

## The case for a local visitor levy in England

The following question relates to Chapter 2.

1. Should the power to raise a visitor levy also be extended to Foundation Strategic Authorities?

- Yes
- No

Provide further detail (optional)

**This is outside of our area of expertise.**

**We would note however, to reduce complexity for accommodation providers operating in multiple geographical areas, we recommend that local variations to the operating of the visitor levy, which may include extensions to Foundation Strategic Authorities, are kept to a minimum; a national standard offers the most straightforward position for accommodation providers, though we appreciate that the aim of devolved powers is for local government to make the decisions.**

### Use of revenues

The following questions relate to Chapter 3.

2. Do you agree that Mayors should be able to invest the revenues from a levy in interventions to support economic growth, including the visitor economy?

- Yes
- No

Provide further detail (optional)

**This is outside of our area of expertise.**

3. Should a share of revenues for local authorities be allocated on the basis of the proportion of overnight stays in the authority or some other centrally defined metric, or should the distribution within the area be determined entirely by Mayors and other local leaders?

- Proportion of overnight stays
- Another centrally defined metric
- Determined by Mayors and other local leaders

Provide further detail (optional)

**This is outside of our area of expertise.**

## Scope of the levy

The following questions relate to Chapter 4.

4. Do you agree that all overnight stays in commercially let visitor accommodation should be within scope of a levy, unless otherwise exempted within the national framework or by Mayors (see sections 4.3-4.5)?

- Yes
- No

Provide further detail (optional)

**Including all overnight stays – including for example, business visitors – seems consistent with the objective that visitors who benefit from local services and amenities contribute to the economic sustainability and improvement of the places they visit (paragraph 3.1.2). Deciding liability based on the reason for the visit would be unduly complex. However, there may be some behavioural effect depending on the level at which the levy is set, for example a visitor may choose to attend a business meeting virtually rather than in person or stay with family or friends. In broad terms, there are likely to be fewer distortionary effects and concerns around fairness with a broad base and lower rate levy than one with a narrow base (because of exemptions) and correspondingly higher rates.**

**Whilst it is a matter for the government to set the scope of the visitor levy, to reduce complexity for accommodation providers operating in multiple geographical areas, we recommend that local variations on exemptions are kept to a minimum; a national standard or framework offers a straightforward position for accommodation providers and should help to ensure compliance with wider legislation such as the Equality Act. That said, we appreciate that local devolution means granting local powers.**

**What is meant by ‘commercially let’ will need to be defined. Use of existing definitions, either in the tax system or aligning to registration will help to reduce complexity. The £1,000 property and trading allowances (ITTOIA 20025 sections 783AD, 783B – 783BQ) might provide a basis for deciding what is ‘commercial’ in this context.**

**Considerations for aligning with the VAT threshold would be:**

- It must be determined how a high visitor levy threshold would narrow the base of the visitor levy**
- May not capture visitors staying in accommodation advertised by national or global online booking platforms where the accommodation provider is not registered for VAT**

- **Intelligence sharing with HMRC and local authorities would come with the cost of additional resource/systems/process**

5. Should the government introduce a threshold below which providers are not liable for a levy? If so, what form should this take? Please provide evidence for why any suggestions should be considered.

- Yes
- No

Provide further detail (optional)

**We suggest the question of whether a threshold is appropriate is linked to the definition of what is meant by ‘commercially’ let (see our answer for question 4). For example a one-off sublet during a festival is unlikely to be ‘commercially let’.**

**We assume that the accommodation provider will be the person liable for the payment of the visitor levy to the local authority rather than the visitor themselves. Although the statutory charge by the local authority to the accommodation provider is itself outside the scope of VAT, where the accommodation increases its charges to the visitor to recoup its additional costs, this increase in revenue is further consideration for the supply of accommodation and therefore subject to VAT if the accommodation is registered, or should be registered, for VAT.**

**Whilst the setting of a threshold is a matter for the government to decide, we highlight the interaction of the visitor levy with the VAT registration threshold (currently £90,000 in any 12 month period):**

- **The VAT registration threshold is a simplification measure that relieves small and micro businesses from the financial and administrative burdens of the VAT regime.**
- **Where accommodation providers are not registered for VAT, any charge made to visitors equivalent to the visitor levy in addition to the supply of accommodation must be included as turnover for the purposes of the VAT registration threshold. This obligation should be made clear in the visitor levy guidance.**
- **If a visitor levy threshold is set, we recommend that it applies throughout England without local variations to reduce complexity.**

**The CIOT is currently engaging with HMRC VAT policy requesting that visitor levy VAT information is added where appropriate to the existing VAT guidance/VAT notices/VAT manuals, as businesses may place reliance on the tax position for guidance published by HMRC; there is not an equivalent reliance on VAT information published by local authorities in respect of the visitor levy.**

**As we also highlight in question 4, clarity will be required on the position for supply chains containing both VAT registered and unregistered parties, for example, if a VAT registered online booking platform is used by visitors to book local holiday accommodation where the third party property owner is not registered for VAT, which party's VAT registration status counts for the purposes of the visitor levy?**

**For completeness, if the liable party for the visitor levy was the visitor themselves then the statutory charge by a local authority to a visitor would be outside the scope of VAT.**

6. Do you agree that the following exemptions should apply at a national level? Please provide details for why any additional exemptions should be considered. Exemptions could include: a) Stays in registered Gypsy and Traveller sites where the accommodation is a primary residence. b) Stays in charitable or non-profit accommodation provided for shelter, respite, or refuge, where the accommodation is not commercially operated. c) Other types of accommodation, such as for statutory Temporary Accommodation arranged by local authorities (please provide details for why any additional exemptions should be considered).

- Yes
- No

Provide further detail (optional)

**Exemptions and reliefs create distortions, complexity and the potential for unintended consequences. The decision on which national exemptions should be introduced, and which category of accommodation should be exempt is ultimately a matter for government to decide and is largely outside of our area of specialism.**

**Our preference is for exemptions to be established within a mandatory national framework and set out in primary legislation to ensure a degree of uniformity and minimal degree of distortion.**

**The rationale for any exemptions should also be clearly articulated and ideally linked to a statutory or regulatory regime making their application easier to verify and apply. The categories above appear to meet that criteria.**

**In considering any local exemptions, consideration needs to be given to the practicalities for accommodation providers, for example in the case of exemptions for different types of occupier, they may need to gather data to evidence the application of the exemption that adds administrative complexity and compliance issues (eg GDPR) and the potential for disputes.**

**Please also see our response to question 36 that describes the increased administrative burdens potentially faced by local authorities, accommodation providers and individuals exempt from the visitor levy, for refunds of the visitor levy and any applicable VAT.**

7. Do you think that Mayors and other local leaders should have the power to introduce additional local exemptions to those outlined nationally? Please provide examples of specific exemptions, and evidence for these.

- Yes
- No

Provide further detail (optional)

**Our preference, which is based on simplicity of the interaction with VAT, is for exemptions to be established within a mandatory national framework, and set out in primary legislation, to ensure a degree of uniformity and minimal degree of distortion. However we do appreciate that the aim of devolved powers is for local government to make the decisions.**

**An alternative approach might be to vary the overall impact by fine-tuning how the revenue raised is spent, or to provide benefits to visitors paying the levy (for example free public transport) rather than introducing local exemptions that complicate administration and affect perceptions in unintended ways. However, where the levy is expressly linked to the provision of benefits, it can introduce the complication of the imposing local authority having to identify those benefits and their appropriate VAT liability (see VAT case 'Colchester Institute Corporation').**

**We would note that increasing variations of exemptions at a local level across all the different local authorities in England, potentially brings complexity to the VAT reporting and VAT refund position, particularly for chains of hotels that are used for qualifying temporary accommodation – see our response to question 36.**

### **Levy rates**

The following questions relate to Chapter 5.

8. Do you agree that a levy should be set as a percentage of accommodation costs?

- Yes
- No

Provide further detail (optional)

**The consultation considers the advantages and trade-offs of each pricing model but notes a preference for a percentage based model. Whilst it is ultimately a decision for government to decide on the pricing model, it is important that the**

government engages in detailed conversations with the sector on the different pricing models, to understand their impact.

Tourism stakeholders in Scotland had raised concerns over the use of a percentage-based model in Scotland, and that this was the reason that some Local Authorities chose to postpone introduction. This led to an expedited Visitor Levy (Amendment) (Scotland) Bill being laid to make a change to the pricing model of the Scottish Visitor Levy to include a flat rate, along with some other key changes.

Whilst it is ultimately the discretion of each government to decide their pricing structure, it would be worthwhile taking time to understand the issues raised in Scotland to consider if there may be similar issues for the tourism sector in England.

9. How should a percentage-based levy be applied to inclusive packages where accommodation is only part of the total cost (for example, packages that include meals, entertainment, or transport)?

Part of the cost (please provide details)

Total cost

Provide further detail (optional)

**HMRC publishes VAT guidance (Help with VAT apportionment of consideration — GfC2) to assist with apportionment of supplies that are subject to different VAT liabilities. Similar guidance could be published to assist with apportioning inclusive packages for the purposes of the visitor levy. That said, we appreciate that applying a percentage even if this covers extras is a simplification.**

10. Do you agree that Mayors and other local leaders should have the flexibility to set levy rates locally? Please describe any factors that should be considered in setting a rate.

- Yes
- No

Provide further detail (optional)

**We recognise the benefits of flexibility to reflect local conditions and needs, without compromising the wider advantages offered by a national framework. One concern is whether Mayors and local leaders will have access to sufficient data or relevant expertise to ensure rates set locally can be evaluated and justified.**

**We note that variations of rates determined at local levels would introduce increased complexity in the accounting and invoicing position for accommodation providers operating in some or most of the English jurisdictions. Increased**

**complexity in administration and invoicing increases the risk of errors, and for tax errors this may bear penalties and interest. Variable local rates also adds complexity for visitors.**

11. Should the government put in place a cap on the maximum tax rate? If so, at what level should a cap be set? Please provide evidence in support of your views.

- Yes
- No

Enter your preferred approach

**This is outside of our area of expertise.**

12. Should the government put in place a limit on the maximum number of consecutive nights to which a levy applies? If so, at what level should that limit be set? Please provide evidence in support of your views.

- Yes
- No

Provide further detail (optional)

**Factors relevant to the choice of maximum number of consecutive nights would include how common such stays are and the reason for them. However, we do not have evidence on either point.**

**The decision to place a limit on the maximum number of consecutive nights to which a levy applies is for the government to determine and is outside of our specialism. We draw attention to a VAT complication for stays of 28 consecutive days or more, known as the ‘reduced value rule’ ([HMRC guidance](#) refers).**

**For VAT registered accommodation providers, the reduced rate rule means that VAT is charged at the standard rate of 20% for the first 28 days. From day 29, no VAT is charged on accommodation though a charge for ‘value of facilities’ must be levied which ends up with an approximate VAT rate of 4% for supplies from 29 days onwards (see [part 8 of VAT notice 709/3](#)). As visitor levy income has the same VAT liability as the supply of accommodation, there can be instances for long stays over 28 days where the VAT rate will not be charged at 20% on the total cost of the accommodation. This complication would need to be clear in the visitor levy guidance where there is no limit to the maximum number of consecutive nights to which a levy applies. If the government wants to avoid this VAT complication, a limit of 28 days or less would achieve this.**

13. Are there any other flexibilities or safeguards that should be built into the rate-setting framework?

Enter your preferred approach

**National level guidance could assist in providing parameters to determine the best rate.**

14. Should Mayors and other local leaders have powers to vary the rate for different types of accommodation, including short term lets?

- Yes
- No

Provide further detail (optional)

**The consultation refers to potentially setting a higher rate for short-term lets where there is a need to balance local housing demand and the need for local employee housing with accommodation for visitors. The power would also enable Mayors to apply a lower rate to accommodation types with lower impacts on local communities including, if desired, a zero percent rate.**

**As the consultation notes there is a trade-off between complexity, visitor understanding and addressing housing demands in a particular area. We question whether utilising the levy to promote specific policy goals may undermine its primary objective of driving growth. We think there is a risk of reducing trust and acceptability if the levy varies substantially between accommodation types.**

**We note also that there are other parts of the wider tax system that may operate to incentivise short term whole house lets such as rent a room relief (ITTOIA 2005 section 784 et seq.)**

15. Do you agree that Mayors should have the flexibility to decide whether the levy applies to different constituent authorities within their region?

- Yes
- No

Provide further detail (optional)

**Please see our answer to question 14.**

16. Should Mayors and other local leaders be able to vary the application of a levy in their areas based on, for example, seasonality? Please provide details of any other flexibilities that should be considered.

- Yes
- No

Provide further detail (optional)

**We recognise that the visitor numbers may vary considerably in different parts of England. Peripheral parts tend to have shorter seasons due to travel constraints and peak holiday periods place a strain on specific local areas and infrastructure. However, for any given level of target revenue, there are likely to be fewer distortionary effects with a consistent rate and a broad base. As mentioned in question 1, the ability to vary the application and rate locally to respond to seasonal issues will also likely create challenges for businesses from the point of view of finance systems, invoicing and administration.**

### **Transparency and accountability**

The following questions relate to Chapter 6.

17. Do you agree that a formal consultation process conducted by Mayors and, if powers are extended to them, Foundation Strategic Authorities should be required before a levy is introduced and that this approach is proportionate?

- Yes
- No

Provide further detail (optional)

**Yes, we agree that there should be a formal consultation process conducted before a levy is introduced to ensure buy-in from local stakeholders. Experience in Wales and Scotland has demonstrated that a visitor levy can generate strong views both in favour and against. Consultation should allow for setting out the evidence base, establish whether there is local support and allow local business and residents a voice in the introduction of the levy in their area. A consultation is required before introduction of a visitor levy by a local authority in Wales. Similarly the Visitor Levy (Scotland) Act 2024 includes a requirement for prior consultation on a scheme, and it may be worthwhile engaging with the Scottish Government to reflect on what worked well, and what did not work well, with the consultation that has taken place to date in Scotland.**

18. Do you agree with the proposed components of the prospectus?

- Yes
- No

Provide further detail (optional)

**It may be worthwhile engaging with the Scottish Government to reflect on what worked well in this respect, and what did not work well, with the introduction of the Scottish Visitor Levy.**

19. Do you think that the proposed length of the notice period of 12 months is appropriate?

- Yes
- No

Provide further detail (optional)

**It may be worthwhile engaging with the Scottish Government to reflect on what worked well, and what did not work well, with the introduction of the Scottish Visitor Levy.**

**Careful consideration also needs to be given to the appropriate transitional period before implementation of a scheme. The rules applying to the imposition of council tax premia on second homes offers a precedent. A minimum period of twelve months after comprehensive guidance is published is preferred.**

20. Do you agree that introduction of a levy, and any subsequent changes to the core elements of a levy, should be subject to the relevant statutory Mayoral budget voting process in MSAs?

- Yes
- No

Provide further detail (optional)

**This is outside of our area of specialism.**

21. If Foundation Strategic Authorities have powers to introduce a visitor levy, do you agree that a simple majority council vote should be required ahead of consultation on a levy, ahead of implementation and this be repeated ahead of any changes to the core elements of a levy? Is this approach fair and proportionate?

- Yes
- No

Provide further detail (optional)

**This is outside of our area of specialism.**

22. If Foundation Strategic Authorities have powers to introduce a visitor levy, what are your views on the consent mechanism in Foundation Strategic Authorities where a levy is applied to a smaller area within the Foundation Strategic Authorities' geography?

Enter your preferred approach

**This is outside our area of specialism.**

23. What further or different governance and accountability mechanisms are needed in Foundation Strategic Authorities, Mayoral Strategic Authorities or the Greater London Authority?

Enter your preferred approach

**This is outside our area of specialism.**

24. Do you agree with the proposed approach to reporting, and should any further accountability mechanisms be considered?

- Yes
- Yes, but with further mechanisms
- No

Provide further detail (optional)

**We agree with the proposed standardised reporting formats to support consistency across Strategic Authorities, as this will increase clarity and consistency, thereby reducing complexity for accommodation providers operating in several geographical areas.**

**We suggest that reporting arrangements should be set within the national framework for consistency and transparency. The information should be readily available to visitors and residents.**

#### **Liability and assessment model**

The following questions relate to Chapter 7.

25. Do you agree that it should be the visitor accommodation provider that is ultimately liable?

- Yes
- No

Provide further detail (optional)

**The decision on who is the liable party is a matter for government. We agree that placing ultimate liability on the visitor accommodation provider is a more practical approach than levying directly on the visitor. However, we are concerned about additional administrative costs of collection and reporting for businesses, for example increased costs from staff time to administer additional record keeping, IT system changes, accounting changes or other operating process changes.**

**There is an impact on the VAT position where the accommodation provider is the liable person as the visitor levy income is further consideration for the supply of accommodation and is subject to VAT if the accommodation provider is registered for VAT. If the visitor is the liable person, the charge by the local authority to the visitor would not be subject to VAT as statutory levies are outside of the scope of VAT. All guidance must be clear about the responsibility for payment being the accommodation provider if that is the eventual outcome of the consultation.**

26. How could digital booking platforms or intermediaries best be integrated to streamline levy assessment, collection and tax returns?

Enter your preferred approach

**Supply chains involving digital booking platforms or intermediaries can become complex and involve overseas suppliers. The guidance should make clear which party in the supply chain is liable for the visitor levy as this will clarify which party must also charge the VAT. We note the Scottish Government introduced clarifications for multiple party supply chains as part of the Visitor Levy (Scotland) (Amendment) Bill.**

27. Do you agree that a self-assessed model is the most appropriate approach for administering a visitor levy?

- Yes
- No

Provide further detail (optional)

**We agree. A self-assessed model is comparable to the self-assessed basis for the tax system (including VAT) so appears reasonable. It will be vital to ensure that the design minimises the administrative burden on businesses.**

28. Do you agree that the tax point of a levy should be the point of arrival?

- Yes
- No

Provide further detail (optional)

**There are pros and cons of adopting different tax points that require evaluation. Wales has adopted, for example, the point of departure of the final visitor, not arrival.**

**The point of arrival is the point of confirmation that the individual is a visitor to the area and avoids the issue of refunds in the event of cancellation. However, using point of arrival may involve some challenges for visitor accommodation providers that operate self-check in processes. There is also a case for visitors who pay in advance having full transparency about the total cost of any levy as part of a stay at the time of payment.**

**The guidance should make clear that the tax point for the visitor levy may be different to the tax point for accounting for VAT. Advance payments for accommodation normally trigger the obligation to declare VAT, or VAT can become due if a bill is settled at the end of the stay. If the tax point for the visitor levy is the**

point of the arrival, in some circumstances there will be differences to the VAT tax point so the guidance should highlight this.

The tax point adopted will also affect transitional arrangements, for example visitors who have booked before implementation but arrive after that date.

### Administration

The following questions relate to Chapter 8.

29. In your view, should levies be administered locally by relevant authorities, through a centralised approach, or a combination of local and central authorities?

- Relevant local authority
- Centralised approach
- Combination of local and central authorities

Provide further detail (optional)

**As the consultation notes, the optimum delivery model will depend on the final policy design choices. A mix of local and central administration could combine the benefits of:**

- a national framework for consistency and cost-effective centralised IT systems and support with the opportunity for partnership working (both centrally and locally between authorities), and**
- local delivery reflecting local knowledge to promote engagement and acceptance.**

**Whichever model is adopted, efficient data collection, and therefore data sharing powers, will be required for effective post implementation review.**

30. Do you agree a portion of levy revenues should be retained by the relevant authorities to fund administration costs, if levies are administered locally?

- Yes
- No

Provide further detail (optional)

**This is outside our area of specialism.**

31. Should the registration process for accommodation providers to support the administration of the visitor levy be operated locally or nationally alongside the registration scheme for short-term lets in England?

- Locally
- Nationally

Provide further detail (optional)

**This is outside our area of specialism.**

32. What processes or solutions for collecting revenues could be introduced to minimise the burden on businesses?

Enter your preferred approach

**This will depend on which party is the liable person; the accommodation provider or the visitor. Note the impact to the VAT liability for each highlighted in our response to question 25.**

33. What further support could reduce the administrative burden on businesses in collecting and remitting a levy?

Enter your preferred approach

**As highlighted in other responses above, reducing variations at a local level reduces the administrative complexity (including VAT invoicing) for accommodation providers operating in multiple geographical locations.**

### **Compliance and enforcement**

The following questions relate to Chapter 9.

34. Tax authorities will require enforcement powers to ensure compliance with a levy. Do you agree with the powers listed? a) Civil information and inspection powers, including those to enquire into tax returns, audit records retained by visitor accommodation providers, and inspect premises. b) Civil powers to charge interest and penalties, and to recover unpaid tax, where a visitor accommodation provider fails to undertake their statutory obligations relating to the visitor levy. c) Discretionary debt relief powers, for example the ability to reduce a debt to nil or to not issue a penalty in certain circumstances.

- Yes
- No

Provide further detail (optional)

**We agree the proposed enforcement powers appear reasonable and comparative to the enforcements powers in the tax system. However, in considering the detailed framework it will be important to strike the right balance between a system of proportionate sanctions and one that helps accommodation providers meet their obligations particularly when the system is first introduced. A robust awareness campaign will need to include the possibility of penalties for non-compliance.**

**Operational capability, capacity and funding will be needed to manage these powers otherwise the levy will be brought into disrepute. In Appendix One, we set out the CIOT's ten principles against which any proposed powers, sanctions and safeguards can be measured. These principles apply equally in relation to a tax administered by a local authority or potentially by Foundation Strategic Authorities should that option be pursued.**

35. Do you agree that an appeals process should enable providers to appeal on the basis of liability, classification or enforcement action? Please provide details of any additional areas which should be considered.

- Yes
- No

Provide further detail (optional)

**An appeals process is comparable to the right of appeal in the tax system so would be reasonable and reflects a fair balance between the powers of the body collecting the levy and the rights of taxpayers.**

### **Equalities impacts**

The following questions relate to Chapter 10.

36. Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

Enter your preferred approach

**For persons placed in temporary accommodation with an accommodation provider, they may initially pay the visitor levy rather than disclose confidential information at a hotel reception, and local authorities may have a refund scheme for eligible people to reclaim the visitor levy charged. However, this is likely only going to cover the net value of the visitor levy and would not include the VAT charged by the accommodation provider.**

**Where the accommodation provider is registered for VAT, they will have charged the visitor the gross amount (ie visitor levy plus 20% VAT) and also declared the VAT to HMRC in the VAT return. If the local authority only refunds the net value of the visitor levy, the visitor will need evidence to provide to the accommodation provider to support their request for a VAT only refund, otherwise they would personally bear the cost of the VAT.**

**The additional administrative and financial burden dealing with refund from both the local authorities and the accommodation providers may disproportionately impact females who are unable to access a refuge, or people with medical**

**conditions (disability/age) who may be visiting for appointments with local clinicians.**

## Appendix One

### The CIOT's 10 principles to gauge the use of executive powers

The CIOT has 'ten principles' against which powers and safeguards (and proposed powers and safeguard) can be compared with:

1. **Consistent** – powers and safeguards should be applied consistently across HMRC/authority, taxes and taxpayers.
2. **Fair** – powers should help build trust in the tax system and achieve a fair balance between the powers of the tax authority and the rights of taxpayers, whilst being effective in identifying and dealing with non-compliance.
3. **Proportionate** – powers should be proportionate to the mischief they are introduced to tackle, used in a fair and even-handed way and are not abused.
4. **Evidence based** – decisions about when and how to use a power or operate a safeguard must be based on the available facts and evidence.
5. **Be targeted appropriately and used for the purpose they were introduced for** - the policy rationale for the power or safeguard should be clearly articulated at the outset and later deviations only considered exceptionally and after consultation.
6. **Certain** – there should be certainty about when and how a power or safeguards will and can be used; it should be set out in statute, with easily accessible and understandable guidance to supplement it.
7. **Simple** - so the rules can be more easily understood by taxpayers, agents and the authorities.
8. **Transparent and communicated effectively** – so taxpayers, agents and local authority officers can understand and are aware of what taxpayers need to do to comply with their obligations or to challenge HMRC/authority decisions.
9. **Regularly reviewed** – powers and safeguards should be reviewed regularly to ensure they are up to date and being used appropriately. It will be important that the powers being introduced are regularly reviewed to ensure they are meeting the policy objectives and operating effectively (see also comments under point 1 above).
10. **Access to justice** – powers and safeguards should be subject to appropriate oversight, including the right for taxpayers to challenge local authority decisions via statutory review, tribunal appeal etc.