

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](#).

VAB139: Ymateb gan a Ffederasiwan y Busnesau Bach (FSB Cymru| Response from: Federation of Small Business (FSB) Wales



Visitor Accommodation (Register and Levy) bill Scrutiny

Senedd Finance Committee

FSB Wales

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About FSB

FSB Wales is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit, and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

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

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?

FSB's general tax principles as outlined in our report 'A duty to Reform' is a framework that we will use for any tax reform. A new tax should address the following:

- **Fairness:** each business should pay its fair share of taxes, and the rates paid should be similar to those conducting comparable activities. Equally, businesses should be receiving any reliefs to which they are entitled.
- **Adequacy:** the tax collected by government should be enough to cover government expenses on public services.
- **Simplicity:** each taxpayer should have a clear understanding of the tax system, the taxes they need to pay, when their liabilities are due, and how much is due.
- **Transparency:** taxpayers should have an understanding of how their tax payments are being used.
- **Administrative ease:** the payment of tax liabilities should be a simple process that is not burdensome to either the taxpayer or the tax collector
- **Neutrality:** neutrality of tax changes should be kept in mind to minimise any potential harmful effects. Non-neutral taxation can be appropriate, for example when policy outcomes rely on using taxation as a tool to drive behaviour, (e.g. to reduce carbon emissions). Where taxes are not neutral, this should be due to a conscious policy choice to influence behaviour, rather than an unintended consequence.

This is the framework FSB will use during the course of this evidence and in assessing this new tax.

- On the Visitor Levy in particular, the starting point for FSB is that this is not the time to introduce a new tax on tourism in Wales. The sector has experienced a prolonged period of difficult economic conditions. With low consumer spending and disproportionately high costs still affecting some tourism businesses' viability, they still need support to recover. Statistics show that Wales has struggled more with numbers of visitors in the past year, relative to other parts of the UK:
 - In 2023 Wales was the only UK nation to not recover visitor spending figures from 2019. In 2024, inbound visits to Wales reached 445,000 visits from Jan-Jun 2024, up 10% vs 2023 but still 4% below 2019 levels.

- Wales has lost 17% of its licensed hospitality venues since the start of the pandemic, compared to 14% in England and 13% in Scotland.
- The latest tourism barometer shows that almost a quarter of businesses aren't confident that they can run their business profitably this year.¹

It should also be noted that these businesses with seasonal employment and more part time staff than other sectors, will likely be disproportionately hit by the increased Employers' National Insurance Contributions from April 2025.

With ongoing fiscal tightening for local authorities following years of cutbacks, irrespective of the stated aims of the tax, local authorities will feel pressure to raise from any potential new revenue stream.

In our 2022 'Welcoming Communities' report on tourism, SMEs in Wales similarly stated they would not want the tax. However, if there was a tax they also had a few points on the importance that it:

- a) be done in a transparent way that clearly links tax to developing the sustainable tourism sector
- b) Did not prioritise revenue raising and look to their businesses as 'cash cows'
- c) The funding was not merely placed in authority budgets – into a local government budgetary 'black hole'

As such, while noting the general position, we will also look at proposals with these in mind.

In general, our members also noted that the aim for ensuring that value for tourism is shared fairly is a principle that makes sense. So, both 'fund local services and infrastructure that benefit visitors between resident populations and visitors' and 'provide local authorities with the ability to generate additional revenue that can be invested back into local services and infrastructure to support tourism' are not in themselves 'wrong' aims. However, they did not see a tax visitor levy as the only means to do this. There are also questions around whether the provision in the bill adequately implement this connection to 'support tourism,' which we will address in the next question.

¹ [Tourism Barometer: summer wave 2024 | GOV.WALES](#)

In our ‘Welcoming Communities’ report in 2022², we noted how a (in practice) model for ensuring how this worked would look, with a West Wales green camping membership cost (which functioned in practice like a levy) being linked to information provided to tourists on the sustainable steps and local projects funded by the fee. This requires a clear narrative based on concrete actions linked to the fee provided, and this will be difficult story to tell if the link is unclear.

In terms of implementation in the bill, there are some positive measures that look to address some of the concerns outlined by members, although they do not address them in full.

In general, the measures around centralising funding collection through WRA provide a better audit trail and provide some room for scrutiny. This does provide room for future reform of how the pot used, if it is found to not be used effectively and transparently for development of the tourism sector, as expected in this bill, and which provides much of the rationale for the levy.

This allows the possibility in future to look at how this central pot could support ‘destination management bodies’ either at more localised level or regional level as appropriate too, or look to use the revenue more effectively, or channel it in different ways. The committee should consider whether the legislation should provide power for Ministers to change where the money is channelled or used directly from WRA is a power to amend that should be considered including within the bill too.

The following policy aim makes sense in principle:

“Require local authorities to use the net proceeds for the purposes of destination management and improvement in their areas and report on the use of the proceeds.”

In practice, ‘destination management’ as institutionally shaped in Wales’s local authorities lacks specific organisations, bodies or forums for shaping the approach. Therefore, how that statement ensures the sector taking part in these decisions affecting them is unclear.

As things stand, Local Authorities take up this ‘destination management’ function themselves but will do so in the context of many other external pressures. A risk is that

the role of ‘destination management’ is dependent on definition by Local Authorities with very broad scope for interpretation, and risks reinforcing the idea that this policy is done ‘to’ them and not ‘with’ the sector impacted. It is also dependent on their consultation processes, so how this should work and what are the expectations on engagement with the sector should be tightened and clarified.

As well as the question about how the revenue collected supports the tourism sector, , there is also the question of how this funding supports areas most affected by tourism (and from where the tax is raised) within local authorities. For example, the needs of Penllyn peninsula will be quite different from areas in Snowdonia, and both will be different to less ‘hot spot’ but more populated areas around Bangor. In the absence of localised or regional Destination Management Organisations or organisations to provide decisions on local projects, it is incumbent on Local Authorities to show their working, to align with tourism strategy and show additionality in funding to the areas most affected.

However, it is likely that building that trust will be difficult if many in the sector view this levy as principally a resource raising measure for the LAs (rather than tourism development), and with LAs in extremely tight fiscal conditions there is a strong incentive to do so. Providing the link between revenue raising and tourism sector development is not therefore built into the governance structures and the legislation – although with the sums involved there is of course a question on the adequacy of funding and proportionality of institutional bodies involved, and whether the amount raised is adequate to develop these structures. It is to be noted that examples provided in the Explanatory Memorandum (e.g. Iceland, Balearic Islands) are bodies tasked with specific projects to support tourism and visitors.

In the absence of such bodies there may be scope to ensure that there are steps that may provide clear steps to ensure the voice businesses affected is heard in the following:

“Introduction and Administration of Levy: Steps a local authority must take before introducing, changing or abolishing a levy in their area. Prior consultation requirements for a local authority.”

These steps need to look at filling this gap and ensure consultation includes room to shape projects, and so include:

- List of type of consultees to include businesses in affected areas

- Sectoral forum(s) established to provide oversight and ideally decide on projects in their area from the funds based on participatory budgeting.

Steps for local authorities to take should also include:

- localised impact assessments prior to introduction (to include the adequacy and additionality provided of any levy), and
- detailed reviews (possibly by WRA) in place to assess impact and scrutinize use of funds after any levy has been in place .

Without addressing the deficit of a recognised ‘tourism body’ or ‘DMO’ to decide on projects funded through the revenue stream administered by the WRA cuts this feedback loop. Many will suspect any use of the tax will displace funding rather than provide additionality through being administered through local authorities. The steps recommended here and in FSB ‘Welcoming Communities’ report can look to ameliorate that deficit.

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

It is well documented that overnight visitors spend substantially more locally than day visitors. Moreover, the Explanatory Memorandum provides detail on areas affected by tourism with the larger part being mountain trails and scenery – however the direct link between taxing overnight stays in particular and the activity tackled seems indirect. As such there remains the question of whether the right activity is being taxed in this bill – this indirect link may exacerbate a sense of unfairness among visitors.

The threshold for tourist stays exempt is also very high at 31 days. One would expect that the longer a tourist’s stay the more benefits and spend accrues and so the higher the ‘value’ locally. As such, one would expect that after a few nights there are diminishing returns here and one would want to encourage longer stays, not disincentivise them, especially for larger families. With WRA collecting centrally, being able to claim back the levy in total if in a stay of 10 continual nights or more in Wales would seem a rational step, and the WRA could look to administer this with receipts accordingly. This may provide an incentive for more value to be put into the community spend. This step should be explored.

While the rationale of the tax is on overnight visitors (which suggests that it is also to provide visitor understanding of impact), the administration, the liability and significantly the cost is placed on the businesses. A Regulatory Impact Assessment

needs to understand the cost and time implications for SMEs in particular, and this need to be done so based on local market conditions ahead of implementation. The question of those affected and the link between the activity taxed, the liability, and the resulting impact should be clearly understood before the tax is introduced locally.

The Explanatory Memorandum notes that ‘businesses can choose to pass on the cost to visitors’ – the link to visitors themselves may therefore be opaque, and SMEs may feel the need to absorb the tax themselves, and so this does not address concerns that this is a tax on tourist businesses, rather than visitors. There is a trade-off here between this and lessening paperwork for SMEs possibly, but if one were to look at tax as a means for tourists understanding impact of tourism and why the tax is a way to capture value for local projects (as in FSB’s example of good practice in our tourist report of Green Camping fee in Pembrokeshire), the tax does not appear to be transparent. It should be clear to visitors where money goes, and that the tax is on them not on operators, and that it is an increase through government policy and not a cost imposed by the businesses themselves.

Future impact could be that there will be pressure to raise the levy, which is a power available to Ministers in the bill (as would be expected). As the EM states:

“It is important that there be provision to change the rate of the visitor levy to ensure it is proportionate regarding the wider macroeconomic context, continues to deliver policy aims and ensure sufficient revenues are generated. Therefore, there should be provision for ministers to change the rate of the levy, to be determined by Welsh Ministers using the evidence available.”

Again, for those within the sector this could raise fears of ‘thin end of the wedge,’ where the power is in place but the trade-off between administering it means that there is pressure to raise the tax, rather than scrap it. With the power there it is likely that governments will not wish to dispense with it – so a sunset ‘use it or lose it’ clause for implementation may be something to explore within the bill.

An example of the costs rising is where New Zealand tripled its tourism tax in 2023, after first implementing it in 2019 (albeit this is at a national level tax implemented for international visitors, with New Zealand imposing the tax on tourists at customs rather than through accommodation providers).

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

Looking at FSB's principles for good tax system, it is difficult in the data and assessments to ascertain the 'adequacy' of the tax revenues raised at local level:

“Due to the uncertainty around which local authorities will implement the levy (and when) and in order to present an estimate of aggregate costs, we have had to make a simplifying assumption that all 22 local authorities implement at the earliest opportunity. WRA, local authority and visitor accommodation provider costs and the levy revenues are estimated on this basis.”

The complexity in making the assessment is understandable with general data in Wales being inadequate for granular analysis. Nevertheless, £33 million split across 22 Local Authorities suggests that the power is less adequate in bringing in resource in some areas than others if we account for the fact that some areas will have far more accommodation than others (particularly Cardiff, Swansea and Newport), so the revenue raised will likely vary from the median substantially. It is to be noted that there is far less evidence as yet on the adequacy and impact of visitor levies in rural areas as compared to cities where they have been in common use.

There remains a question of whether the levy is worthwhile raising at all in many areas, given the returns. The question of whether a tax is 'adequate' will vary by authority, and what policy impact a specific local authority can have using the revenue will also depend on this information. As such local impact assessments are important before any introduction and what these need to include should be outlined.

While understandable and likely unavoidable due to lack of data, the assessment makes the feasibility of discretionary tax difficult at local authority level. As such, requiring Local Authorities (possibly with WRA support) to make an assessment of local conditions and adequacy in review ahead of public consultation seems sensible, as well as a review of its impact at the local level.

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?

No view

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

No view beyond the above.

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

The need to penalise non-compliance is important to ensure a level playing field. We are not experts on the legal aspects, but this seems proportionate.

It is important also that any registration and enforcement takes account of further needs here, such as ensuring that registration also means that there is an adherence to equal standards, with many visitor accommodation providers feeling undercut by 'private' providers (such as those through Airbnb over the past decade) who they feel have not been monitored effectively in terms of health and safety standards, insurance and so on, as well as measures here. It is important that regulation and enforcement in this bill aligns with wider regulation and enforcement, and any future regulatory expectations of registered VMPs.

The principle needs to be clear that while the registration of providers in this bill is used for specific purpose of tax collection (which comes at a cost to SME accommodation providers), that this should also link to better monitoring of those who undercut good providers by providing accommodation without following the regulation. Enforcement will be important to ensure that level playing field, and good

accommodation providers will be able to see the benefit as well as the cost accordingly.

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?

no