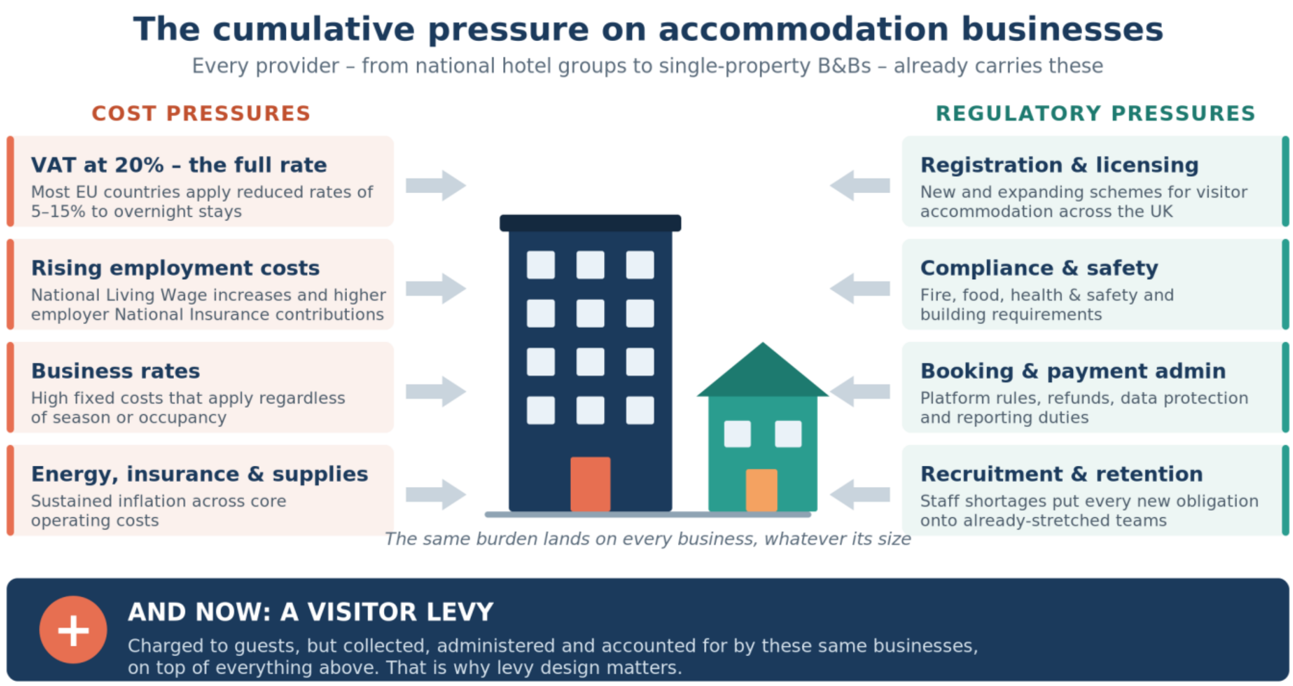
Visitor Levies: Getting the Design Right

A policy position for government, local authorities, and destination partners

Tourism is worth £147 billion a year to the UK economy – 5% of GDP, around one in every 15 jobs, and £52 billion in tax revenues to government in 2024 alone.[1] Our members want thriving, well-funded destinations as much as any council or government. But **the Tourism Alliance does not support Overnight Visitor Levies (OVLs), and where they proceed, design will determine whether they strengthen the visitor economy or shrink it.** This paper makes four points: the sector is already under significant pressure; the impacts have not been accurately assessed; a levy creates identifiable risks that must be managed; and if levies go ahead, specific mitigations are needed.

1 A sector already under significant pressure

Accommodation providers – most of them micro-businesses – operate on thin margins and pay the full 20% rate of VAT on stays while most of Europe applies a reduced rate. A levy would not arrive on a blank slate; it lands on top of all the following:



2 The impacts have not been accurately assessed.

No national, sector-specific assessment of an OVL's impact has been conducted; the work is left to individual local areas with limited experience of it. The evidence that does exist points to uneven effects: price-sensitive rural and coastal destinations, which compete on price, are more exposed than high-demand city markets, and a flat charge takes its largest share from low-cost stays, weighing most on lower-income families and off-season breaks. The Welsh Government's own modelling projected job losses and significant administrative costs and assumed every county in Wales would adopt the levy, so the revenue implied would in practice be far lower while those costs would still apply. Decisions of this consequence should rest on evidence gathered before implementation, not discovered after it.

Some impacts will indeed depend on how levy income is spent, which is precisely why the governance safeguards in section 4 matter. Where outcomes are uncertain, that is an argument for assessing first and designing well, not for proceeding without evidence.

[1] VisitBritain/VisitEngland, 'The Economic Value of Tourism', 2024 figures: visitbritain.org

3 The risks that need managing.

- **Economic risk.** UK guests already pay 20% VAT on accommodation while most of Europe applies reduced rates of 5–15%; a levy on top could push the effective tax on a stay above 30%. The European Commission's own study of tourism taxation, by PwC, found a strong empirical case for reducing taxes on tourists to keep destinations competitive.[2]
- **Displacement risk – beyond leisure tourism.** Mobile, overnight-dependent activity – conferences, festivals, touring productions, training contracts – can move, and the effect reaches sectors far beyond accommodation. On the day Edinburgh's levy took effect, Scottish Ballet cancelled its performances between Christmas and New Year at the Festival Theatre, citing accommodation costs 72% higher than in 2019 and a touring bill above £200,000, and called touring to the city "fast becoming unsustainable".[3] Separately, the Edinburgh TV Festival is leaving the city after 50 years for Greater Manchester, citing affordability and the rising cost of attending.[4]
- **Operational risk.** A patchwork of differing local schemes multiplies costs for micro-businesses and booking platforms alike; Germany's roughly 30 different local systems have generated confusion and court cases.[5] Unless expressly excluded, levy income also risks counting towards the VAT registration threshold: a tax on a tax that could tip small businesses into charging 20% VAT on every stay.
- **Governance risk.** Without safeguards, levy income can quietly replace core visitor-economy budgets rather than add to them, and spending panels can become talking shops without real authority. Unmanaged overlap with Accommodation Business Improvement Districts (ABIDs) and voluntary giving schemes risks visitors being asked to pay twice, and businesses to collect twice.
- **Reputational risk.** A visibly rising cost of staying, without visible improvement in the visitor experience, damages destination reputations at home and abroad, precisely what levy income is meant to prevent.

4 If levies proceed: ten headline asks.

1 Assess first
Sector-specific economic impact assessments before any levy, with HM Treasury methodology guidance developed with the industry.

2 One national framework
A single, consistent design across all adopting areas, not a patchwork of local schemes.

3 Design for simplicity
Rules that every booking system and micro-business can administer without disproportionate cost or burden.

4 Ring-fence every pound
Levy income spent only on the visitor economy that collects it – growth, skills, destination management.

5 Guarantee additionality
Core visitor-economy budgets must not be reduced. A levy provides additional revenue, never a replacement budget.

6 Empowered forums
Statutory public–private forums with real power over spend, building on Scotland's Visitor Levy Forums, seating accommodation providers, Local Visitor Economy Partnerships (LVEPs) and Destination Management Organisations (DMOs).

7 Fix the VAT interaction
Levy income must not count towards the VAT registration threshold; no tax on a tax.

8 One national exemptions policy
Any exemptions (including the treatment of children and groups) decided once, nationally, on evidence, not area by area.

9 Protect existing schemes
No double charging alongside ABIDs and voluntary visitor giving; liability for accurate guest declarations rests with the guest.

10 Review – and reverse
Rolling three-yearly economic reviews, with the ability to suspend or withdraw a levy that is not working.

Let us get this right, together. The Tourism Alliance and its members stand ready to work with HM Treasury, mayoral and local authorities on impact assessments, levy design, and the alternatives, including voluntary visitor-contribution schemes such as the Canary Islands' REGNEXT fund, backed by TUI, Expedia, Jet2 and UN Tourism.

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[2] European Commission (DG GROW) / PwC, 'The impact of taxes on the competitiveness of European tourism', 2017: op.europa.eu
[3] Edinburgh Evening News, 'Scottish Ballet calls for Edinburgh Visitor Tax relief after cancelling festive shows', 24 July 2026: edinburghnews.scotsman.com
[4] Variety, 'Edinburgh TV Festival Relocates to Manchester After 50 Years', June 2026: variety.com
[5] Evidence to the APPG for Hospitality and Tourism from the German Hotel Association (IHA) APPG-visitor-levy-inquiry-meeting-minutes-23.06.2026.pdf