



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government, Housing and Planning Committee

**Tuesday 24 October 2023**

**Session 6**



The Scottish Parliament  
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - [www.parliament.scot](http://www.parliament.scot) or by contacting Public Information on 0131 348 5000

---

**Tuesday 24 October 2023**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>VISITOR LEVY (SCOTLAND) BILL: STAGE 1 .....</b>	<b>2</b>

---

**LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE**  
**24<sup>th</sup> Meeting 2023, Session 6**

**CONVENER**

\*Ariane Burgess (Highlands and Islands) (Green)

**DEPUTY CONVENER**

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

**COMMITTEE MEMBERS**

\*Miles Briggs (Lothian) (Con)

\*Pam Gosal (West Scotland) (Con)

\*Mark Griffin (Central Scotland) (Lab)

\*Ivan McKee (Glasgow Provan) (SNP)

\*Marie McNair (Clydebank and Milngavie) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Sarah Allanson (British Holiday and Home Parks Association Ltd)

Fiona Campbell (Association of Scotland's Self-Caterers)

Stacey Dingwall (Federation of Small Businesses)

Ben Edgar-Spier (Sykes Cottages Ltd)

Neil Ellis (Edinburgh Hotels Association)

Simon McGrath (The Camping and Caravanning Club Ltd)

Margo Paterson (Hostelling Scotland)

David Weston (Scottish Bed and Breakfast Association)

Frank Whittaker (Aberdeen City and Shire Hotels Association)

Stephen Young (Scottish Land & Estates)

**CLERK TO THE COMMITTEE**

Euan Donald

**LOCATION**

The David Livingstone Room (CR6)



## Scottish Parliament

### Local Government, Housing and Planning Committee

*Tuesday 24 October 2023*

*[The Convener opened the meeting at 09:30]*

### Decision on Taking Business in Private

**The Convener (Ariane Burgess):** Good morning, and welcome to the 24th meeting in 2023 of the Local Government, Housing and Planning Committee. I remind all members and witnesses to ensure that their devices are on silent and that all notifications are turned off during the meeting.

The first item on our agenda is to decide whether to take items 3 and 4 in private. Do members agree to take those items in private?

**Members indicated agreement.**

## Visitor Levy (Scotland) Bill: Stage 1

09:30

**The Convener:** The next item on our agenda is to take evidence on the Visitor Levy (Scotland) Bill from two panels of witnesses. This is our first opportunity to hear from stakeholders on the bill. For our first panel, we are joined in the room by Fiona Campbell, who is chief executive of the Association of Scotland's Self-Caterers; Stacey Dingwall, who is head of policy and external affairs at the Federation of Small Businesses Scotland; David Weston, who is chair of the Scottish Bed and Breakfast Association; and Stephen Young, who is head of policy at Scottish Land & Estates. We are joined online by Ben Edgar-Spier, who is head of regulation and policy at Sykes Cottages Ltd. I welcome our witnesses to the meeting.

We will try to direct our questions to specific witnesses where possible, but, if you would like to come in, please indicate that to the clerks. Ben, as you are appearing virtually, please do that by typing R in the chat function. There is no need for any of you to manually turn on your microphones; that will be done automatically for you.

I will begin with a context-setting question. The committee has been hearing that tourist taxes are common across Europe. I am interested in your thoughts on the view that visitor levies and tourist taxes are commonplace and do not seem to deter tourists from visiting popular destinations.

**David Weston (Scottish Bed and Breakfast Association):** That point of view is often put. There is some truth in it, but there are a couple of points to make. First, in Scotland and elsewhere in the United Kingdom, compared with our competitors, we have very high levels of tourist taxes—taxes on anything that tourists pay—by which I mean VAT on accommodation, which is the highest among all our competitors, airport departure taxes, alcohol taxes, business rates and other things. In 2019, the World Economic Forum rated the UK 140th out of 140 countries on tourism price competitiveness. The sector is already very highly taxed.

Secondly, in most cases, businesses in other countries that have tourist taxes—again, all their other taxes are lower than ours—are allowed to set their room price and then simply say at the desk, “By the way, there is another €3 payable locally”, or whatever it is. That is not legal here, because we have to include any mandatory fees in the price, unless the law is going to be changed on that. Therefore, we would have to add that levy on to our room price, which is very competitive.

That leads me on to another point that I would like to make later, if you will allow me the time, about how competitive tourism is. It is very transparent—people book through online travel agencies, and they will book a room for £99 rather than a room for £100. The idea that £2, £3 or £5 will not be noticed is not correct in that context.

**The Convener:** I did not quite catch what you said about what is not legal in this country. Could you go over that again?

**David Weston:** I do not remember the name of the legislation, but in this country we are not allowed to exclude anything that is mandatory from the price. If you have a product that costs £100 and there is a mandatory extra fee of £2, legally you have to quote £102 for that product, and that includes travel.

**The Convener:** Right, so we cannot separate it out.

**David Weston:** We cannot separate it out, unless the fundamental legislation is changed.

**The Convener:** Okay.

**David Weston:** One of my colleagues might remember the name of the legislation—I think that it is in our submission—but I cannot remember it offhand.

**The Convener:** Okay. Thanks for that.

**Fiona Campbell (Association of Scotland's Self-Caterers):** I absolutely concur with David Weston that the proposed levy risks the competitiveness of the Scottish tourism industry. It also ignores the fact that tourists already make a substantial contribution to our economy. It is absolutely true that lots of European markets have levies in place, but they do not have our level of VAT. A new levy in Scotland would be in addition to VAT, whereas 25 European Union countries have a discounted VAT rate for tourism, so we are automatically disadvantaged.

The bill's financial memorandum does not estimate the financial impact on businesses if VAT is applied to the levy, and that urgently needs to be revisited. The levy will have a detrimental impact on small accommodation providers, specifically because it might well push them above the VAT threshold that they have not met before. That is a significant problem for those small businesses. A recent PWC report, "The Impact of Taxes on the Competitiveness of European Tourism", which I will happily share with you later if you do not have it, was prepared for the European Commission and found that tourist demand is highly sensitive to changes in price. An additional £1 as a levy will have a major detrimental impact on visitor spend.

**Stephen Young (Scottish Land & Estates):** I agree with what Fiona Campbell and David Weston have said. On its own, any policy is always rational and makes sense, but we have to look at it in the round in relation to levels of taxation and layers of legislation. There is a lot to be taken into account: recent impacts as well as long-term impacts. We have to look at everything together rather than just one thing.

In the business and regulatory impact assessment, there is not much learning from other countries on the cost of implementation. There is a little bit on local authority costs, but there has been very little investigation with operators of what such levies have cost them and their experience of them. Generally, it is fine to say that other countries have them, but what is the learning? What are the good bits that we can take from what has happened in other countries, and what are the mistakes? There are always mistakes.

**Stacey Dingwall (Federation of Small Businesses):** I certainly agree with my fellow panel members. When we spoke to our members about implementing the tax, we heard two main things. One was that Scotland is already a highly taxed setting to operate in, and the other—this was the point that came up most—was that people were scared of being pushed above the VAT threshold.

I will pick up on Stephen Young's point. It is important to consider the economic context in which other countries have implemented their levies. We are all familiar with the current circumstances of our economy and the cost of living crisis. We all know that accommodation providers have not had to seek their challenges in the past three years, so it is really important to think about that context and what they are dealing with in trying to get back on their feet when we think about implementing any new tax or regulation.

**Ben Edgar-Spier (Sykes Cottages Ltd):** I will just add to all those points, with which I concur. When you consider all the taxes in the round—not just the visitor levy, which is common in Europe, but all types of taxation—you see that the destinations that have introduced the highest levels of taxation on visitor accommodation, notably Amsterdam and Barcelona, have done so to try to reduce and restrict visitor numbers. That is key, but I do not think that that is the policy intention here.

A side point relates to how people respond to a levy and price sensitivity. I know that fellow panel members have done research on Scotland, and we did some on the Welsh proposals for a levy. A Welsh Government survey of visitors and residents in Wales found that only 50 per cent of people who were likely to go to Wales on holiday

said that a levy would make no difference to their trip. The other half said a range of things—some said that they were not sure, some said that they would cut back and some said that they would go on a day trip instead or go somewhere else. It all seemed very risky for just a few pounds a night. When we modelled the Welsh Government's statistics and its survey, taking into account a tourism sector spend of £6 billion, the levy and the cost of losing visitors, we made a conservative prediction that the net loss to the Welsh economy would be £385 million. That is to do with things such as overnight visitors spending six times more than day visitors. I just want to make the point about price sensitivity.

**Pam Gosal (West Scotland) (Con):** Good morning. You have mentioned higher taxes and VAT. Given the high costs of doing business in Scotland, business rates, regulations on short-term lets and many other issues, do you think that the extra cost on business is justified?

**Fiona Campbell:** That is a very good question. Frankly, it is the absolute last thing that the small accommodation and self-catering sector needs. We have just come through a pandemic—I do not need to explain that—and we are being massively squeezed by the cost of living crisis. Recovery remains precarious. Our international visitors are coming back, but our domestic visitors are not. That is a real problem because, historically, 70 per cent of our market has been domestic visitors. We obviously face significant costs, including those associated with short-term let licensing and planning regulations, which are considerable. Indeed, it could be said that we are shrinking the sector and then taxing it on top of that.

The committee should also be cognisant of how the levy is being modelled in relation to the BRIA, given that we still do not know the numbers in relation to short-term let licensing. For example, Edinburgh produced a figure for how much it accrues from the self-catering sector based on 12,000 short-term lets in the city. That was always going to be a flawed number, as there have only been 3,200 applications. That means that either the modelling is incorrect, people are operating under the radar or they have closed their doors. Until we know those numbers, it is really important that we understand what the impact will be on the modelling for a levy.

**Stephen Young:** I will take the discussion a little bit further outwith the business regulation issue. There is also a messaging and signalling issue. We came through the pandemic, and there was a really strong message then about holidaying at home, spending money locally and that sort of thing. The messaging now seems to be that, somehow, tourism in Scotland is a bad thing, that it needs to be licensed and taxed and that it is not

paying its way. We need to have a really strong message that gives a positive image of tourism and that says that we are definitely open for business and genuinely want to grow the sector. The danger is that the messaging is signalling that there is a problem with tourism in Scotland, which there absolutely is not.

**Stacey Dingwall:** We did not find blanket outright opposition to a levy when we surveyed our members at the beginning of the year. Just over 50 per cent were against it, about 20 per cent were for it and the rest were unsure. When we followed that up with more of a narrative conversation with people, we found that not only were there the concerns that I initially spoke about but quite a lot of people were looking at the opportunities that the levy might bring, because, obviously, there will be revenue from it. The preference was for that revenue to be invested in local infrastructure and things that would make the area more attractive to tourists. There were certainly two sides when we spoke to our members. There was probably an acceptance that the levy would be introduced, so there was a focus on how it could be used for good.

**Ben Edgar-Spier:** If the levy is accepted as an inevitability, the sector will try to make the best of it. We have said that the sector is already highly taxed in different ways, and there seems to be a concern about making sure that tax gets to communities and does not get stuck in Westminster, Holyrood or elsewhere. If we accept that visitors already pay significant levels of tax, surely there should be a separate discussion about how that tax is apportioned and moved around, rather than setting up another system and another tax with all the risks, inefficiencies and costs that go with that. If there is an admin burden and the cost of setting up a new system to report and collect tax, it would be more efficient to just redirect existing high taxation. That is on top of the argument that it is likely that increasing tax on visitors will lead to a net loss.

09:45

**The Convener:** I will move on but stay in the same area. Stacey Dingwall and Ben Edgar-Spier started to touch on this. One of the reasons why the bill has been introduced relates to the impact that mass tourism has on our communities. I am interested in hearing from any of you about the alternatives. Ben Edgar-Spier mentioned redirecting high taxation. If we do not go down this route, how can we tackle the issues that communities face when there is mass impact on tourism infrastructure in order to improve things for those communities? What are the other ways of doing that, aside from what has been mentioned on redirecting high taxation?

**Fiona Campbell:** It is really important that there is a clear understanding of the policy objective. It cannot be short-term let licensing mark 2; we need to understand what we are trying to achieve. Are we trying to stop the impact of mass tourism—whatever that means—or are we trying to get some much-needed income for cash-strapped councils?

We need to remember that any visitor levy will have an impact on ordinary Scottish families, as well as on those in the rest of the UK when they holiday in Scotland. As I said, international visitors might be coming back, but there has been a really slow recovery in the domestic market, which accounts for the majority of stays in the self-catering sector. Will price-sensitive consumers simply go to York instead of Edinburgh? Will they go south of the border instead of staying in Scotland? Are we cutting off our nose to spite our face? We need tourism. As Stephen Young said, there cannot be the assumption that all tourism is bad. As a nation, we are absolutely reliant on tourism, and we need to be welcoming. As he said, we face reputational damage that could be absolutely devastating for Scotland.

**Ben Edgar-Spier:** I echo what Fiona Campbell has said. We need to think about the policy objective and the unintended consequences. It comes down to which activities we want to tax. I mentioned Amsterdam and Barcelona, where the cumulative taxes are among the highest for visitors. That is precisely because they are trying to dissuade people from visiting. If we assume that that is not the aim here, we should want to tax the activities that do not contribute billions of pounds—the figures are out there for short-term lets and tourism as a whole. It is about taxing empty second homes or disincentivising land banking and levying taxes on the negative use of land and properties. That is the opposite of targeting short-term lets and other tourism establishments, which contribute so much. We need to be careful about which activities are taxed, because that might lead to different flows of visitors.

**David Weston:** I feel uncomfortable talking about the impact of tourism as though it is all negative, with tourism having to be managed down, because I contend that the vast majority of the impact of tourism on Scotland's economy is positive. Spend by people staying in bed and breakfasts in rural areas keeps the local shops, pubs, restaurants and attractions going and supports livelihoods. We need to be really careful that any policy interventions by the Government do not kill that golden goose. Yes, there are some negative impacts, but they are very defined and occur in certain areas.

The Government has taken, I would say, drastic action already on short-term let licensing to overcome some of the impacts. However, some of the negative impacts of tourism come from things such as camper vans, wild camping, cruise ship arrivals and day trippers, who do not stay overnight and do not contribute much to the economy of where they visit. It would be very distortive if those impacts were left uncovered by a levy that applied only to places where people stay overnight. That would cover the sort of tourists who are the most valuable to any destination: the people who stay overnight. All surveys show that they spend the most and contribute the most. The Government needs to be careful that its policies do not damage the most advantageous forms of tourism and leave unchecked the most damaging forms, which, as I said, include camper vans, wild camping, cruise ship arrivals and day trippers. There are impacts from all of those, so we need to look at things in the round.

**Stacey Dingwall:** I echo Fiona Campbell's point about the need to understand the reason why we are introducing a levy. That is particularly important because the bill includes the first major regulation that will be introduced after the publication of the new deal for business implementation plan. FSB Scotland is a member of the group that was involved in that, and the group's main focus is to gain better understanding of why we are doing this, what it will achieve and what the impact on small businesses will be. We have argued consistently that there needs to be more consideration of the impact on small businesses in BRIAs. In the BRIA for the bill, consideration was given to the potential impact of the VAT issue on only two small businesses. That is not a sufficient analysis of the impact on small businesses.

As I said, this is a really big test of the new deal that we have agreed. If we get this wrong, it will be catastrophic for small businesses. We already know that we lost about 20,000 in a single year of the Covid crisis. The industry is worth £4.5 billion a year to the economy and provides 200,000 jobs, so it is really important that we get this right for small businesses.

**Mark Griffin (Central Scotland) (Lab):** I want to ask a broad question. It is not so much about the content of the bill as it is about the consultation and engagement process. Have you been satisfied with the level of consultation and engagement that you have had with the Scottish Government as the bill has progressed from consultation to introduction, and with the level of influence that you have been able to exert on the proposals within the bill? Perhaps we can start with Stephen Young.



**Stephen Young:** You can never have enough consultation and engagement. I do not think that we have had that outside the formal consultation, through pre-legislative scrutiny or working groups. One of the things that we have talked about is how, if we accept that it is going to happen, we are going to make the levy work effectively. The only way that that can be done is through speaking to the people who will be affected by it and who must understand the mechanism of physically collecting the levy and passing it on. I think that there has not been enough work done on that.

Stacey Dingwall mentioned a reset of the relationship with business, but that is not the case with the bill. Certainly, we have seen what happened with short-term lets, but this is an opportunity to move beyond that and to say, "That wasn't very good—how do we get better?" We have not seen a stepping up in relationship-building and listening to industry.

**Fiona Campbell:** I agree with Stacey Dingwall that this is the second test of the principles of the new deal for business. During the previous regulatory debate on licensing, the concerns of businesses—specifically small businesses—were ignored and dismissed. Unfortunately, I feel as if we are going in exactly the same direction. As members will well know, I have lived that debate for the past seven years, and I can see this bill doing exactly the same thing. Scottish businesses simply cannot afford to face the same unintended consequences as we faced with short-term let licensing. This scheme is critical, coming on top of an already diabolical licensing scheme that is onerous on small businesses. If we get this wrong, it will be awful.

I am delighted to be on the expert group on guidance for the visitor levy but once again it feels, rather, as though the cart was put before the horse. We need to look at the policy objectives and go back to the BRIA so that it reflects the 2023 data, considers small businesses and actually consults them and, rather than just hearing them, listens to the voices of small businesses. That needs to happen. Right now, it just feels like a done deal, again.

**The Convener:** Does anyone else want to say something?

**Stacey Dingwall:** To pick up on my point on the BRIA, I note that it would be worth going back and carrying out a more extensive analysis of the businesses that were consulted for that.

**Pam Gosal:** In 2018, the Convention of Scottish Local Authorities called for a tax on visitors and not on businesses. It seems as if the bill will have a substantial impact on businesses—in particular, the small business and microbusinesses that you have spoken about today. What is your view on

whether it will be a tax on visitors and not on businesses?

**David Weston:** That is a very good point. The tax certainly lands heavily on very small businesses such as B and Bs and self-catering accommodation operators, because they will have to collect it. It is really not a visitor levy; it is an accommodation tax and an extra tax on the product. B and Bs will have to invest and spend money to adapt their accounting systems to collect the tax, so a cost will be incurred in collecting it.

The payment charges on card payments are roughly 2 per cent of the payment, just to take the payment. That is a cost that falls directly on the accommodation provider, and there are things such as online travel agent commissions, which are usually between 15 and 18 per cent and are often much higher than that. With all those costs added together, a large part of a visitor levy will be a cost to the accommodation provider. If providers are to not be physically out of pocket, they will need to retain all the money in order to meet those costs. Even if the costs are met, there is extra administration—an extra burden that will add to prices.

We are all in a marketplace that is extremely transparent, so simply adding costs to the price of the product means that charging less will eat into margins. Although the consumer will pay the tax, it will, in effect, also be a tax on the accommodation provider.

**Ben Edgar-Spier:** I echo what David Weston has just said. We have experienced that at Sykes Cottages. Last winter, businesses would, if they could have, have added a few extra pounds per night to deal with the increased energy costs in their short-term lets, but they know that when they reach the inflection point where increasing the price will affect bookings, they have to level it off.

The reason why people do not increase their prices is that prices are already at the optimum level. We have talked about the research that shows that a 1 per cent increase in prices in the UK reduced demand among tourists from France by 2.2 per cent. It is operators who have to stomach that, on top of everything else that Fiona Campbell mentioned.

As I asked before, what activity do you want to tax? Do you want to tax the tourism sector and operators who are trying to bring visitors to the country, or do you tax the 47,000 empty homes in Scotland or the underused land—land banking—for which planning permission has already been granted? Why tax what is deemed to be a benefit to Scotland? That seems to be odd.

**The Convener:** Thank you very much for that, Ben. Just to let you know, work is being done on taxing empty homes. That is a piece of the puzzle.

**Fiona Campbell:** The levy will absolutely be a huge burden, especially on the smaller accommodation providers. Hotels will be able to add to their point-of-sale systems. Small accommodation providers and bed and breakfasts do not have such systems—they have a diary. Just the administration will be hugely burdensome for them.

A lot of self-catering accommodation providers are now using dynamic pricing; it will be very difficult for them to deliver that in a seamless way. A hotel will find setting up for the levy relatively easy, as it will have a one-off cost for setting up, but it will be incredibly burdensome specifically for smaller accommodation providers. Should we impose the levy just on hotels because that would be easier? They would say that that would not be a level playing field.

10:00

It is also really important that all providers of overnight tourist accommodation have the same burden, so you cannot exempt camper van hire providers because that would increase the number of camper vans on the roads. That is already happening post-pandemic and post short-term lets closing down. The levy will exacerbate that. If people have to pay the levy at a campsite, they will not stay on a campsite—they will stay in a lay-by, where they will not be charged. You have to be really careful about how the levy will impact on all the different accommodation providers.

**Pam Gosal:** There will be a lot of burdens on small businesses and microbusinesses, as you say. In looking for a solution and turning that around, how can we ensure that there are not major administrative burdens on small businesses and microbusinesses? How can they be helped and things moved forward?

**Fiona Campbell:** I have spent the past four years thinking about this, and there is no way. A lot of people will say—there are other providers—that Airbnb does the same, but not everybody uses Airbnb. Airbnb is simply a marketing platform—a route to market. Many of David Weston's members and my members do not use such platforms, agencies or anybody else. They literally depend on repeat business and so on. There is no simple non-burdensome way to do it, I am afraid.

**The Convener:** Stacey wants to come in.

**Stacey Dingwall:** I do not have a solution for you, unfortunately. I just want to flag up that the additional regulatory burden is the biggest concern of our members. About one tenth of the members whom we surveyed at the beginning of the year are already spending more than eight hours a

week on regulatory compliance, which is a full working day out of the business every week.

We also heard specifically in the consultation—this will feed into our consultation response—that some of our members think that they will simply have to absorb the costs rather than add them to the charge to the visitor because it will be too difficult for them to administer the charge.

**Stephen Young:** In reality, there is no way to make the levy non-burdensome; it is something extra that we will have to do. The only thing that we have talked about that could make the levy slightly easier would be to make it a flat rate rather than a percentage. A rate per night per head would probably be easier to administer than a percentage. We have talked about dynamic pricing strategies and different timings; that could become really complex, particularly for an operator that has different types of rooms at different prices, which means that who is paying what becomes really complex. A flat rate is the only thing that could reduce the burden slightly, but the burden would still be there. The mechanism, and not the levy per se, of having to collect the levy, account for it and then pass it on in a timely way will be really burdensome, whether it is £1 or £100. That will all add to the cost.

**Marie McNair (Clydebank and Milngavie) (SNP):** Good morning. What are your views on the levy being an accommodation levy and not a visitor levy, because many visitors—day trippers, wild campers, some motorhome drivers and cruise-ship passengers—will not have to pay anything? David Weston touched on that. Would you like to expand on your previous comments?

**David Weston:** Yes—thank you. The levy that we are talking about is really an accommodation tax rather than a visitor levy. We have argued that we should not be introducing it now, but I will put that aside.

In principle, any levy on tourism needs to provide a level playing field: it must apply to all tourism—especially forms of tourism that have a high negative impact. It would be perverse if, for instance, rural B and Bs were subjected to a tax while camper vans that are trailing around and stopping overnight in areas of natural beauty were not, and nor were—as you mentioned—cruise-ship arrivals and day visitors to cities.

Thought needs to be given to how to make a levy fair and to spread it widely, because doing so would reduce the impact on any single sector. It would be unfair to single out specific sectors for an extra tax while leaving others untaxed, because—as Fiona Campbell said—that would distort behaviour and make certain behaviours worse, such as use of camper vans and wild camping,

which have extremely negative impacts in rural areas.

**Fiona Campbell:** I absolutely agree.

**Ben Edgar-Spier:** I echo what David Weston said. We know that overnight visitors spend six times what day visitors spend. What is the solution? Notwithstanding all the concerns about the already high level of the tax, increasing VAT would be better than introducing a new tax, purely because that would not increase admin—which shows how strongly my fellow witnesses and I feel about the levy. The level of admin means that it will be a double levy: you have the levy itself, then the admin. Increasing VAT would be better.

Every degree of localism in the bill makes it harder and increases the burden. There might be some justification for localism when it comes to seasonality, different parts of a local authority area and different events, but there are elements of localism in the proposals that will create a much greater burden for small businesses.

Local authorities can have their own arrangements for how to reimburse; they can have their own local exemptions, they can choose how decisions are to be reviewed, they can choose the periods of reporting to be quarterly or whatever. The form and manner of the return, and the information that is to be included, can be decided by the local authority. Records can be kept for different lengths of time, depending on what the local authority decides. They can also decide which records are to be kept.

I cannot see why it is necessary to determine any of those at a local level. They are just matters of fact. Do the records need to be kept for five years or three years? Why would that be different in Glasgow to what it is in the Highlands? There is so much localism for localism's sake in the bill, rather than it reflecting genuine local differences, such as for hogmanay in Edinburgh or the Edinburgh festival. Making the system simpler is the one way in which it could be improved, if it is to go ahead.

**Stephen Young:** It all comes back to the questions what problem we are trying to solve, and what is success. A lot of the issues are around mass tourism and its impacts on infrastructure—or the lack of it. How do we put infrastructure in place without laying the burden of paying for it on one section of the perceived problem? That has to be taken into account. A lot of the infrastructure problems are not really tourism problems; they are wider societal and budgetary problems because there are not infinite pots of money.

It all comes back to what success is. Success would be better infrastructure, so that we maintain or enhance the number of tourists while handling

them better and reducing the impacts. We have to be really clear about what we are trying to do. I am not sure that that is coming through in the bill.

**Fiona Campbell:** I absolutely echo Ben Edgar-Spier's concerns about the localism element and giving the ability to the 32 local authorities to do 32 different things. We have evidence of what that looks like in terms of short-term let licensing, which is an absolute car crash. It would be a burden, on top of a burden, for a certain local authority area to choose to do things in a slightly more difficult regulatory way than another area might choose. It is not working with short-term let licensing. Let us learn from the mistakes of that and get it right. That is crucial. It is so important to reflect that it will be a huge burden on small businesses. That is a fact.

**Marie McNair:** Thank you.

Do the witnesses consider that there are accommodation providers that will be covered by the bill that should not be covered?

**Ben Edgar-Spier:** I am not sure that there are providers that are covered that should not be covered, but I think that there are others that should be covered. We have talked about charging camper vans at the point of hire. I cannot think of any others off the top of my head, but other witnesses might have something to contribute.

**Stephen Young:** One example is moorings and boats, but a levy on them would be extremely difficult to administer. Someone who has a mooring is not providing accommodation—they are not providing that service. They also have no power to inspect a boat to see whether anyone is sleeping on it, so that could be hugely problematic. We have said elsewhere that cruise ships would be too difficult to administer. I do not see the difference there; it is not a huge issue. As we have said, camper vans not being included is probably a bigger issue than things being included that should not be included.

Whatever we do has to provide a level playing field. We cannot disadvantage some sectors compared with others. To come back to boats and camper vans, when people hire them out, they are, in effect, providing accommodation. A levy on them, and not on where they are parked, would probably be a better way.

**Fiona Campbell:** I absolutely agree. I spoke to officials about this a long time ago, and they said that it would be too difficult to include camper vans because they move. The point is that, if we are talking about a levy on the accommodation provider, the camper van hire operator would be the point at which to take the levy and remit it to the local authority. That is the only way of doing it and is, very clearly, a very easy way of doing it.

People would not then pick up a camper van in Glasgow and pay the levy in the Highlands, even if they went through the Highlands. One should have to pay at the point of the operator because they are the accommodation provider. That would be simple and easy. For such providers not to be included renders the system an unlevel playing field immediately.

**The Convener:** You used the example of a camper van that is hired in Glasgow that then travels through the Highlands. The problem is that Highland Council would not then benefit from the income, to tackle the issues from the impacts of camper vans there. That needs to be worked through, and I think that the Government is taking that on board. Maybe that is not quite the solution, but there are other ideas such as licence capturing through technology. It certainly needs to be thought through; we are trying to get the income into local authority areas.

**Fiona Campbell:** During a really constructive conversation with officials on that subject, they came back and said that the problem is that that would not capture personal camper vans. My point is that we have, once again, to be clear about the policy objectives. The bill will not capture personal camper vans—they are not part of the bill. Use of a personal camper van is not a commercial overnight stay. I think that we need to remember what the policy objective is, what the mischief is that we are trying to solve, and what success looks like at the end of it.

**David Weston:** Obviously, you made a good point about a camper van that is hired in Glasgow that then goes into the Highlands. In such a scenario, the Highlands are not benefiting, but I do not see that as an insurmountable problem, because local councils could come to some agreement for apportioning money from that kind of hire across councils in order to make it a bit fairer. That would be a way of doing it.

What we are saying is that the practicality, the fairness and the need for a level playing field means that camper van hire should be included, and can be included because it would be relatively easy to collect the levy at the hire point. The question of the money going to different parts of Scotland is a technical issue but, between councils and with the Government's help, the money could be transferred to allow for where camper vans are generally staying.

**The Convener:** Thanks very much.

I am going to move on because of time. We have quite a few more questions to get into. You have touched on some of them, but I want to give colleagues the opportunity to ask them.

**Miles Briggs (Lothian) (Con):** Good morning, panel. Thank you for joining us. The bill provides

for a percentage to be used, which would be for councils to decide, and it places no restrictions on what that may be. What are your views on that approach? What are the pros and cons of using a percentage rather than a flat rate? What challenges will businesses face if the levy is set at different levels in different parts of the country?

10:15

**David Weston:** We strongly believe that using a percentage is the wrong way to go. It would be extremely complex from the point of view of collecting it and it would be less easy for consumers to understand. It is key to the success of the whole thing that tourists in general—I do not know whether everyone understands that that includes Scottish people staying in other parts of Scotland—understand the scheme. If the levy was £2 or £3 a night, that could be known, understood and easily worked out. If it is a percentage, it will become much more complicated from the providers' point of view—we are the people who will have to collect it—and from the point of view of the consumer's understanding.

We read about the City of Edinburgh Council talking about 6 per cent or figures like that. When people are staying at the Balmoral hotel, we could find that huge amounts are being paid in a visitor levy. We feel strongly that the bill should specify an upper limit or the maximum amount that may be levied. However, the key thing is that the levy should be a flat low rate and not a percentage.

**The Convener:** Thank you for that. I will bring Stephen Young in if he has something to add that David Weston has not said.

**Stephen Young:** Scotland markets itself as a premium holiday destination with high-quality accommodation provision. The levy will, in effect, penalise the providers of quality accommodation that is slightly more expensive. I return to the point about what we are doing this for. If it is about the impact of visitors, the impact is probably the same whether someone spends £10 a night or £1,000 a night. What is the problem that we are trying to solve? We do not want to discourage quality premium tourism to Scotland, because that boosts the Scottish economy and provides all the benefits that we are trying to keep while, we hope, offsetting any of the perceived negative impacts.

**Ben Edgar-Spier:** I echo that. A flat rate would resolve the point about people in a camper van in Edinburgh going to the Highlands or wherever. If there was a national scheme with a single flat rate, people who were moving around would understand what was being charged and there would be less admin. It would be clearer for visitors, local authorities and owners. The more localism there is, the more confusing it will be and

the more it will put people off, so a national scheme with a flat fee would make sense.

**Fiona Campbell:** I absolutely agree. What we have seen with the licensing of short-term lets is that, rather than fees being kept within the suggested rates from the Scottish Government, they have gone wild in some areas. It is critical that the bill contains a cap so that local authorities cannot go wild and levy 6 per cent or 7 per cent, because that would be hugely detrimental to the Scottish economy.

**Miles Briggs:** My next question is about flexibilities in the bill. We touched on that when we talked about the potential for a levy to be applied only at certain times of the year. Hogmanay was highlighted, and I imagine that the Edinburgh festival is a time that the City of Edinburgh Council would look at. Would such flexibility be appropriate and useful?

Also, what are your views on local and national exemptions for people who are staying in hotels in order to work in an area, people who are providing care to a loved one and people who are visiting their children in hospital or a family member in prison? Should exemptions for such people, which are not currently in the bill, be taken forward?

**Fiona Campbell:** That would be almost impossible to enforce. We might find that, suddenly, everybody has a child in hospital. We cannot have that sort of thing going on. I know that the festivals are seeking exemptions for cast and crew, but everybody could say, "I am an actor."

On the point about seasonality, that approach would—again—be an added burden for small businesses. Turning the levy on and off would mean confusion for business owners and guests. People would think, "If I arrive on the 24th I'll get charged, but if I arrive on the 23rd I won't." Administratively, it would be incredibly difficult to deliver that.

**David Weston:** It is important that exemptions are limited, that there is a national framework and that the local authorities are in charge of them and deal with them. We cannot have accommodation owners deciding whether people are making valid claims about hospital visits or otherwise looking at their circumstances and policing whether they are telling the truth. That would be an absolute nightmare. If a local authority wants exemptions, it will have to manage them.

**Stacey Dingwall:** Helpfully, our members were pretty much evenly split, again, on the issue of flexibility or having standard measures in the bill. For instance, people thought that having a percentage charging model would be advantageous because it would allow proportionality to be applied to the cost of the accommodation, but if that was done, there would

be the burden of separating out costs. On balance, I think that we concluded that we would support a national cap, which David Weston mentioned.

On exemptions, we believe that more information is needed, particularly on the ones that are defined. How would eligibility be ascertained and proven? As Fiona Campbell noted, a lot of loopholes could come in. We believe that there is still quite a bit of work to be done on that.

On flexibility around times, people were open to that, but there is concern about the regulatory burden on the smallest providers and how they would cope with that compared with the large hotel chains that will have the infrastructure and staff to resource it.

**Miles Briggs:** Do you know about any exemptions that are in place in other systems and how they are administered? For example, the Edinburgh festivals provide a discount on some things for people who live in Edinburgh, with their council tax number being the key to unlock that. Are there ways of doing the administration to provide such exemptions? Would that solve the problem? If someone books something as a resident of Edinburgh—the City of Edinburgh Council being, probably, the keenest on the levy being introduced—could that enable a discount?

**Fiona Campbell:** Again, it comes down to administration. It is one thing for a large hotel chain that has a system into which people can put discount codes, but it is another thing for a B and B owner who does not have that technology in place. If there are exemptions, providers will have to be very careful about how they ask, "Why are you exempt?" There are general data protection regulation issues, intrusion issues and enforcement issues. The smaller the business is, the more painful it becomes.

**Stephen Young:** The only example that I can think of is the island travel discount scheme for flights and ferries for the residents of islands. However, that involves a very small number of large providers that have the systems in place to deal with it.

**Stacey Dingwall:** I do not think that any analysis of such a scenario has been done in the BRIA. We would have to revisit it and consider the views of enough small businesses with experience of such things before we could comment. There is not enough analysis yet, unfortunately.

**Ivan McKee (Glasgow Provan) (SNP):** Good morning, panel. It is good to see you. I want to talk about the BRIA, which has come up quite a bit this morning, and explore the numbers in it. There has already been some comment on the numbers, but I want to get on the record your sense of whether they are accurate. Before I come to that, however, I want to pick up on another area that adds

complexity, which is the implications of the levy applying only to the accommodation element of a guest's stay and not to other things that they pay for as part of the overall price. What are your reflections on that? How would the process work when people book through online platforms? What complexities might that give rise to?

**David Weston:** That is a good question. Another reason not to go for a percentage is that we would get into having to extract the cost of breakfast from prices and all those kinds of issues, which are extremely complicated for hotels and B and Bs. If the levy was a number of pounds per night's accommodation, that would be simpler. Nothing is totally simple, but that would be simpler to manage than a percentage. In many areas of tourism there are mixed charges, and breakfast is a key thing that is often included in a room rate. That would somehow have to be extracted, which is not as simple as it sounds.

**Stephen Young:** The BRIA was produced in 2019, so the work was probably done in 2018. However, the world has changed massively since then with the cost of living crisis, Covid and all the rest of it. There are issues there.

The other thing is that the BRIA takes into account and gives examples on the turnover of businesses, but there is no reflection of the profitability of those businesses. A microbusiness with an £85,000 turnover might have an £850 cost. That could be either fine or not fine depending on profitability. The chances are that the business will not be making more than 5 or 10 per cent profit, so a big chunk of that will be gone—and then, year on year, there is licensing and all the rest of it. We have to look at more than just the fairly bland figures on turnover and consider profitability in the sector. My gut feeling and the feeling among our members is that it will have dropped significantly in the past few years with all the extra legislation that has come in.

**Ivan McKee:** Moving on to the BRIA, I note that the implementation costs have been identified as being between £150 and £1,000 for a microbusiness and as high as £10,000 for some small and medium-sized businesses. Does anybody have any further comment on the accuracy of that?

**Stacey Dingwall:** Our main concern about the BRIA is that only two businesses that indicated annual turnovers below the VAT threshold were consulted as part of the process. As Stephen Young noted, that work was carried out in 2018 and 2019, and we saw what happened to the deposit return scheme, which was based on a BRIA that was carried out in the same timeframe. I go back to the point about learning from what we have seen in the past year. It is really important to revisit the BRIA as a result of that.

**Fiona Campbell:** I absolutely concur. The position in 2019 is, frankly, meaningless right now. It is now 2023 and the world has completely changed. The short-term let licensing was based on 2019 figures that have been proved to be completely inaccurate.

This is an opportunity to get it right and, as Stacey Dingwall said, it is also an opportunity, in light of the new deal for business, to actually listen to small businesses. It does not feel like that has happened to date. If the bill is to progress through Parliament, the Government needs to go back to the drawing board on the BRIA and start afresh. We need to look at it in the light of the whole regulatory landscape, including the impact of short-term let licensing and planning on the numbers, because that will completely change the modelling. What will be the benefit accrual of a levy that is based on the existing numbers? We will know more about that in the coming months and years in relation to the constricted small accommodation market.

**Ivan McKee:** One reflection on that is that we can calculate a number but, particularly for a microbusiness or a small business, the impact on the owner's time will mean that it is not as simple as saying, "This will cost £X." It might chew up a lot of their time, and that might be reflected in their attitude. Do you have any comments on the admin burden, apart from the notional cost impact?

**Fiona Campbell:** The BRIA for the licensing put nominal costs to the burden. The hours and months of people's time that has been spent trying to comply with licensing is unbelievable, so the BRIA was completely inaccurate and therefore incompetent, and that delivered a very poor policy. Let us not do that again. Let us learn from our mistakes.

**Stacey Dingwall:** You will obviously be very familiar with the ambitions that the Scottish Government has set out in the national strategy for economic transformation. The time that is taken is time when business owners are taken away from working on their businesses to grow them and scale them up, if that is what they want to do. It is really important to consider the matter in the round.

**Ivan McKee:** Absolutely.

10:30

**David Weston:** I emphasise the point that was touched on about the VAT threshold. That is a significant issue in our sector. The BRIA includes only a couple of businesses that are below that threshold, so it probably does not give correct feedback on the issue. Lots of businesses in our sector deliberately trade below, or up to, the VAT threshold. I know that it sounds perverse, but that

is the reality. Because of the rules on VAT and the very high rate of VAT that we have in the UK, there is a massive cliff edge when you get to £85,000. You suddenly have to charge 20 per cent more for the same service, so a lot of businesses deliberately trade up to that or under it. Some actually close for part of the year in order not to breach the VAT threshold.

It is perverse. I have spent far too much of my time talking to the UK Treasury, trying to explain how perverse that is and why it ought to introduce transitional measures or raise the threshold or something, which would open up more turnover in tourism and probably capture more VAT overall. The Treasury is the Treasury and it always says no, but the fact is that that is a big issue and it needs to be taken into account. If the visitor levy on its own will push a business through the VAT threshold, how will that be managed? Will the business be compensated somehow or will it be a total negative for that business?

**Ben Edgar-Spier:** For me, this is about localism versus a national scheme. Sykes Cottages is a platform, and owners across Scotland, in all 32 local authority areas, list with us. From an admin and financial point of view, the burden on us will be huge, and the more localism there is, with exemptions, the worse it will be. I listed earlier all the ways that local authorities may do different things under the scheme. I talk to owners in different local authority areas and I am learning that there could be 32 different schemes. That would be a burden for us. Why would local authorities need to come up with exemptions? From a policy perspective, any exemptions should surely apply at a national level. Why would local authorities have different views on who should be exempt in different circumstances? I do not feel that that level of localism is needed.

We talked about the Edinburgh festivals scheme for residents. It is easy for people to use their council tax bill to prove that they live in a certain city in order to get an exemption for a certain thing, but medical needs and other situations are much harder to prove. They are not as black and white, and they also involve GDPR issues.

That is why a national scheme whereby a levy is collected nationally and it is a flat fee that everyone pays makes sense. If people are going around Scotland, they should pay the same amount per night to a national body that is set up to collect the levy. That body will then be able to divvy it out. With that approach, you will not need to have the City of Edinburgh Council trying to make up for all the camper vans that have been rented out there to people who have travelled to the Highlands by dealing with the council there. If this is all about improving infrastructure, a national body should look at where tourism is having the

biggest impact on local areas and apportion the money from the levy across Scotland. Collecting the levy nationally seems to me to be the most sensible approach.

**Stephen Young:** One of the issues is that you are taking small business owners and, in effect, making them into tax collectors. They are genuinely worried about that. It is a skill that they do not have and something that they are not used to. The bill contains 11 pages on operation of a levy and 16 pages on what will happen to people if they get it wrong. That is genuinely terrifying for small business owners. One of the big fears that we have is that a lot of this is focusing on enforcement and penalties instead of on how we make a workable system. Small business owners will have to figure out whether somebody is exempt, where they come from, why they are there and whether they are medically entitled to an exemption. That is a hugely difficult thing for people who are trying to run simple, small businesses, keep their lives simple and survive. To put that burden on to them is huge.

**Mark Griffin:** We have touched on the VAT threshold a couple of times. Do you have any information on the number of businesses that operate just below the threshold, so that we would have an idea of the likely impact? Are you able to say what the financial impact on a business being pushed over the VAT threshold is likely to be? I will come to Stacey Dingwall first.

**Stacey Dingwall:** I am trying to find my statistics. I am pretty sure that we have that information. I might need to come back to you on that. Does anyone else have it, please?

**David Weston:** I am afraid that I do not have the number of businesses, but we can, perhaps, come back to you with more on that. I know that it is a significant issue because we often hear from our members that they are managing their turnover in order to stay below the threshold.

Anecdotally, I have heard that, once you hit the £85,000 threshold, you need to reach a turnover of about £120,000 before things even out and it is worth breaching the £85,000 figure. That might not be an exact figure—it is what I have heard—but it gives an indication that the cliff edge is onerous, especially with VAT at 20 per cent. If VAT on hospitality was 5 per cent, as it is for a lot of our competitors, it would still be an issue, but it would be much less of a cliff edge than it is at 20 per cent.

**Stacey Dingwall:** The information is actually in the BRIA. Almost 3,000 accommodation services businesses are registered for VAT in Scotland, meaning that their annual turnover is above the threshold of £85,000. There are a further 2,000 to 3,000 smaller operators who are not VAT

registered. That accounts for between two fifths and a half of all Scotland's accommodation providers.

**Mark Griffin:** Those are really helpful numbers. I want to go back to David Weston. It is anecdotal, but the view of your members is that it would take a 50 per cent increase in turnover just to cover the cost of going over the threshold—turnover would have to increase from £85,000 to £120,000.

**David Weston:** Yes, it is of that order. It is not a case of your increasing your turnover by £2,000 or £3,000 and you are back to where you started; rather, you need a huge jump in turnover. Obviously, we are talking about turnover, not profit. There is also the issue that increasing your price sharply and suddenly would have a negative effect on your sales. It is a considerable and onerous burden when you hit the threshold.

**Fiona Campbell:** I am absolutely bewildered. How many accommodation providers in total did you say there were?

**Stacey Dingwall:** There are 3,000 registered for VAT.

**Fiona Campbell:** How many are not registered?

**Stacey Dingwall:** About 2,000 to 3,000.

**Fiona Campbell:** Okay. Therefore, the BRIA is completely flawed, because I thought that there were 32,000 short-term lets in Scotland. Those are not in the BRIA. That illustrates that the BRIA needs to be revisited.

The point that David Weston is making is, I think, that we cannot look at the policy in a silo. We have to see it in the context of non-domestic rates having just gone up by 65 per cent across Scotland and by 50 per cent, on average, for self-catering units. At the same time, the threshold for NDR relief through the small business bonus scheme has gone down. Suddenly, people have jumped off the cliff edge and are paying huge amounts of non-domestic rates. Alongside that, there is short-term lets licensing, the costs associated with licensing and planning, all of which are coming at the same time. This is not the time to add another financial burden to small businesses. That is what this measure would do.

**Mark Griffin:** I do not know whether Stephen Young or Ben Edgar-Spier want to come in before I move on.

**The Convener:** They have not indicated that they wish to do so.

**Mark Griffin:** Okay. My next question is around the process of the introduction of a local levy scheme, and whether witnesses agreed with the requirements that are placed on local authorities and the duties that they have before they can introduce a scheme. Those include consultation

with local stakeholders, impact assessment at a local level, and the requirement to publicise a scheme and for Government to approve that scheme. Do you agree with those burdens on local authorities? Are those requirements enough, or are they too much? What are your views, generally?

**Stephen Young:** There definitely has to be a consultation. There also has to be a strong lead-in time, because, if we accept that the scheme will happen and that burdens will be placed on operators to put the systems in place, we must ensure that they have time to do that. We also need to educate visitors about what is happening and how it is happening.

It comes back to being very clear about why we are doing this and, beyond that, how the levy will be spent, which is perhaps your next question. More scrutiny of that is needed, because it is very vague about what will qualify and what will not. We would like to see a committee with some neutral external members scrutinising what that money will be spent on. Nobody minds paying tax, to an extent, if they see the benefit, but there is a real danger that this will be a tax where the people paying it will never see the benefit and it disappears somewhere else. We need that level of scrutiny and consultation to make sure that we have a really robust system.

**Stacey Dingwall:** I agree. That is crucial, particularly the setting up of that forum for meaningful engagement with small businesses on how the revenue will be spent.

Colleagues who deal with individual local authorities have been speaking to them about how they plan to implement their specific schemes and have heard that some local authorities are keen to speed up the process. We are concerned about that because, although an 18-month implementation period might sound like a long time, we all know that it could go quickly. We would very much caution against speeding up that process.

**Fiona Campbell:** It is critical that we all know that local authorities are incredibly cash strapped at the moment, so tourism accommodation providers cannot help to set up the schemes. There are budget deficits all over Scotland, with local authorities that are already incredibly strapped for cash. The measure will place a technological and administrative burden on them, and that needs to be reflected.

I go back to what Stephen Young said. It is critical that we understand what the levy will be used for. It needs to be hypothecated and ring fenced for something that will benefit the tourism infrastructure and not just go into general core spend.



We fundamentally oppose the levy, as you know, but we absolutely agree that, if it is to go ahead, it should be a national scheme. There should not be 32 different schemes. It should be simplified, and there should be a national cap. Fundamentally, we need to start again with the BRIA.

**Ben Edgar-Spier:** I will quickly comment on what local authorities need to do. The impact assessment in section 12 needs to assess the impact of the levy on short-term accommodation operators, on other tourism providers and on other businesses in the area, in addition to the impact on local residents. It should also assess the impact on consumer behaviour and inbound tourism in terms of the number of visitors and the amount that they spend. If you are encouraging people to come for the day instead of overnight, you need to assess the impact on what they will spend locally.

The annual report that is mentioned in section 18 should include an analysis of the number of overnight stays compared with the year before. You should look at the year prior to the levy coming in and, when the levy is in, report on the impact on the tourism sector and tax receipts.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning to everybody on the panel.

I want to look at the funds that could be raised through the scheme. Stacey Dingwall's response to an earlier question touched on that. The bill makes it clear that the net proceeds of the scheme should be used for

"developing, supporting or sustaining facilities or services which are substantially for or used by persons visiting the scheme area for leisure purposes."

Is that the correct approach? It does not specifically mention our business visitors to Scotland. Are they all correctly lumped into the same category? What are the potential on-going benefits that we should expect to see from the levy being deployed locally to develop those services? I will start with Stacey.

10:45

**Stacey Dingwall:** Yes, I agree that that needs to be expanded to include business visitors. That will be crucial for some local authorities. We would welcome the definition being revisited.

We surveyed our members about what they would like the proceeds from the visitor levy, if it was introduced, to be spent on. Overwhelmingly—up to two thirds—said road maintenance, transport links, public toilets, bins and parking spaces. In other words, all those things that are crucial to attract people to an area. Business support was further down the list than those things. That shows

you where small businesses are when it comes to thinking about the wider context and the wider community.

**Willie Coffey:** Thank you very much. David Weston has his hand up.

**David Weston:** We very much welcome the fact that the bill says that the proceeds should be spent on tourism-related issues, but our big worry and probably that of the sector as a whole is that it could simply be used as a way of replacing existing local government spend, for obvious reasons. I totally understand how difficult it is for local councils and how cash strapped they are, but replacing existing spend is not supposed to be the purpose of a visitor levy.

We said in our submission that it is really important that committees include representatives from the tourism sector when it comes to the consultation process in each area about how spend should be allocated to ensure that that can be on things on which there is a broad measure of agreement with the sector that it is enhancing tourism rather than simply replacing existing spend, which is not supposed to be the intention.

**Stephen Young:** I totally agree. That is the crux of it. There has to be some kind of additionality test, effectively. All the things that we are talking about are needed, but people must see that the levy results in a tangible benefit. Having a test to show that it is not just filling a hole somewhere else is hugely important. That comes back to the messaging and signalling to the industry that, if the levy is introduced, they are getting a benefit from it. A lot of the time, it is really difficult to feel that benefit.

**Willie Coffey:** Thank you. The second part of the question is this: how do we demonstrate the benefit? Fiona Campbell said that the levy has to be ring fenced so that it is clearly seen to be beneficial.

Stacey, do you want to come in, or do you want to respond to the previous question?

**Stacey Dingwall:** Yes, I want to reiterate what has been said. I will go back to what was mentioned about why we are introducing the policy. It absolutely cannot be because local authorities cannot afford to invest in those services as part of their routine budget. I completely appreciate the fiscal situation that they are in, but it is not fair to ask small businesses to take on that burden just because there are gaps in local authority funding.

**Willie Coffey:** Okay. Should the record-keeping, reporting and reviewing arrangements that are in the bill assist us by making it clear that the net revenues gained from the levy deliver the services that you are talking about? Stephen

Young said that we might never see the benefit. Should it be clearer that the levy and the revenue that is gained from it by an authority is clearly being spent on delivering those services? Fiona Campbell said that we should ring fence it. Is it the view of the witnesses that we should be clearer about how we do that?

**Fiona Campbell:** That is critical. Given that it is a levy on tourism accommodation, it is really important that any benefits from that are clear and are transparently used for benefits to tourism infrastructure. The difficulty is that local authorities have a way of interpreting things differently. When I spoke to City of Edinburgh Council officials about the levy in 2019, I think, they said that they could use it for things such as pre-school care. I asked how that would help tourism infrastructure. Rather amusingly, the answer was that those small children might be running tourism businesses in the future. It was slightly tenuous, but that was the answer.

There could be huge benefits to the levy, and it could be done in such a way that those are clear. Last week, I was in Skye filming with the BBC. It was a great experience. Broadford has amazing new toilets, which were set up by its community group. If things are set up that are clearly advantageous to both the community and tourism infrastructure, let us make it very clear and say, "This has been developed because of the visitor levy; thank you to all the visitors". That gives them ownership, because they are doing something beneficial, and it gives accommodation providers ownership, because they are also contributing to something that helps our visitors.

If we are really obviously and overtly transparent about what local authorities can and cannot do with any moneys that are raised, and we are able to give a positive message to local communities and visitors about its use, the levy will be seen as positive, and you will get the support of the accommodation sector. If, however, the money just goes into core services, you will not get the support of the tourism sector.

**Willie Coffey:** Okay. David Weston, did you want to come back in?

**David Weston:** Briefly, to echo what Fiona Campbell said. I would add that support from consumers is key to making a levy sustainable in the long term and giving it traction. If consumers feel that they are contributing to a visitor levy that helps to enhance a destination in a real way, there will be more support for it, and Scotland could then use that to show that it is doing something very positive. However, it needs that level of accountability and proper local consultation on how it is spent.

As Fiona Campbell said, you could put a plaque on the physical things that are developed at each destination saying, "This was built with money from the visitor levy" and make it positive in that way. We are all worried about the money going into a black hole of replacing the existing spend on toilets or whatever. If that happens, there would be no benefit at all and it would just be another way of replacing money.

**Willie Coffey:** Okay. That is clear.

Does Ben Edgar-Spier want to come in, convener?

**The Convener:** No, I do not think so.

**Willie Coffey:** Okay. Thanks very much, everybody, for those responses. Back to you, convener.

**The Convener:** Thank you very much. It has been very helpful to hear from the witnesses this morning. It has been useful for us to get through those questions and to hear your responses.

I will briefly suspend the meeting to allow for a changeover of witnesses.

10:52

*Meeting suspended.*

10:58

*On resuming—*

**The Convener:** For our second panel this morning, we are joined in the room by Sarah Allanson, the policy and membership director for Scotland and Northern Ireland at the British Holiday and Home Parks Association; Neil Ellis, chair of the Edinburgh Hotels Association; Margo Paterson, chief executive of Hostelling Scotland; and Frank Whittaker, chair of Aberdeen City and Shire Hotels Association. We are joined online by Simon McGrath, head of communications and external relations at the Camping and Caravanning Club. I warmly welcome all our witnesses to the meeting.

I will start the questions. As in our previous session, we will try to direct our questions to a specific witness where possible, but, if you would like to come in, please indicate to me or the clerk. Simon McGrath, as you are appearing virtually, please indicate that you want to come in by typing R in the chat function. There is no need for anyone to operate their own microphone; we will do that for you.

I am interested in a little bit of context, but this may be a question that you do not necessarily have a response to. There are similar visitor levies and tourist taxes across Europe, and they do not seem to deter tourists from visiting popular

destinations. Have you any thoughts on or experiences with that?

**Sarah Allanson (British Holiday and Home Parks Association Ltd):** Some of the levies that have been imposed in places such as Venice and Barcelona have been designed, in some ways, to deter tourism. In Scotland, we are not ultimately trying to deter tourism; we are trying to encourage it but, perhaps, in a more spread-out way. That is where the proposed levy differs quite strongly from some of the other levies that are imposed across the world. It is important to point that out.

11:00

**Frank Whittaker (Aberdeen City and Shire Hotels Association):** I hear a lot of people say that they have been to Venice or Rome and the tourism tax was a minor part of their bill. I appreciate that it is not in the gift of the Scottish Government, but in the basket of taxes UK hospitality is taxed at 20 per cent: only two other countries in Europe tax it at that level. If we look at it in the context of the basket of taxes, it is still an expensive tax burden. If you go to a country where VAT is only 10 per cent, for example, the tourist tax does not stand out and does not look like an unreasonable burden. That is an important point to consider.

**The Convener:** Okay. Thanks. Neil, did you indicate that you want to come in?

**Neil Ellis (Edinburgh Hotels Association):** I was just going to say the same.

**Simon McGrath (The Camping and Caravanning Club Ltd):** From that perspective, it is worth considering how certain big cities, even in countries such as Scotland, can and will attract lots of tourists. From a campsite perspective, we want to encourage people into more rural areas in a way that can also help support the local economies. That can be a factor in the comparison, which is not very fair, between a thriving city, with all its attractions, and a more rural countryside location.

**The Convener:** Thanks very much for that. If we were not to bring the bill into law, what alternative approaches could the Government explore to help communities fund improvements to tourism infrastructure while tackling the impacts of mass tourism?

**Sarah Allanson:** Although I would have to do some research, I think that there has been some success in other countries with a voluntary levy, perhaps at points of departure, such as a ferry terminal or an airport, where there might be a QR code to tap to donate £5 to the place that you are leaving. That would have to be managed in a national pot and might be quite complex, but it

could be another way to raise money. You could also do it at a local level at specific tourist attractions that have a really high footfall, such as Edinburgh castle, so that it is not imposed on everybody. Tourists may feel, "I've had a good time, so I'll put a fiver in."

**Frank Whittaker:** UKHospitality did a paper in 2019 that talked about the possibility of creating a more level playing field in terms of the cost burden by hypothecating non-domestic rate collection from businesses in a destination to contribute to costs arising there; hypothecating VAT remitted by tourism-related businesses; and reviewing the justification for the small business bonus scheme, which provides exemption from the NDR to over 119,000 businesses, at a cost, at that time, of £254 million. Air passenger duty is also relevant in that regard. One of my favourite quotations—I wish that I could remember who said it—is about lifeline flights from Inverness: "There's nothing lifeline about a flight to London to see Les Mis."

**Neil Ellis:** The introduction of any levy or voluntary payment has to be significant. There is no point in doing something that will raise pennies. The administration burden to local authorities and to the collectors is significant, so, without a substantial income from any levy or raised funds, it is pointless.

**Margo Paterson (Hostelling Scotland):** I agree with a departure levy. That is a way to go. If someone were coming to stay in Scotland from overseas, there would have to be some sort of indication, such as messaging in train stations, about what the money is to go to. The traveller will have had a great experience in Scotland, wherever that might have been, and, whether or not it is in the gift of the local authority to say, "We will use this money to improve amenities X, Y and Z", the message will have to be meaningful. If I am a visitor who has been charged a levy, be it voluntary or compulsory, I want to know what it is going to, because I am leaving Scotland with a hope and a desire that I will come back at some point.

**Pam Gosal:** With the cost of doing business in Scotland being quite high—due to business rates, VAT, which you mentioned, regulations on short-term lets and many other issues—is this extra cost on businesses justified?

**Neil Ellis:** No, but there is no reason for it to be a cost to business if the funds that are raised are given back to the businesses. That would make it cost neutral and would satisfy a lot of naysayers on the introduction of a visitor levy. The administrative burden is not only about manpower but about the physical cost. If the levy was cost neutral, you would have agreement from a lot more people.

**Margo Paterson:** I agree with Neil on that. The issue of the cost to businesses is the source of a lot of the concern on the part of people who do not support the visitor levy. We are recovering from the pandemic, and all our cost bases are already high. To have any additional cost to businesses in any way, shape or form is just not affordable. We would need to be assured, as Neil Ellis said, that the introduction of such a levy would be cost neutral to the business position.

**Simon McGrath:** Campsites provide low-cost and affordable accommodation, and anything that impacts on that is, obviously, of great concern to us. Also of great concern are the wider elements of how such a levy will be collected, calculated and remitted, because they are a burden on campsite providers and all accommodation providers. The focus should be on recovery and on making sure that visitors are fully welcomed to Scotland and spend in the local economies.

**Sarah Allanson:** I echo a lot of what Simon McGrath just said because we are in similar sectors. Most of our holiday park members are small family businesses that are already stretched to capacity. They are struggling with recruitment and retention for various reasons that we do not need to go into today. To ask someone with no financial support to set up some kind of system would take them away from essential daily tasks that they need to do to look after the holiday parks—also, to be frank, some of our members are not very technologically au fait, so they would have to set something up from scratch despite not being offered any financial support to do so. That is not really fair, when they are already overburdened by several other taxes and the cost of living and energy crises; it is just another thing to ask of them.

Our broad position is that, while we accept that a levy will come in, we would like to make sure that it is shaped properly—I know that that is why you are holding consultations. The current form of the bill feels like it is going to punish businesses. You are probably going to touch on this later, but the enforcement section is like using a sledgehammer to crack a nut: it is very excessive.

**Frank Whittaker:** I echo everything that the other members of the panel have said. There is an interesting part of the proposed legislation that mentions that local authorities can recoup their costs out of the revenue that is raised. If that is the case, it only seems fair that businesses should be able to do so as well. As with any cost, it is about revenue generation. The cost only becomes palatable if it is not a tax on accommodation providers but is actually a clear route to creating more revenue generation opportunities that drive profit flow and future investment and all the

positive things that come from that. If it does not do that, it is a cost.

**Mark Griffin:** I want to ask a general question on the development of the proposed legislation. Do you feel that there has been adequate consultation and engagement on the bill? Have you been able to influence the bill up to this point?

**Sarah Allanson:** These sessions are great. We were given a lot of time to respond to the online consultation, which was great, and the call for views has been great, too. I just would like to be confident that that was all being considered.

What we saw with the short-term lets licensing is that people felt that some of the consultation was ignored. We need to make sure that that does not happen here and that all the consultation responses are taken into account. I know that that is why we are here today, so hopefully we can make suggestions that are welcomed by the committee.

**Neil Ellis:** The Scottish Government's consultation to date has been very good. The Edinburgh Hotels Association had a meeting with the minister; it was great to be able to feed into that part. The City of Edinburgh Council is working in parallel with the bill, so it is ready to go as soon as it is able to. That consultation, and the one that is referred to in the bill, has to be meaningful. There has to be a set of outcomes from the consultation that do not just pay lip service to the idea of listening to industry and business. Businesses that have an ear to the ground and speak to visitors daily should have a seat at the table. We can help to ensure that money is spent in the right areas.

**Margo Paterson:** I have been very happy with the consultation. We had quite a few sessions with a researcher before the pandemic. Our offering means that accommodation can be either a bed in a dorm or a private room. There were lots of conversations about a levy being applied. If it were a flat rate, and it were a bed in a six-bedded dorm, you could, in theory, have six levies coming from six different bookings in one room, which seems punitive. There was a lot of early discussion, but, of course, Covid then hit, and there was a bit of a delay after that. I am delighted to be part of the Scottish Tourism Alliance council. We have had a good consultation through the STA.

I echo everything that has been said. The crucial thing is that, from today, the consultation continues. The tourism industry needs to be at the table when decisions are being made, whether about reporting or where the money is being spent.

**Frank Whittaker:** The consultation has been good. It has been inclusive. The proof of the pudding as to whether it has been meaningful will

be seen when we talk about areas in which the visitor levy can be spent and what that should look like. Accommodation providers and the tourism industry need to be at the heart of that decision-making once the revenue has been raised. If we are not able to significantly influence that, the consultation will not have worked. That is how we will know whether we have been listened to.

**Simon McGrath:** I reiterate a lot of those points. The consultation has been very good. The Camping and Caravanning Club has been engaged through the Scottish Tourism Alliance. We have been working with our industry partners to better understand how it might work. As you have no doubt seen, there is an enormous amount of scenarios, with different types of accommodation and different nuances. It is key that the outcome is a consistent approach across Scotland that is fair on the consumers, businesses and all of the local economies in the country.

**Pam Gosal:** In 2018, COSLA called for a tax on visitors but not businesses, but it seems as though the levy will have a substantial impact on businesses, particularly microbusinesses and small businesses. What are your views on whether it is a tax on visitors and not on businesses? What is the solution so that there is less administrative burden, which you spoke about earlier, on businesses?

**Margo Paterson:** I very much appreciate the challenges for microbusinesses, particularly the impact on the VAT threshold. We have 29 hostels across a number of local authority areas. It is a visitor levy, first and foremost. The administrative burden for us will be if each local authority takes a different approach. What if some local authorities do not apply the levy at all? What if others have different rates, or whatever? That would be very difficult for us, as a central booking system, to administer—it would be a huge burden on us. Although it is a visitor levy rather than a business levy, there will be a huge cost to us to administer it.

I would like to hear more about the levy from local authorities to understand what it will look like. Will it be a flat rate or something else? I support the fact that it is a visitor levy, but we should not be unaware of what the approach will be. Someone mentioned the 18-month lead time before anything is applied. That is crucial, because we will have to work out how we can make this happen.

11:15

Also, on the matter of visitors coming to our hostels, it is all about the visitor journey. Someone could start in Edinburgh, where the visitor levy would apply, and then travel to Argyll, where it

would also apply, but in Stirling it would not. That is very confusing, particularly for overseas visitors. Our visitor base is mostly domestic at the moment, and I do not think that our domestic guests realise that the levy is coming. I may have gone slightly off piste on that.

**Sarah Allanson:** I was going to say something fairly similar to what Margo Paterson said. In the holiday park industry, the visitors are almost 99 per cent UK domestic. The international aspect is improving but, obviously, that has been hit by Covid, like everything else. Although the demographic of visitors to holiday parks is going through a big transformation, the sector generally appeals to people from a lower socioeconomic background. Although a levy may seem small to some people, it could be the difference between a four-day holiday and a five-day holiday for someone. Although they are technically visitors, they might be driving only an hour down the road. Everyone has the right to a holiday, so that is something to consider.

In our consultation response, we made the point strongly that the local authorities, although they have been given more freedom, have all translated the short-term lets licensing regulations differently and they will all do the same with the visitor levy. We have concerns about exemptions and about how much the levy will be. We feel that a lot of the decisions that have been allocated to be made locally should have been made nationally. Should there be a cap? Yes. Is a percentage approach the right way to go? Probably not. The system should be tiered, because you are comparing the Balmoral hotel with a caravan park, and those are very different markets. There are a lot of unanswered questions in the bill that, I hope, this consultation will wrap up. We are broadly in agreement with the STA suggestion that it should be tiered.

**Neil Ellis:** On the issue of a flat rate charge versus a percentage charge, a flat rate is far easier to administer for any business. That applies even to the larger hotel companies that have the ability to charge percentages via their property management systems through to the small caravan and bed and breakfast operators that are basically working with a book. The percentage charge is overly burdensome for accommodation providers. It will be unclear to the visitor and will increase costs. There is the potential for mistakes to be made by the accommodation providers, resulting in enforcement action, which was mentioned earlier and on which the bill is very heavy.

At the end of the day, we want to deliver a successful scheme, if one is coming in, that is to everybody's benefit. On the administration, we would like a twice-yearly payment rather than a

monthly or quarterly payment—quarterly is mentioned in the bill. Payment every six months in a way that ties in with tax years would be beneficial.

**The Convener:** I will move on, in the interests of time.

**Marie McNair:** Good morning, panel. What are your views on the levy being an accommodation levy and not a visitor levy? Margo Paterson commented on the fact that many visitors such as day-trippers, wild campers, some motorhome drivers and cruise-ship passengers will not have to pay anything. Could the bill be amended to capture visitors who do not pay for accommodation but clearly have an impact on the areas that they visit?

I will go to Sarah Allanson first.

**Sarah Allanson:** I was going to mention that a minute ago. Our membership feels strongly that half of the sector will be taxed and half will not. Touring motorhomes are on the increase. The north coast 500 is heavily marketed, and the sector benefits from the infrastructure, tourist attractions and all the other benefits but is not paying. Therefore, someone who used to drive on to a pitch on a holiday park will now choose to park in a car park that might be supported by a local authority, which is frustrating for our licensed sites. People who wild camp may camp irresponsibly. Most wild campers clean up after themselves, but irresponsible campers leave broken glass, waste and that kind of thing. We feel that, although touring motorhomes have been mentioned with regard to a later bill, they should be in this bill. I understand that it would be complex to include them, but complexity should not mean that we just do not do it.

**Neil Ellis:** I agree. The ship has sailed on charging day visitors. Speaking on behalf of my members, we have something that is coming in and, although we opposed the visitor levy to start with, if, as we discussed, the money can be spent and hypothecated on doing some good, we would be for it.

On the issue of cruise ships that are berthed in the Firth of Forth, for example, just because it is seen as being too technical to add them in, that does not mean that we should not revisit the issue. Cruise ships bring a lot of visitors to Edinburgh and to other destinations around Scotland. However, to start looking at people who are visiting for rugby or other events would be a little step too far.

**Simon McGrath:** It is really about keeping as level a playing field as possible and making sure that the whole system is fair. Clearly, there is an impact from day visitors to an area. We would always prefer someone who is touring an area to

stay on campsites. The big picture needs looking at because, if you are just applying a levy to accommodation providers, part of the picture is not being looked at.

**Margo Paterson:** I totally agree with the other witnesses. Extending it is doable: as Neil said, just because it is difficult, that does not mean that we should not do it. For me, the key thing is that the visitor levy should be simple and transparent. There is that point where people either go to a wild campsite or hire a touring caravan or whatever. At the moment, it feels polarised, because other accommodation providers are not included. I would very much welcome the extension of the bill to cover them.

**Frank Whittaker:** Another option is for event ticket pricing to include some kind of visitor levy. That could be for museums—sorry, museums are free in Scotland, aren't they?—or for His Majesty's Theatre in Aberdeen, P&J Live or the Scottish Event Campus, for example. You could add something fairly inconsequential to ticket prices that would raise quite a bit of money.

I agree about simplicity. There needs to be a national scheme. If you are talking about raising substantial amounts of money that will improve the visitor economy and our economy, it has to be a national scheme; it cannot be decided independently by local authorities. That would add too much confusion.

**Marie McNair:** Thank you.

**Miles Briggs:** Good morning, panel, and thank you for joining us.

One of my questions has already been answered. I do not think that anyone on the panel disagrees that there should be a flat rate fee, not a percentage, if the levy goes ahead, and that it should be a national scheme.

I want to ask about flexibilities in the bill, levies being charged at certain times of the year, and those being reduced or removed at other times. What are the panel's views on that and any other local exemptions or discounts that you would like?

**Neil Ellis:** Exemptions should be administered wholly by the local authority. A receptionist or someone on the front desk having to decide whether somebody is eligible for a rebate or reduction in the visitor levy just will not wash, quite frankly. We have already discussed the struggle to recruit staff, and that will just add an extra burden on training. What identification is required? Does a blue badge exempt somebody? There are minutiae around that. Everybody should be charged the visitor levy regardless, and then they can claim it back from the council if they are entitled to a rebate.

**Frank Whittaker:** It is really important that, where possible, we keep it simple. The simpler the scheme, the simpler it is for the customer to understand. In accommodation—the hotel sector—we always think about the customer journey from the booking stage onward. We look at how our websites are built and the reservation journey, and we make it as easy as possible so that the consumer is not confused. The bill needs to do the same thing because, ultimately, it is aimed at the consumer; it is not aimed at businesses. If the levy is easy for the consumer to understand, it is easier for us to administer, and it is easier for it to be collected.

I agree with Neil Ellis that we get enough conflict at reception desks at times, so we do not need to add another level of potential conflict. Any exemptions must be agreed in advance. Somebody should be able to say that they are exempt at the booking stage rather than turn up and say, “By the way, that does not apply to me,” because that is when you end up having an argument across the counter.

**Simon McGrath:** On exemptions, part of the club that we have operated successfully for decades is our social camping, which is what we call the temporary campsites that are in different parts of the UK. They are run by volunteers, so it is, effectively, camping for members that is run by members. It would be an onerous task for the volunteers who look after the day-to-day running of a short-term campsite—for up to 28 days but often for as little as five days—to calculate, collect, remit and, possibly, audit a visitor levy on the people who come to the site. That feels very onerous, so we just ask for aspects such as that to be taken into account. So far this year, we have set up 82 temporary campsites in Scotland.

**Margo Paterson:** I echo what my colleagues said about exemptions. As a major provider of accommodation to school groups and youth groups from areas of social deprivation, I would like the exemptions to be looked at again. I would like to see what other groups could be added to the exemptions.

You asked about seasonality. I am not a big fan of the levy going up during the main season. As accommodation providers, we already flex pricing for that, so, if something is happening in Edinburgh in August, pricing is already up. It is almost as if we are doubly impacting our guests, who are coming to the city—I use Edinburgh as an example—to spend a lot of money. That is of concern to me.

I would very much like a tiered approach. I mentioned the scenario of a dorm with six beds. Tonight, there might be only two people occupying it, which would mean two visitor levies but, at the height of the season, there would be six people. If

there is a flat rate, which I absolutely support, there would be six levies on one-room accommodation, which may have a total value of £150. That seems punitive, so I would very much welcome the tiered approach that the STA has suggested in its feedback.

**Miles Briggs:** That is helpful.

On the administration of exemptions, as an Edinburgh MSP, my focus is on people who come to Edinburgh to work in the city, to visit a child who is in the sick kids hospital, to provide care for a family member—we know the difficulties with getting people to provide personal care in Scotland—or to visit a family member in prison. What potential do you see for such people to be exempt and for a system to be put in place for that? For example, if it were me, could I book accommodation and provide my City of Edinburgh council tax number as proof that I am an Edinburgh resident? Should we look at that, and could it be taken forward?

**Sarah Allanson:** The example that you have given involving council tax is great, but that would not take account of, say, hidden disabilities or, perhaps, someone not wanting to admit that their son is in prison and that they are visiting him, when they are in an open reception and being asked to prove things. It is a bit of a nightmare to administer that.

I may be of a slightly different opinion to Neil Ellis. Our members feel that exemptions should be nationally decided but locally administered—is that what you were going to say, Neil?

11:30

**Neil Ellis:** Yes.

**Sarah Allanson:** I do not see how some matters could be checked, which is a big concern, because you are then putting, as somebody said, a receptionist in the awkward situation of having to ask very private questions, and obviously there is GDPR to consider.

**Margo Paterson:** I agree with Sarah Allanson that it could be administratively burdensome. Miles Briggs spoke about council tax payers. In that scenario, it could be a family coming from Glasgow to get specialist treatment in Edinburgh. Although I appreciate the position of a council tax payer in the Edinburgh area, perhaps the committee should look at something involving all Scottish nationals, because we all pay council tax. Anything is doable within systems but, the more I hear, the more I wonder how we can verify that council tax number, as Sarah Allanson said. That is difficult, so I go back to the point about having those matters nationally decided but administered by the local authority.

The vast majority of our bookings are made well in advance so, if we know what the exemptions are, we can, of course, publicise them on our website for anyone who is eligible so that they can try to get that organised before coming. I absolutely agree that it is not our receptionists' job to decipher what is right or wrong. It goes back to having transparency and clarity so that everyone involved knows that, if they have a sick kid or a relative in jail, they have that entitlement and can approach the local authority. We can publicise that if we know about it in advance.

**Miles Briggs:** Thank you.

**Ivan McKee:** Good morning, panel. I want to touch on a couple of areas. First, I want to get your perspective on the complications around the levy applying only to the accommodation element of a guest's stay. Following on from that, I want to get some sense from you of the complexity and the time requirement for small operators in particular to calculate and charge the levy and whether that cost is accurately reflected in the BRIA.

**Neil Ellis:** I cannot speak for the small operators but, as a larger operator, your property management system or PMS, as we call it, is quite sophisticated and will be able to do that quite easily. However, with packages for, for example, people visiting hotels or areas for Christmas or Hogmanay, where an element of food and beverage or spa treatments are included, it becomes very complicated to drill down into an accommodation element only. There is a cost to adjusting property management systems. They are not owned—you basically rent them—and the large operators will charge a pretty penny to make adjustments to your systems, but, again, it can be done.

**Ivan McKee:** On the specifics of that, does that mean that, by its nature, there will be a lot of subjectivity in how you split up a cost and potentially some debate, shall we say, about what is payable and what is not?

**Neil Ellis:** I suppose that you could say, "Come and stay overnight with dinner and bed and breakfast. Your accommodation is £1 and your dinner is £99." People would then not pay any visitor levy, so I suppose it is about how you package and decipher that.

**Sarah Allanson:** On Neil Ellis's point, a lot of the bookings for our members and, I assume, the hotel and hostel industries are made through online travel agencies such as [www.booking.com](http://www.booking.com) and [www.hotels.com](http://www.hotels.com). They do not give things like that in a price; it will just be a set price. One concern that has come up with online travel agencies is how that commission will be paid to the business and then paid to the local authority

and/or Government, however this ends up. You then have to rebuild existing relationships with online travel aggregators and work out how you will do all that, which is another level of administration. Certainly, all the accommodation industry benefits from packaging things together, and it will be really complicated to work out how that will go through the agencies.

**Margo Paterson:** I echo what Neil Ellis and Sarah Allanson have said. We, too, have a central PMS, and we split out the costs. Packages would be an issue for us, but I would not want the levy to be applied to food and beverages or anything like that, because if people come in for lunch or to buy coffee or whatever, we do not want that to be considered. We can split out the accommodation. It would need system development, but, as I seem to be saying time and time again, the costs of applying that would be a concern.

**Ivan McKee:** Does anybody have any comments on the BRIA and the indicative costs in it for businesses?

**Sarah Allanson:** The BRIA needs to be refreshed. It was done in 2019. Only 20 people were interviewed, and only one of them was from a holiday park, so our members certainly felt overlooked and not included. Holiday parks tend to be rural, and they interviewed a lot of hotels that are city-based and central. There is no real comparison there. The BRIA was pre-pandemic, and the world is now completely different. It needs to be completely revisited and its scope widened.

**The Convener:** There are lots of nodding heads—great.

**Mark Griffin:** We touched on the issue of VAT with the previous panel, and I want to ask you similar questions. How many of your members are operating at a level of turnover below the VAT threshold, and what would be the indicative costs for them if they were pushed above the threshold by a visitor levy?

**Margo Paterson:** We are fully VAT registered, so that does not apply to us at all.

**Neil Ellis:** It is the same for our members.

**Sarah Allanson:** Simon McGrath may want to come in on this. We have a number of members who sit below the threshold deliberately. As it has been confirmed that a levy will have VAT on it, that would push them over. That means that they will either close, which is what we have heard from some people, or reduce their season deliberately to stay under the threshold. Bed availability is then lost. It could be very impactful.

This is perhaps a separate point but, anecdotally, we have a member based in England who has several very successful parks. He was looking to buy one in Scotland but, when this



started, he said, “I am out. Not interested. Too confusing.” We have lost investment into the country as well. I know that that is slightly separate from your point, but that contributed to his decision.

**Simon McGrath:** The Camping and Caravanning Club is a membership organisation whose members are predominantly campers, caravanners and motorhome owners. We have a number of what we call “certificated sites”, which are owned by individual, small landowners—perhaps a farmer who runs a small campsite accommodating no more than five caravans or motorhomes a night under existing exemption laws. I will need to come back and advise the committee on that question, if that is okay.

**The Convener:** Absolutely. That would be welcome.

**Mark Griffin:** My next question is on the responsibility on local authorities, when they move to introduce a scheme, to do a consultation and an impact assessment, and the responsibility of Government to look at that and approve it or not. Do you feel that those burdens are appropriate, or should they go further? I am asking for people’s general views on local authorities’ responsibilities when they choose to introduce a scheme.

**Frank Whittaker:** The bill needs to be very clear and to specify precisely what local authorities’ responsibilities are. The biggest issue will be about how the funds are spent and, at the moment, it is not clear in the legislation how local authorities will make that decision. They will have to consult robustly on that in their local community once a scheme is introduced. The 18-month notice period has to start after the legislation goes through Parliament. You cannot have a local authority saying now, “We are going to introduce a scheme when the legislation passes,” and that being the trigger for the 18-month period. That period of robust consultation is crucial.

Different local authorities will introduce a scheme for different reasons. In the earlier session, one of the witnesses was talking about the pressure on local authority funding. That is critical. Local authorities have had their budgets stretched, but this cannot be used to replace core services. It must be used to benefit the visitor economy, and it has to be as clear as crystal how local authorities will do that. There can be no grey areas about how they will do that and, at the moment, the bill does not go far enough in making sure that that happens.

We are lucky in the north-east in that we have a very good and commercial destination management organisation in VisitAberdeenshire, which is funded by both local authorities and match funded by Opportunity North East. A lot of

the decision making, however, is very short term, because we are waiting for local authorities to announce their budgets in March. You cannot have a long-term plan for how the DMO will make the region attractive from a marketing perspective, because it is literally going from budget season to budget season.

If this is going to support the visitor economy, there needs to be a longer-term plan from the local authorities for how the money will be spent. It cannot fall into the annual budget decision-making cycle, because this needs to be sustainable investment from which the visitor economy benefits.

**Sarah Allanson:** I want to build on one of Frank Whittaker’s points. The bill goes into quite a lot of detail about how the levy would be enforced against businesses to make sure that they are paying the levy that they are meant to. A lot of us think that it is excessive. There is no mention at all of what happens if a local authority does not report transparently on what the money is spent on or how often they are meant to report—there is no detail on that. At the moment, the bill feels like an attack on business while being light on local authorities. As Frank said, we need to have a detailed idea of what the money will be ring fenced for. In addition, holiday parks tend to be quite rural, so the money cannot just go to the usual suspects; it has to look wider, and that is why it would be welcome if consultation with the wider industry continued after this process.

**Margo Paterson:** I echo what my fellow panellists have said. When the scheme is introduced, it has to be clear from the start what the levy will be and whether it will be a flat rate. I hope that—we have said it all before—it is a national decision but that it will be administered from a local authority base. It also has to be clear how long it will apply. A lot of our bookings are two years out, and I am sure that that is true for others on the panel. If we are going to apply the levy at the point of booking, so that it is being paid for 18 months or a year out, we need to know what the levy is then and not what it will be in 18 months’ time. It will just become too complicated if a local authority decides that the levy is to go up by 50p a booking or whatever, although I would like to think that the decision making is done nationally. We do not have the ability to administer that. It creates a negative impact on the guest experience when they arrive if they believe that they are fully booked and they have got the accommodation that they wanted well in advance but there is still a residual fee to be paid.

I also echo the point about the impact assessment. It is important that local authorities regularly say what the money has been spent on to the benefit of tourism but also how the money

will be spent in the next financial year and, perhaps, over a three-year plan, so that everyone is clear that there is a way forward and there is a road map, if you like. In that way, if we are asked about it by any of our guests or any of our sector groups, we will know what will be spent and in which of our local authorities.

The last thing to say is that consultation is key throughout. I would like local authorities to talk to sector representatives not just at implementation or in the first year but throughout the period when accommodation levies apply and on a consistent basis.

**Frank Whittaker:** I want to pick up on Margo Paterson's point about the point at which the visitor levy is paid by the consumer. In Europe, it is applied and you pay for it at checkout and not at the point of booking. There is a slight complication there: is this a tax? If it is a tax, we are legally required to declare all our taxes publicly on our pricing. That means that, when we put our prices on our websites or on an OTA website, those prices have to be inclusive of taxes. That leads to the complication of what level we will charge on our advance bookings. Can the bill be written so that we do not have to apply that tax to our public rates and the consumer can then pay it at checkout? That goes back to the point that I made earlier: we need to keep it simple. As soon as you complicate it, there are problems for everyone.

**Simon McGrath:** Frank Whittaker made an interesting point there. That just shows the breadth of complexity of what we are dealing with here. If you are on a campsite, you mostly pay in advance. You might turn up on the day to see whether there is a free pitch for a few days and pay on arrival, but what you do not normally do is pay on departure. You pretty much pack up, and off you go. That is a factor that needs to be debated and discussed.

11:45

I want to pick up on and echo some of the comments about how the money is ring fenced and spent. It is important that local authorities consult all stakeholders about how it is spent, whether they are the local businesses, representatives of the community or other stakeholders in the whole mix.

**Neil Ellis:** I will add that we need to be cognisant of the fact that, if the prices are all-inclusive, we are paying extra commission on the levy to the likes of OTAs. There is then the additional credit card charge on top of the visitor levy, which is an additional burden. I understand that the Digital Markets, Competition and Consumers Bill is making its way through

Westminster. We need to be cognisant of that legislation when considering this bill.

**The Convener:** Thank you very much for that.

**Willie Coffey:** The panel covered one question that I was going to raise, which was about making clear how the money is spent and how it benefits the local community. You have made it perfectly clear that you would like to see that strengthened in the bill so that it can be demonstrated to the public that the revenues gained were for the purpose intended. Thank you very much for that.

I mentioned to the previous panel that the broad principle and policy aim of the bill is to develop, support and sustain facilities or services that are substantially used by persons visiting the scheme area for leisure purposes. In your view, is that the correct approach? That kind of assumes that we include business travellers in that. Is that the correct approach? I am just looking for a simple response on that.

**Neil Ellis:** To answer that directly, no. The business corporate associations and sporting events need to be included, in addition to leisure. Business events alone are worth £2 billion to Scotland's economy, and Edinburgh specifically relies really heavily on that.

There is always a lot of community interest in the levy. In Edinburgh, you could spend it three or four times over. It is about ensuring that the money is hypothecated. You will be aware that there is a housing fund that ring fences housing money. That could equally be replicated to ring fence the visitor levy money, so that it is clear that it cannot be siphoned away to be spent on other things.

There are opportunities here already. There is "Scotland Outlook 2030" and Edinburgh has its own tourism strategy to 2030. The documents and the wherewithal already exist on how we can spend the money for the benefit of Scotland and the local destinations. The levy should not replicate or pay for statutory services. It could also enhance the likes of festivals, arts and culture, which we so desperately covet in Scotland.

**Frank Whittaker:** Neil Ellis has made the point that tourism is much more than just leisure. From a financial forecasting perspective, when local authorities forecast how much revenue they are going to raise every year, isolating just one element of the sector complicates that and makes the risk that the financial forecast will be much worse. If it applies to everybody, with the exemptions that the bill proposes, the local authorities will be able to go to a body such as STR, which will be able to say what its forecast for a destination will be in the future from a hotel perspective. The local authorities will be able to say, "Well, this is how much occupancy we expect

in this city over the next 12 months,” and then they will be able to get a better financial forecast out of it. As soon as you start to slice and dice that, that forecasting ability weakens.

**Willie Coffey:** Frank, you also said in your earlier answer to one of the committee members that there needs to be more of a long-term plan, rather than an annual budgetary cycle. Will you expand on what you mean by that and on what the benefits of that would be?

**Frank Whittaker:** It is pretty much about how the funds that are raised are spent. We all know that you cannot spend marketing money today to get an impact tomorrow. You need to have a long-term strategy for the destination. In our part of the world, Aberdeen, we are advocating that the local authority forms a board, similar to a business improvement district board. That board would have a majority representation of accommodation and tourism providers. It would also need to have community and local authority representation. It would, effectively, be working on projects in the way that business improvement district boards do. You would be able to bring a project to that board and identify a lot of places in which the board decision would link into the regional tourism strategy, as well as the local authority’s investment strategy for infrastructure.

By “infrastructure”, I do not mean roads and toilets. A very good example was given by the panel earlier, when they talked about community pride and instances where there is a local need for improved infrastructure. The example given was better toilet facilities at a tourist attraction; you could put a plaque on the wall to say that the toilet facilities had come from the visitor levy. That would show that there is a benefit and you would get local buy-in. That local buy-in would be enhanced if you were to have a local board, not just a local authority, making the decisions.

**Willie Coffey:** The public would see the evidence of how their money is being spent, or will be spent in the coming years—is that what you are saying?

**Frank Whittaker:** Yes. A lot of us rely on visitors for the businesses that we run and for the livelihoods of the people who work for us. We are in a difficult financial situation, post-Covid. Earlier this year, the Aberdeen City and Shire Hotels Association conducted a financial survey of its members. The majority were showing a revenue better than that of 2019 but a worse profit flow. That is because the cost burden has increased. Therefore, if such a scheme as this can generate clear revenue generation opportunities that will enhance the visitor attraction and improve how businesses can boost their own financial position, you will get a lot more support for it.

**Willie Coffey:** Thank you for your responses.

**The Convener:** That concludes our questions. We appreciate your coming in. It has been good to hear more nuanced approaches to your sectors and how they will be affected, so thank you for that. Next week, we will be hearing from local authorities.

We agreed at the start of the public meeting to take items 3 and 4 in private, so, as that was the last public item of our agenda for today, I close the public part of the meeting.

11:52

*Meeting continued in private until 12:25.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

---

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

---

All documents are available on  
the Scottish Parliament website at:

[www.parliament.scot](http://www.parliament.scot)

Information on non-endorsed print suppliers  
is available here:

[www.parliament.scot/documents](http://www.parliament.scot/documents)

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: [sp.info@parliament.scot](mailto:sp.info@parliament.scot)

---



The Scottish Parliament  
Pàrlamaid na h-Alba