

VAB93 West Wales Holiday Cottages

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 West Wales Holiday Cottages | Evidence from West Wales Holiday Cottages

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?**
-

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

The proposed Visitor Accommodation (Register and Levy)Etc. Wales Bill aims to ensure a fairer distribution of costs, provide local authorities with additional revenue for tourism-related services and infrastructure and support sustainable tourism. While the policy's objectives are well-intentioned, we have several concerns about its potential negative impacts on Wales's tourism industry and local businesses.

One of our primary concerns is that the levy could discourage visitors from coming to Wales, as tourists may choose destinations without a similar tax. This reduction in visitor numbers could ultimately result in less revenue for local services, counteracting the goal of creating a more balanced distribution of costs. Moreover, the added financial burden on tourism could lead to a decrease in spending at local businesses harming the local economy that the levy aims to support. Small businesses, which rely heavily on tourism, may struggle to survive under the added financial strain, particularly in the current challenging economic environment.

The effectiveness of the levy in achieving its intended purpose is also in question. While it is designed to generate revenue for local services, many of our accommodation owners, like ourselves, worry that it could reduce the number of visitors, ultimately lowering the funds available for investment. Additionally, there are concerns about the transparency and accountability of how the collected funds will be used. Without clear assurances that the money will be reinvested directly into tourism-related infrastructure and services, there is scepticism about whether the levy will benefit the industry or simply add further burden on both visitors and local businesses.

For small businesses, like us, who depend on visitors, the levy could worsen financial challenges. Increased costs for tourists will lead to fewer bookings and reduced spending in local shops restaurants and attractions, ultimately harming the broader local economy. Rather than providing the intended boost, the levy could have the opposite effect, damaging the very businesses that it seeks to support.

The ambitions for sustainable tourism could also be undermined by the introduction of this levy. The additional costs to tourists could make Wales a less attractive destination, especially for families or larger groups already grappling with rising living costs. Instead of fostering a welcoming environment that promotes responsible tourism, the levy could send the wrong message, suggesting that overnight visitors are primarily seen as a source of revenue, rather than valued guests.

If the levy is not carefully managed it may fail to deliver any meaningful benefits. Clear and transparent mechanisms for the use of the funds are essential to ensure that the levy supports the tourism industry effectively. The focus should be on creating a welcoming environment for both residents and visitors, without placing financial burdens on visitors that could deter them from choosing Wales as a holiday destination.

In summary, while the tourism levy aims to address important goals, its potential to negatively impact visitor numbers, small businesses and the local economy raises significant concerns not carefully implemented it could compromise the very objectives it seeks to achieve, including sustainable tourism and the long term prosperity of Wales' tourism sector.

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 proposed bill aims to bring opportunities for improving local infrastructure and destination management. However, its implementation faces a range of potential barriers, including administrative, financial, legal and practical challenges.

Financial implications will place an extra burden on accommodation providers. Although the levy is passed on to visitors, this could make Wales a less competitive tourism destination, particularly for short-term stays. Administrative costs from local authorities could be high, as they will need to handle levy collection, auditing and reporting. The effectiveness of levy collecting might also vary between local authorities resulting in inconsistent impacts. We work across three counties and this will have significant challenges.

Administrative and regulatory challenges could create significant obstacles. Accommodation providers may face high costs for registration and reporting especially if they need to implement new systems or hire additional staff. Monitoring and enforcement may also be difficult, especially for small businesses. Additionally, smaller accommodation providers may struggle with their quarterly or annual reporting requirements to the Welsh Revenue Authority (WRA) adding another layer of complexity to their operation.

Legal and constitutional barriers could complicate the bill's passage. Accommodation providers may challenge the fairness of the levy particularly only targeting overnight guests in sleeping accommodation and not the day visitor. This also leads on to equity and fairness. The system of exemption for certain groups (eg those staying more than 31 nights) could be difficult to administer, raising questions about fairness and the complexity of the process. Some accommodation providers may feel disproportionately burdened compared to larger providers who may have more resources to absorb administrative costs.

Implementation challenges from the different local authorities - this may lead to inconsistent service levels or accountability in using the proceeds. Additionally, the discretion given to local authorities in how they spend the levy could lead to uneven benefits across regions, creating disparities in tourism infrastructure.

Public perception may be significant as many local businesses and residents may view the levy as an additional financial burden that unfairly targets overnight visitors without

clear benefits to the local community. Opposition could also arise from groups that argue that tourism should not face any additional taxes, especially following the recent challenges the sector faces with new legislation etc.

The impact on the whole sector could be significant. The levy will undoubtedly increase the cost of staying in Wales as we have already alluded to making us less appealing to visitors. We also rely heavily on domestic stays out of season which may prevent Welsh people from holidaying in Wales if they have to pay a levy. Short-term visitors will be particularly affected with the cost of the holiday increasing significantly in certain periods which will reduce Wales' attractiveness as a destination for budget or short-stay trips. Also including children in the levy will have a significant financial burden on families who already have the cost of the holiday to contend with. Children should also be exempt from the levy.

Overcoming the potential barriers will require a clear thought-out strategy and ongoing engagement with stakeholders.

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).

The Bills' unintended consequences could have far-reaching economic, social and cultural impacts - particularly on tourism, local businesses and the wider Welsh economy.

Economic impact on tourism and local businesses: A reduction in visitor numbers would severely affect businesses in sectors reliant on tourism, such as restaurants, shops and pubs. This impact will be especially pronounced in areas like Ceredigion and Pembrokeshire where tourism is a key economic driver. As already mentioned - Increased administrative costs and complexity for accommodation providers could also force smaller businesses to close, further harming the local economy.

Job losses and economic decline: Fewer tourists could result in job losses particularly in the hospitality sector, cleaning and maintenance – also affecting local tradesmen (reliant on holiday lets as part of their work) In some cases businesses may be forced to come altogether which would lead to higher unemployment rates and economic stagnation. The loss of opportunities will lead to young people having to leave to find work in other areas adding to the economic decline in particular rural areas.

There also may be a negative shift in Wales' reputation as a tourist destination with perceptions of it being unwelcome to visitors especially as there is no intention of introducing this levy over the border in England. This could lead to a decline in our

visitor numbers further impacting the local economy and the vibrant tourism sector. It has the potential to destroy communities. If there are no employment opportunities in the sector for the younger generation, and they are unable to continue their family businesses in tourism, they will be compelled to leave. Many of these individuals are Welsh speakers, and this will contribute to the further decline of the Welsh-speaking population in these communities.

The overall impact on tourism might not just come from higher prices but from negative publicity, with tourists potentially perceiving the levy as an unfair or unnecessary financial burden on them. We have already heard of negative social media posts on forums and visitors not going to be coming to Wales due to cost and out of principle. There is a general feeling out there that visitors to Wales are not welcome. Visitors may choose to holiday in other destinations in the UK or abroad due to the added financial cost of the levy. It will erode Wales' competitive advantage in the tourism market which has taken years to build. It will also add to the perception that we do not want anyone holidaying here.

Other consequences may be that some holiday let owners will be forced to sell their properties due to these financial burdens. This could lead to a reduction in available accommodation, properties being sold to 2nd homeowners further eroding the tourism market. Many of these properties are not fit for families or first-time buyers.

We have evidence of people losing their jobs in cleaning and maintenance due to owners removing holiday lets from the market.

In summary, the bill could cause significant economic harm to Wales, with reduced tourism affecting local businesses, job losses, and a decline in community cohesion. The bill may also harm Wales' appeal as a tourist destination, lead to financial inefficiencies, and create administrative burdens that could drive small businesses out of the market.

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).

The proposed visitor levy presents significant challenges, particularly for small and micro accommodation businesses. These enterprises, which dominate the tourism sector, often operate on tight margins and lack the resources to potentially absorb the financial and administrative costs associated with implementing and managing the levy.

Small and micro businesses face considerable upfront costs including updating booking systems, staff, website costs etc as well as paying agencies like us commissions etc. Ongoing administrative burdens add further strain. Smaller accommodation providers are disproportionately affected due to their size and unlike larger operators cannot benefit from economies of scale. For many managing the levy, exemptions, additional reporting or varying regulations across different local authorities adds an extra layer of risk.

The administrative complexity associated with the visitor levy also raises concerns. Accommodation providers must ensure accurate application documentation and reporting of the levy to the Welsh Revenue Authority. This bureaucratic burden could discourage participation in the sector and affect the overall quality and diversity of accommodation options in Wales. The cost for exiting accommodation providers to register is also high and a high annual cost – this will also price people out of the market as an additional burden.

Also the high cost of administering the levy for local authorities – is this not detrimental to its purpose given that a significant portion of the revenue may be consumed by expenses?

With regards to the unquantified costs and non benefits - it refers to a possible reduction in visitors to Wales or to a certain local authority adopting the levy as referred to previously – this has a financial risk in deterring visitors and depleting the tourism market. Assuming that reduced demand will be offset by additional revenue overlooks the broader economic consequences. Local businesses like ours will suffer and there is a higher risk of closure. This is a real concern for us. A more comprehensive impact assessment is essential to avoid unintended consequences and ensure that the

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).

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).

There needs to be clarity with this legislation over how this will be implemented in practice particularly the roles of the local authorities. There is an element that can be deemed as unfair. The fact is that some local authorities may implement this and others not. Also, will the collection, administration and enforcement differ from each local authority? – how will this work?

As an example - we as a business have 3 different local authorities to work with and this could put an enormous administrative burden on us as a business if not executed correctly from the offset. This would be more effective if it were centrally administered by the Welsh government.

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).

With regards to the additional registration and enforcement provisions intended to be brought forward at stage 2 – clarity is needed regarding the basis for calculating this penalty charge and the authority responsible for enforcement– failure to register results in a significant penalty and subsequent penalties. How will this function in practice? Who will collect this?

Will there be an initial grace period to allow for adjustment as the registration system and levy are introduced?

Also, how will accommodation that has not been registered be identified, and who will oversee the monitoring process?

It is also essential to define what constitutes 'special circumstances' and provide details on how the appeal process will operate to ensure fairness and transparency.

Imposing penalties from the outset is unfair for an unwanted tax being imposed on the tourism industry.

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).

We support the registration of accommodation providers in Wales recognising the potential to establish industry standards, enhance credibility and build trust with both visitors and the local community. This initiative can help balance the needs of tourism and residents, offering reassurance that properties meet specific standards. However, introducing this alongside a tourism levy risks harming Wales' tourism industry.

The timing of these measures is crucial. Amidst existing economic challenges, this could exacerbate the negative impacts and jeopardise the long-term sustainability of both the tourism sector and local economies.

Accommodation providers are already under significant stress due to the 182-night rule, and the cumulative pressures are taking a toll on physical and mental health. As an industry, we feel overwhelmed and unsupported.

Many businesses, already under pressure from rising costs and declining visitor numbers, may be forced to close, leading to job losses, economic decline, and further rural depopulation.

For us as a business, we have seen an abnormally high churn of reputable and longstanding accommodation providers leave the industry in 2024. The normal churn of properties for us per annum is 3% with an equal amount coming on board to net out. However this past year we have seen a churn of 10% with a lack of other accommodation coming in to replace. We have lost long-standing business owners who simply cannot bear the burden of the costs of running their holiday business any longer. In surveying owners who have left us and old properties - 40% have been sold as second homes according to a survey we sent.

The industry is in turmoil and the introduction of a tourism levy is just another nail in the coffin of an already struggling sector which should be the jewel of Wales' crown.