



**TOURISM  
ALLIANCE**

the voice of tourism

# **TAXING TOURISTS: THE UK VS COMPETITOR DESTINATIONS**

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**SEPTEMBER 2023**



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# EXECUTIVE SUMMARY

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There are increasing calls for local authorities to be given powers to introduce a tax on visitors staying at tourism accommodation. The justification for the introduction of a tourism tax is that visitors impose costs on the provision of public services and the maintenance of the public realm and that these costs fall on local councils, funded by local residents, and that they are increasingly ill-equipped to cope given the state of their finances. The view is that many overseas destinations have imposed tourism accommodation taxes to ensure that visitors “pay their way” and that this has not impact the tourism industry in these locations.

This report looks into the actual rates of taxation levied on tourists in the UK and in various destinations around the world. It shows that the UK levies a high rate of taxation on tourists already, even without a specific tourism tax, because of our high sales tax (VAT at 20%) which, unlike in many other jurisdictions, is not reduced for accommodation and other tourism services.

This study uses the average UK room rate (£126.67 + VAT) to compare at the total level of tax (sales tax and tourism tax) imposed on visitors to 12 major tourism destinations in Europe, the USA and the Middle East with the amount the amount of tax that international and domestic visitors already pay in the UK. The results show that:

- ▶ The total amount of tax (sales tax and tourism tax) paid by visitors to the 12 overseas destinations in the study ranges from £12.67 to £25.40 per night and an average of £17.77
- ▶ Visitors staying in UK accommodation pay £25.33 in tax which is just a few pence behind Amsterdam (£25.40)
- ▶ The average tax rate paid by visitors to the 12 overseas destinations is 14%, which compared to the 20% rate paid by visitors in the UK.
- ▶ All destinations that impose a tourism tax have a significantly lower rate of sales tax on tourism accommodation which means that, even with a tourism tax, visitors pay less accommodation tax than in the UK.
- ▶ Destinations with the highest levels of taxation on visitor accommodation, notably Amsterdam and Barcelona, have done so in support of their policy objective to actually reduce and restrict visitor numbers.
- ▶ Because of the high elasticity of UK tourism demand, the imposition of a tourism tax on top of the already high VAT rate would be detrimental to the UK economy as it would encourage potential overseas visitors to choose competitor destinations and UK residents to choose overseas holidays.
- ▶ The key issue is that, while tourists in the UK already pay the second highest level of tax, this revenue goes to central government and is not distributed equitably into the maintenance and investment of tourism destinations at a local level.

Rather than imposing an additional local tax on UK visitors existing tax levels need to be reformulated to ensure a more equitable distribution of tourism revenue between central and local government.

# INTRODUCTION

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There are two main arguments for the introduction of tourism taxes in the UK. One is the perception that visitors to UK destinations do not pay their way, and that visitors place a burden on public services and amenities paid for by residents without contributing to their provision or maintenance.

The second is that other destinations across the world have imposed various tourism taxes without any adverse effect on tourism numbers, and that doing so in the UK would simply bring our destinations in line with others.

This report seeks to address both claims by comparing the taxes tourists pay in the UK compared to a range of destinations abroad, and to put these perceptions and claims into context in order to assist policy makers and the broader public debate about these issues.

A House of Commons Research Briefing on Local Government Finances cites a National Audit Office report finding that total local authority funding across England fell by 52.3% in real terms in between 2011 and 2021<sup>1</sup>.

A result of this declining funding combined with increasing costs associated with providing statutory services such as social care and education, local authorities are desperate to find new funding streams and are increasingly perceiving visitors to be non-contributing beneficiaries of council services and facilities.

A tourism tax is often seen by local politicians as an attractive option for a number of reasons. First, there is no tax burden on local residents and, as visitors don't vote in the area, they cannot express their disapproval through the ballot box. Second, as visitors spend a substantial amount on their holiday, a tourism tax is viewed as a small amount in terms of the overall holiday cost and one that tends to target the wealthy who have the sufficient income to afford a holiday in the first place. Therefore, the tax is considered to be too small to impact visitors' behaviour and to be socially justifiable because it targets people who have discretionary income.

The counterargument to this is that the imposition of a tax on visitors would reduce the competitiveness of the UK as a destination; that tourism is a global industry with very high levels of substitution; and that the UK must be aware of its competitive position in the global marketplace. People planning a holiday, whether they be overseas or UK residents, have an almost limitless number of global destinations where they can take that holiday. As such, the more that the cost of holidaying in the UK increases further, the more people will forgo a holiday in the UK for one in a more price competitive destination.

In order to ensure that this debate is taking place in the right context with the correct data, we have compiled this comparative report which looks at the tourism taxes imposed in various destinations alongside other taxes paid by tourists. It is only by considering these data in full that one can really compare like-with-like and ensure that tourists are paying their way and that the UK remains a competitive destination for domestic and international tourists.

This study therefore looks at the sales tax and tourism tax regimes

Continued...

1. <https://researchbriefings.files.parliament.uk/documents/CBP-8431/CBP-8431.pdf>

operating in 12 of the UK's main European and global tourism competitor destinations that have a tourism tax. These destinations are the following mixture of cities, regions, and countries:

#### **City Destinations**

- ▶ Amsterdam
- ▶ Berlin
- ▶ Barcelona
- ▶ Las Vegas
- ▶ New York
- ▶ Paris
- ▶ Rome

#### **Regional Destinations**

- ▶ The Balearic Islands
- ▶ Catalonia
- ▶ The Emirate of Dubai

#### **National Destinations**

- ▶ Greece
- ▶ Turkey

For each destination, the tourism tax and sales tax rates applied to visitor accommodation are identified and combined to provide the total tax rate applied to visitors. This study does not include taxes imposed on the accommodation businesses (e.g., company tax and employment taxes) as these are not directly imposed on visitors but are part of the countries' general business taxation environment.

The total tax rate applied to visitors for each destination is then collated and a comparison is made between of the actual level of tax imposed on visitors to each of these destinations with the amount currently paid by visitors to the UK.

# THE TAXATION OF VISITORS TO DIFFERENT DESTINATIONS

This section provides details of the tourism tax and sales tax regimes for tourism accommodation in the 12 competitor destinations included in this study.

## 1. Amsterdam

### Background

Amsterdam has long been a major European tourism destination, but visitor numbers more than doubled in the decade prior to the Covid pandemic - from 9m in 2009 to almost 22m in 2019

Residents believe that this has put significant pressure on their city and so, in response to public pressure, the City Council approved a new policy on tourism, 'Tourism in balance in Amsterdam' in 2021<sup>2</sup>. This plan sets a maximum number of overnight stays and day visits by tourists, with a maximum of 20m visitors per year. If the number of visitors reaches 18m, the council is required to implement visitor reduction measures. Actions being taken include a halt to building new hotels, converting hotels into homes or offices, restricting boat tours and removing cruise ship berths from the city centre.

That is to say that the official policy of the City of Amsterdam authorities is to restrict the number of tourists coming to the city. Increasing tourism taxes is seen by the council as one of the tools it has at its disposal to do this.

### Tourism Tax

Amsterdam has had a tourism tax for over 10 years which has increased gradually from 5% to 6% in 2018 and 7% in 2020. This tax not only applies to hotels, apartments and campsites, but also to private individuals who use their homes for holiday rentals or B&Bs. It applies at the following rates:

- ▶ Hotels: 7% + €3 per person per night
- ▶ Camp sites: 7% + €1 per person per night.
- ▶ B&Bs/rentals: 10% of turnover.

In May 2023, proposals were announced to increase the tourism tax rate in Amsterdam by 1% and €1 per night from 2024. The rationale for this increase is to cover part of the new investments and reduce the influx of tourists into the city.

### Sales Tax

The standard rate of sales tax in the Netherlands is 21% but there is a reduced rate of 9% that applies to tourism accommodation.

### Total Taxation

Tax	Tax Rate 2023	Tax Rate 2024
Tourism Tax	7% + €3/person/night	8% + €4/person/night
Sales Tax	9%	9%
<b>Total Taxation</b>	<b>16% + €3/person/night</b>	<b>17% + €3/person/night</b>

2. <https://www.amsterdam.nl/en/policy/policy-tourism/>



## 2. The Balearic Islands

### Background

Mallorca was one of the first Spanish destinations to introduce package holidays and tourism levels have grown from 3m per annum in the 1970s to a record 12m in 2019.

In 2022, the Mallorca Council announced that it will be capping accommodation on the island at 430,000 tourist beds to reduce overcrowding. This is part of plans to reassess the island's tourism plan so that it focuses on attracting fewer, but higher spending tourists. Again, this is a policy designed to limit and restrict the number and type of tourist coming to the island, with a particular emphasis on restricting lower-spending – and therefore lower-income – families from visiting.

### Tourism Tax

A tourism tax was introduced in the Balearic Islands in 2016 with the intention of using the €12m/annum raised through the tax to protect and maintain the natural resources of the islands and make tourism more sustainable.

The tax rate ranges from €1 to €4 /person/night and is applied to all visitors aged 16+ on the basis of the standard of accommodation that is being used. The rates are:

- ▶ Campsites €1/person/night
- ▶ Cheap Hotels €2/person/night
- ▶ Mid-Range Hotels €3/person/night
- ▶ Luxury Hotels €4/person/night

There is also a rate of €2/person/night for passengers on cruise ships using ports in the Balearics.

### Sales Tax

The standard rate for sales tax in Spain is 21% but there is a reduced rate of 10% that applies to tourism accommodation.

### Total Taxation

Tax	Tax Rate
Tourism Tax	€1 - €4/person/night
Sales Tax	10%
<b>Total Taxation</b>	<b>10% + €1 - €4/person/night</b>

### 3. Berlin

#### Background

Berlin has become a popular city break destination with international visitor numbers increasing from 5.1m to 8.5m in the three years before the Covid pandemic. Its importance as a domestic destination has also risen as a result of the German Government's move from Bonn in 1999, with 8.5m domestic visitors in 2019.

#### Tourism Tax

Berlin introduced a tourism accommodation tax of 5% in 2014 as a means of improving the city's finances. The tax applies to all accommodation types but there are important exemptions for people undertaking business travel and students undertaking educational or vocational training travel as it was considered that introducing a tax could adversely impact business and educational travel to the capital.

#### Sales Tax

The standard rate of sales tax in Germany is 19% but there is a reduced rate of 7% that applies to visitor accommodation.

#### Total Taxation

<b>Tax</b>	<b>Tax Rate</b>
Tourism Tax	5%
Sales Tax	7%
<b>Total Taxation</b>	<b>12%</b>

## 4. Catalonia and Barcelona

### Background

Barcelona is the fourth most-visited European city. Like many destinations, Barcelona had a record year for tourism in 2019 with nearly 27m people visiting the city. Under increasing public pressure, the local government is increasing restrictions on tourism including the use of private accommodation and tour groups from passenger ships.

### Tourism Tax

There has been a tourism tax in Catalonia since 2012. The fee that the Catalan Government charges is applied throughout the region depending on the type of accommodation with Barcelona having an additional surcharge of €2.75. This surcharge is aimed at helping the city deal with 'over-tourism'. The rates (per visitor/night) were increased on 1 April 2023 to the following levels:

Accommodation Type	Catalonia Tax	Barcelona Surcharge	Barcelona Total
5 Star Hotel or similar	€3.50	€2.75	€6.25
4 Star Hotel or similar	€1.70	€2.75	€4.45
Other accommodation	€1.00	€2.75	€3.75
Rental accommodation	€2.25	€2.75	€5.00

In addition to the tax on land-based accommodation, Catalonia and Barcelona also apply a tourism tax on tourists on cruise ships that visit their ports. This rate varies between €2 and €5.75/person/day depending on the port and the length of stay.

On 1 April 2024, the Barcelona surcharge will increase from €2.75 to €3.25 with the local government stating that the increases in 2023 and 2024 were taken to contain visitor numbers and switch from mass tourism to "quality tourism". Once again, the policy is designed to restrict visitor numbers and to affect lower-income people especially.

### Sales Tax

The standard rate for sales tax in Spain is 21% but there is a reduced rate of 10% that applies to tourism accommodation.

### Total Taxation

Tax	Tax Rate
Tourism Tax	10%
Sales Tax	€1 to €6.25 /person/night
<b>Total Taxation</b>	<b>10% + €1 to €6.25 /person/night</b>

## 5. Dubai

### Background

Dubai's growth as a tourism destination began in 1989 with the establishment of the Dubai Commerce and Tourism Promotion Board. Then, in 2013, the Dubai government launched the "Dubai Tourism Strategy 2020", which set a goal of attracting 20m visitors a year by 2020. Last year this strategy was extended until 2031 with the aim of receiving 40m visitor/annum and contributing Dh450bn (£94bn) to the Emirate's economy.

### Tourism Tax

Most Emirates impose hotel levies, which apply on the value of room rate, services, and entertainment. These levies are imposed and administered differently by each Emirate.

In 2014, the Emirate of Dubai introduced a tourism tax, known as the 'Tourism Dirham Fee', to raise funding to help tourism development. The tax applies to both locals and foreigners with the rates being dependent on the standard of the accommodation. The current rates are:

- ▶ 5 Star hotels            20AED/room/night
- ▶ 4 Star hotels            15AED/room/night
- ▶ 2-3 Star hotels        10AED/room/night
- ▶ 1 Star hotels            7AED/room/night

The Emirate of Dubai also requires hotels to levy a 7% municipality fee on each hotel sale.

### Sales Tax

Sales tax on tourism accommodation in Dubai is 5%

### Total Taxation

<b>Tax</b>	<b>Tax Rate</b>
Tourism Tax	7% + 7-20 AED/room/night
Sales Tax	5%
<b>Total Taxation</b>	<b>12% + 7-20 AED/room/night</b>

## 6. Greece

### Background

Greece has long been a traditional tourism destination and received over 30m visitors in 2019. The dependence of the Greek economy on tourism has increased significantly from being less than 5% of GDP in 1995 to 25% of GDP in 2019 due, in part, to the Greek debt crisis in 2009 which caused significant business failures and contraction in many other sectors of the economy.

### Tourism Tax

The Greek Government introduced a tourism accommodation tax in 2018 as part of austerity measures to reduce the country's debt. The tax varies depending on the star rating of the room and is applied on a "per room" basis rather than a "per person" basis.

The tax ranges from €0.50 to €4 per night as follows:

- ▶ Apartments €0.50/room/night
- ▶ 1 and 2 star hotels €0.50/room/night
- ▶ 3 star hotels €1.50 /room/night
- ▶ 4 star hotels €3.00/room/ night
- ▶ 5 star hotels €4.00/room/night

### Sales Tax

The standard rate of sales tax in Greece is 24% but there is a reduced rate of 13% that applies to visitor accommodation.

### Total Taxation

<b>Tax</b>	<b>Tax Rate</b>
Tourism Tax	€0.50 - €4.00/room/night
Sales Tax	13%
<b>Total Taxation</b>	<b>13% + €0.50 - €4.00/room/night</b>

## 7. Las Vegas

### Background

From its start as a post-war gambling venue, Las Vegas has grown to be one of the USA's premier entertainment, conferencing, event, and exhibition destinations. The Las Vegas Convention and Visitors Authority (LVCVA) has recently announced that visitor spending reached a record \$79.3bn (£60.5bn) in 2022, which was 25% higher than the previous record set in 2019.

### Tourism Tax

Transient Lodging Tax Rate is the collective name given to six separate taxes that are applied by State, County and City authorities to hotels in Las Vegas. Better known as the room tax, it was conceived in 1955 as a means of funding recreation and tourism development.

The collective 13.38% tax rate for hotels on "The Strip" in Las Vegas is one of the highest in the United States. There is a 2% reduction on the amount of tax to be paid if the payment is made by the specified date each month, but this deduction benefits the hotel operator rather than the customer.

Of the 13.38% levied on visitors, 6.12% is directly paid to the LVCVA, which is used to promote and develop Las Vegas as a destination.

### Sales Tax

Sales Tax in Las Vegas 8.38%. This comprises Nevada Sales Tax (4.6%) and Clark County Sales Tax (3.78%). However, sale tax in Nevada is restricted to the sale of goods and is not levied on services including the provision of hotel accommodation.

### Total Taxation

Tax	Tax Rate
Tourism Tax	13.38%
Sales Tax	0%
<b>Total Taxation</b>	<b>13.38%</b>

## 8. New York City

### Background

The tourism industry is a significant part New York City's economy whose size and scale are similar to that of London. It is estimated that approximately 10% of all private sector jobs in New York are related to tourism (376,800 jobs at the start of 2020) when a record 66.6m people visited the city generating \$47.4 billion in spending<sup>3</sup>.

The Office of the New York State Comptroller (OSC) estimates that in the 2019/20 financial year, the tourism industry generated \$5.3 billion in tax revenues for the City, representing 8.3% of total tax collections.

### Tourism Tax

There are two taxes and two fees that apply to tourism accommodation in New York. One tax and fee is applied by the State of New York while the others are imposed by the municipality of New York City. The main tourism accommodation tax — The Hotel Room Occupancy Tax rate of 5.875% — was introduced on 20 December 2013.

### State Fees

- ▶ New York State Hotel Unit Fee \$1.50

### Municipal Taxes and Fees

- ▶ New York City Hotel Room Occupancy Rate \$2.00
- ▶ New York City Hotel Room Occupancy Tax 5.875%
- ▶ New York Metropolitan Commuter Transportation Mobility Tax 0.375%

### Sales Tax

There are two sales taxes that apply to accommodation in New York:

- ▶ New York State Sales Tax 4.0%
- ▶ New York City Sales Tax 4.5%

### Total Taxation

Tax	Tax Rate
New York City Hotel Room Occupancy Rate	5.875%
New York City Hotel Room Occupancy Tax	\$2 on a room charging \$40+/night
New York State Sales Tax	4.0%
New York City Sales Tax	4.5%
New York State Hotel Unit Fee	\$1.50
New York Metropolitan Commuter Transportation Mobility Tax	0.375%
<b>Total Tax Rate</b>	<b>14.75% + \$3.50</b>

3. <https://www.osc.state.ny.us/reports/osdc/tourism-industry-new-york-city>

## 9. Paris

### Background

Paris vies with London as the world's most popular tourism destination with 50m visitors per annum, of which 21.5m (43%) are international visitors. These visitors contribute €20.5bn to the Paris economy and support over half a million jobs in the capital<sup>4</sup>.

In the lead-up to the 2024 Olympics, Paris is implementing a tourism strategy aimed at improving the city's welcome, offer, sustainable development and capacity.

### Tourism Tax

Similar to many destinations, Paris applies its tourism accommodation tax on the basis of the type and standard of the accommodation. There are eight separate categories, and therefore rates, as outlined below:

▶ Palaces	€5.00
▶ 5 Star Hotels and Furnished Rentals	€3.75
▶ 4 Star Hotels and Furnished Rentals	€2.88
▶ 3 Star Hotels and Furnished Rentals	€1.88
▶ 2 Star Hotels and Furnished Rentals	€1.13
▶ 4-5 Star Holiday Villages	
▶ 1 Star Hotels and Furnished Rentals	€1.00
▶ 1-3 Star Holiday Villages	
▶ B&Bs	
▶ Youth Hostels	
▶ 3-5 Star Campsites	€0.75
▶ 1-2 Star Campsites	€0.25

### Sales Tax

The standard rate for sales tax in France is 20% but a reduced rate of 10% applies to tourism accommodation.

### Total Taxation

Tax	Tax Rate
Tourism Tax	10%
Sales Tax	€0.25-€5/person/night
<b>Total Taxation</b>	<b>10% + 0.25-5€/person/night</b>

4. <https://cdn.paris.fr/paris/2019/07/24/692c9af6216b29354e5259511b697725.pdf>



## 10. Rome

### Background

Rome welcomed over 15m visitors prior to the Covid pandemic, and the local government aims to consolidate the city's position among the top three European destinations with the implementation of its Futouroma tourism strategy<sup>5</sup>. This strategy focuses on improving the quality of the city's tourism offering, avoiding over-tourism by reconciling the needs of visitors and residents, generating increased profitability for businesses and ensuring the sustainability of the city's heritage.

### Tourism Tax

The Rome Tourist Tax is charged per person per night and is applied to visitors staying by all tourism accommodation, ranging from hotels through to camping grounds. The amount depends on the type and standard of the accommodation:

- ▶ 5 Star hotel €7/person/night
- ▶ 4 Star Hotel €6/person/night
- ▶ 3 Star Hotel €4/person/night
- ▶ 1-2 Star Hotels €3/person/night
- ▶ B&Bs/Holiday homes €3.5/person/night
- ▶ Camping grounds/youth hostels €2/person/night

However, unlike other destinations, this tax only applies during the first 10 days of a visitor's stay and does not apply to children under 10 years old.

Rome also has additional tourism taxes on tours and activities with a €1 person charge being levied on city tours and museums run by the city of Rome adding a €1/ person charge to entrance fees for non-locals.

### Sales Tax

The standard rate of sales tax in Italy is 22% but there is a reduced rate of 10% which applies to tourism accommodation.

### Total Taxation

Tax	Tax Rate
Tourism Tax	10%
Sales Tax	€2-7/person/night
<b>Total Taxation</b>	<b>10% + 2-7€/person/night</b>

5. <https://www.turismoroma.it/en/node/41940>

## 11. Turkey

### Background

Overseas visitor numbers to Turkey peaked at 52.1m in 2019, making Turkey the sixth most visited country in the world. Since the end of the Covid pandemic, visitor numbers have almost returned to this level while revenue has increased significantly to \$US46.3bn from \$US34.5bn in 2019 due to high inflation making the country a cheaper destination.

With the economic problems faced by other sectors of the Turkish economy, the country's dependence on tourism has increased significantly over the past few years, from 4.7% of GDP in 2014 to 11% of GDP in 2019.

### Tourism Tax

The Turkish Government introduced a Tourism Accommodation Tax of 2% on 1 January 2023. This applies to all forms of accommodation from hotels and resorts through to camping sites. The legislation relating to the tax was passed in 2019 but the implementation was delayed as part of a range of measures that the Government introduced to support the tourism industry during the Covid pandemic.

While the tax is primarily on the cost of the accommodation it is also applied to other hotel services such as eating, drinking, activity, entertainment services and the use of pool, sports, thermal and similar areas, which are sold together with the overnight service and provided at the accommodation facility. This applies to accommodation being sold as half board, full board or all-inclusive and is to prevent hotels from loading the cost of the stay onto non-accommodation services.

### Sales Tax

The standard rate of sales tax in Turkey is 18%. However, there is a reduced rate of 8% which applies to tourism accommodation, restaurants and entrance tickets to theatres, cinemas and museums.

### Total Taxation

Tax	Tax Rate
Tourism Tax	8%
Sales Tax	2%
<b>Total Taxation</b>	<b>10%</b>

# COMPARISON OF GLOBAL TOURISM TAXES WITH THE UK

As can be seen from the summaries for the different destinations, tourism taxes are levied in range of ways – from a percentage of the room rate through to a per person or per room basis dependant on the type and standard of the accommodation used.

In order to generate a comparison of the amount of tax paid by visitors to these destinations, a methodology for equating the different taxation regimes has to be applied.

## Methodology

Research by RSMUK found that the average room rate for hotel accommodation in the UK during 2022 was £152 per night including VAT. This equates to £126.67 before tax. The following exchange rates were then used to translate this average pre-tax room rate into the local currency of the destinations in this study.

£1 =	1.17 Euro
	1.31 US Dollar
	34 Turkish Lira
	4.8 UAE Dirham

Once this was done, the tourism and sales tax rates for each destination were applied to calculate the total cost of the room and the amount of tax paid by visitors.

Where local tourism taxes are applied on the basis of the standard of the accommodation rather than as a percentage of the room rate, the UK average room rate was equated to a couple staying in a 3 Star hotel (this being the average standard of tourism accommodation) and the amount of tax paid calculated on that basis.

## Results

The table below highlights the results of this comparison of the total amount of tax paid by visitors for accommodation at the different destinations. The findings show that, for 2023, the amount of tax paid by visitors to the UK's competitor destinations when paying for a room costing £126.67 ranges from £12.67 (10%) in Turkey through to £25.40 (20%) in Amsterdam with an average of £17.77. The average tax rate on tourism accommodation across the 12 destinations is 14% when sales tax and tourism taxes are added together.

By comparison, visitors to the UK pay tax of £25.33 (20%) just through VAT (sales tax) when paying for a hotel room costing £126.67. With the exception of Amsterdam, where visitors pay just 0.05% more (7p), this level of taxation is higher than almost all the competitor destinations and 30% higher than the average of the competitor destinations. And note too that in Amsterdam's case – as well as others – the City's tourism strategy is in fact to reduce number of visitors coming to the city.

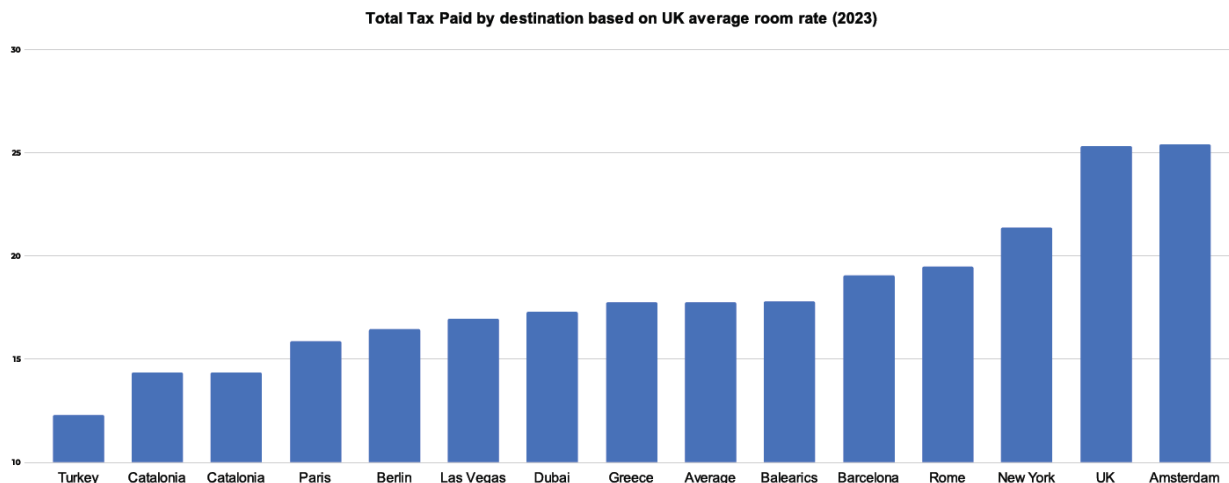
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Destination	Taxes Paid by a Couple Staying in a 3 Star Hotel for One Night	Total Cost (Local Currency)	Total Cost (£)	Total Tax Paid (Local Currency)	Total Tax Paid (£)
Amsterdam	2023 16% + €3/person	€177.91	£152.07	€29.71	£25.40
	2024 17% + €4/person	€181.40	£155.04	€33.19	£28.37
Balearics	10% + €3/person	€169.02	£144.46	€20.81	£17.79
Berlin	12%	€165.99	£141.87	€17.78	£15.20
Catalonia & Barcelona	Catalonia 10% +1.00€/person	€165.02	£141.04	€16.82	£14.37
	Barcelona 2023 10% +3.75€/person	€170.52	£145.74	€22.32	£19.07
	Barcelona 2024 10% +4.25€/person	€171.52	£146.60	€23.32	£19.93
Dubai	12% +10 AED/room	690.98AED	£143.95	82.96AED	£17.28
Greece	13% + €1.50 /room	€168.97	£144.42	€20.76	£17.75
Las Vegas	13.38%	\$188.14	£143.62	\$22.20	£16.95
New York	14.75% + \$3.50/room	\$193.91	£148.03	\$27.98	£21.36
Paris	10% + 1.88€/person	€166.78	£142.55	€18.58	£15.88
Rome	10% + 4€/person	€171.02	£146.17	€22.82	£19.50
Turkey	10%	4,737TRY	£139.34	431TRY	£12.67
<b>Average (2023)</b>	<b>14%</b>		<b>£144.44</b>		<b>£17.77</b>
<b>UK</b>	<b>20.0%</b>	<b>£152.00</b>	<b>£152.00</b>	<b>£25.33</b>	<b>£25.33</b>

Continued...

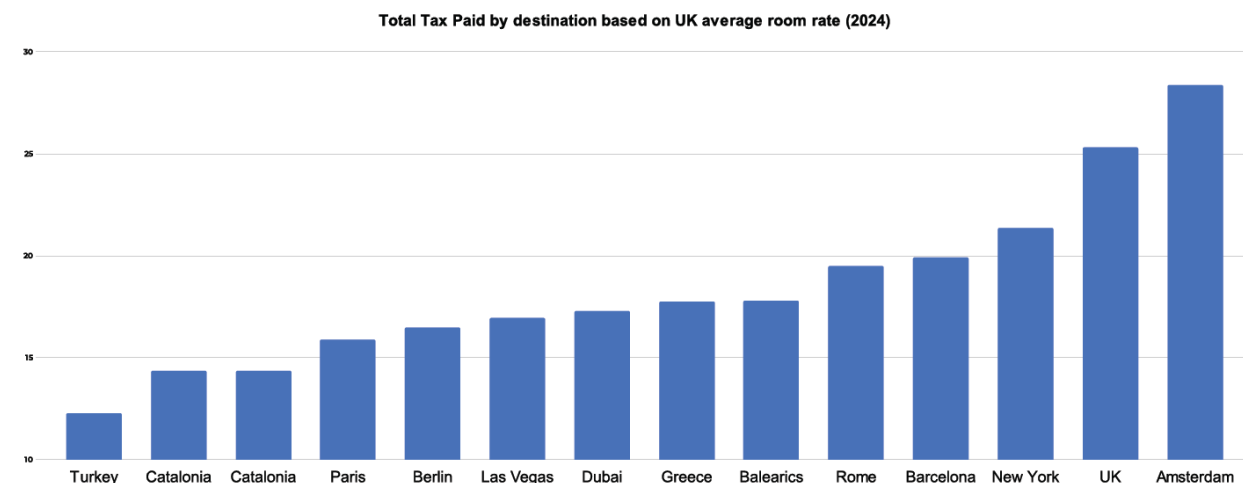
### Hotel Cost and Taxes Charged by Destination - 2023

This chart shows the level of tax applied to tourism accommodation in each of the destinations studied and the impact that this has on the overall cost of accommodation.



### Hotel Cost and Taxes Charged by Destination - 2024

In 2024, Amsterdam and Barcelona will be increasing the rate of tax that they apply to tourism accommodation. As a result, accommodation in Barcelona will become the fourth most expensive of the destinations in the study. Visitors to the UK will still pay the second highest amount of tax after Amsterdam’s punitive tax increase.



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# CONCLUSION

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The results of this analysis clearly show that the UK does not under-tax visitors compared to other destinations when it comes to tourism accommodation. While other destinations apply tourism taxes on accommodation, they do so from a basis of having a much lower rate of sales tax which means that the total amount of tax paid by the visitor remains, on average, 30% less than in the UK.

One argument might be the while that UK has a high rate of sales tax on accommodation, other taxes paid by tourists in the UK may be lower than in the other destinations. However, evidence from the World Economic Forum (WEF) strongly suggests that this is not the case. In terms of overall price competitiveness, the UK ranked 140 out of 140 countries as a result of the cost of accommodation, transport, Air Passenger Duty, fuel costs, and taxes<sup>6</sup>.

That visitors to the UK already pay high levels of tax is important for two reasons. First, it addresses the argument that visitors in the UK do not “pay their way”. Second, it shows that the high levels of taxation make the UK uncompetitive as a tourism destination.

As mentioned in the introduction, tourism has very high levels of substitution as potential visitors are able to travel to an almost limitless number of overseas destinations on holiday. This means that potential visitors are very susceptible to changes in the cost of holidays.

A 2007 report by the Christel DeHaan Tourism and Travel Research Institute found that the price elasticity of tourism to the UK for holiday visitors was -1.23. That is, a 1% increase in the cost of a holiday in the UK will result in a 1.23% decrease in the amount of revenue that the UK receives from overseas holiday visitors<sup>7</sup>.

This finding is consistent with both an earlier VisitBritain study which calculated the price elasticity of inbound tourism as -1.28<sup>8</sup> and a more recent study for the Scottish Government by the Chief Economist Directorate which undertook a literature review of tourism price elasticities for travel to the UK and found that the average elasticity was -1.53<sup>9</sup>.

In addition, the Christel DeHann study found that a 1% increase in domestic holiday prices will lead to a 1.46% fall in trips and a 1.95% fall in expenditure as UK residents substituted overseas holidays for domestic holidays.

That tourists are very sensitive to price increases is acknowledged in the reasoning given by some destinations for implementing and increasing tourism taxes. It is partly precisely because increasing price reduces demand that these jurisdictions have taken the decision to adopt and increase tourism taxes.

In conclusion, this study shows that international and domestic visitors staying in the UK currently pay the second highest level of tax on accommodation of 12 major competitor destinations. As such, it is not the case that visitors in the UK do not pay their way, but that the tax

6. <https://www.weforum.org/reports/the-travel-tourism-competitiveness-report-2019/>

7. Christel DeHaan Tourism and Travel Research Institute at University of Nottingham for the Department of Culture, Media and Sport, The Drivers of Tourism Demand in the UK, 2007 (<http://data.parliament.uk/DepositedPapers/Files/DEP2008-2963/DEP2008-2963.pdf>)

8. British Tourist Authority, The Price Sensitivity of Tourism to Britain, 2001

9. University of Surrey for the Scottish Government, Review of evidence of elasticities relevant to tourism in Scotland, 2021. (<https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2021/06/elasticities-relevant-tourism-scotland-evidence-review/documents/elasticities-relevant-tourism-scotland-evidence-review/elasticities-relevant-tourism-scotland-evidence-review/govscot%3Adocument/elasticities-relevant-tourism-scotland-evidence-review.pdf>)

that these visitors pay is not being recycled into the maintenance and development of the resources on which the UK tourism industry is based.

It is also evident that any increase in the level of tax paid by international and domestic visitors will be detrimental to the UK tourism industry and to the UK economy as the UK's high tourism elasticity means that further taxation imposed on visitors will disproportionately reduce the UK's tourism earnings.

Therefore, the most appropriate course of action would be to reformulate the taxation of UK visitors so that there is a more equitable distribution of revenue between central and local government. One of the reasons that local government are often keen on implementing a tourism tax is that the high level of taxation paid by tourists currently is not felt locally. A redistribution of this tax take in order to assist local authorities pay for the services used by tourists, to invest in tourist assets, to fund tourism marketing, and to grow and support the visitor economy in their area, would be widely welcomed.

Such a redistribution would mirror what we see in many of the overseas destinations covered in this report. This could be achieved either through a fairer redistribution model from HM Treasury to local authorities of the current VAT take, contingent on it being spent on tourism-related activity, or a much lower rate of VAT to be applied to accommodation – and ideally other tourism services and products – but allowing local authorities to top this up with a modest tourism tax as we see in other destinations.

What is clear from this analysis is that simply adding another tax on top of the existing very high VAT level, which exists on top of the other high costs for tourists coming to or travelling within the UK, would not be sensible. We should be looking at ways of improving our county's price competitiveness, not making matters worse.

# THE TOURISM ALLIANCE

The Tourism Alliance is the Voice of the Tourism Industry, comprising of more than 70 Tourism Industry Organisations that together represent some 200,000 businesses of all sizes throughout the UK. The purpose of the Tourism Alliance is to identify and develop policies and strategies to raise standards and promote quality within the industry and work with and lobby government on all key issues relevant to the growth and development of tourism in order to maximise its contribution to the economy.

The policies and positions outlined in this document are those of The Tourism Alliance. They do not necessarily reflect the views and positions of any individual member association of the Alliance.

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## Full Members

ABTA The Travel Association  
AGTO Association of Group Travel Organisers  
ALVA Association of Leading Visitor Attractions  
ANTOR Association of National Tourist Offices and Representatives  
AOA Airport Operators Association  
ASAP Association of Serviced Apartment Providers  
ATHE Association for Tourism in Higher Education  
BACTA  
Bed & Breakfast Association  
BBPA British Beer & Pub Association  
British Destinations  
BETA British Educational Travel Association  
BCC Betting and Gaming Council  
BHHPA British Holiday & Home Parks Association  
BIAZA British and Irish Association of Zoos and Aquariums  
British Marine  
CAMC Caravan and Motorhome Club  
Camping and Caravanning Club  
CLA Country Land and Business Association  
CPT Confederation of Passenger Transport  
CTA Coach Tourism Association  
ETOA European Tour Operators Association  
English UK  
Family Holiday Charity  
Heritage Alliance  
Historic Houses  
HHA Holiday Home Association  
HRA Heritage Railway Association  
IEM Institute of Event Managers  
ITG Institute of Tourist Guiding  
NCC National Caravan Council  
NCTA National Coastal Tourism Academy  
National Trust  
OIA Outdoor Industries Association  
PASC Professional Association of Self Caterers UK  
Premier Cottages  
RDO Resort Development Organisation  
RHA Road Haulage Association

STAA Short-Term Accommodation Association  
TCN Tourism Consultants Network  
Tourism For All  
TMI Tourism Management Institute  
The Tourism Society  
UKEVENTS  
UKHospitality  
UKinbound  
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