic-and-greenhouse-gas-impacts-of-a-visitor-levy-in-wales.pdf>

In light of these deeply concerning assessments, produced by the Welsh Government itself, we fail to see how proceeding with the levy can be justified on any economic grounds.

4. Piecemeal implementation

PASC UK also believes that the piecemeal implementation of the levy—allowing individual councils to decide whether to charge the levy or not, and whether to apply a premium element— will create significant confusion for tourists. Accommodation providers with properties in multiple locations may face the added complexity of implementing different pricing structures depending on local policies, further increasing administrative costs.

5. Drip pricing considerations

The levy proposals also fail to consider the interaction with the drip pricing legislation that will apply across the whole of the UK.

<https://bills.parliament.uk/bills/3453>

Inclusion of the levy will make it impossible for providers to display an accurate total price until the party composition is known. This could lead to owners being accused of hiding costs if the levy is added as an extra after the party composition is determined or create a confusing consumer experience if the price is reduced from the maximum rate once the number of guests is established.