

Scottish Government Consultation on a Cruise Ship Levy

Response by the Chartered Institute of Taxation

1. Executive Summary

- 1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity, and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.
- 1.2. We agree that it was sensible to have a consultation on a potential cruise ship levy, which would be a new tax in Scotland, following the development and introduction of the Scottish Visitor Levy. We, as always, welcome such early consultation being undertaken by the Scottish Government as they consider whether a new tax works for Scotland, and whether a new tax is the right lever to help achieve policy objectives. This consultation should hopefully provide the Scottish Government with greater industry insight to help:
- determine clear policy objectives to inform the decision on whether to introduce a cruise ship levy and the potential design of the tax;
 - consider the cost-benefit analysis of introducing the new tax;
 - ensure simplicity of tax administration and
 - undertake and evaluate post implementation assessments of the effectiveness and administrative burden of the introduction of the Scottish Visitor Levy.

Determine clear policy objectives to inform the decision on whether to introduce a cruise ship levy and the potential design of the tax

- 1.3. In our view, it is not immediately clear from the consultation document what the main policy aims of a cruise ship levy are. Is the objective to mitigate the negative impacts of over-tourism on local communities, for example to reduce noise pollution, congestion and increased waste? Or is the objective to raise revenues to fund for example local infrastructure improvements, invest in tourist attractions to boost Scotland's attraction as a cruise

ship destination or to invest in the ports to help grow other areas of economic activity in Scotland? Or is the objective to encourage more environmentally friendly cruise ships (and discourage more polluting ones)? Or a combination of these?

- 1.4. As a first step, the Scottish Government need to determine clear policy aims. Without clear policy aims, it is difficult to determine the design of the tax needed to achieve the policy objectives of the new tax and whether the cost-benefit analysis justifies the introduction of a new tax (or whether alternative measures could achieve the same objectives).
- 1.5. Feedback from our members has highlighted that each local authority in Scotland has a very different and unique landscape and therefore the impact of visiting cruise ships will vary significantly. If the policy objective is to tackle over-tourism, local discretionary powers may be appropriate to enable each local authority to decide whether they want to introduce a new tax to tackle their own unique over-tourism issues.
- 1.6. Our preference would be that any local, discretionary powers are accompanied with a clear, national framework for the new tax – this is important to ensure consistency and coherence, in line with Scottish Government’s guiding principles, and to ease administration burden and complexity.
- 1.7. A possible unintended consequence of the discretionary nature of a cruise ship levy might be that the decision not to charge the tax is used to promote the advantage to cruise ship operators of visiting one port as opposed to another where the tax is charged. This could create economic distortions between local authority areas in what we understand is already a competitive market. These economic distortions could be further exacerbated if it is feasible to visit tourist locations in a different local authority area to that which the port is situated, particularly with mainland ports. Concern over creating a competitive disadvantage by implementing the cruise ship levy could impact whether a local authority decides to implement the tax or not.
- 1.8. If there is an objective to raise revenues from the cruise ship levy, will such behavioural impacts undermine the effectiveness of a tax with local, discretionary powers? Consideration may then need to be given as to whether centralised powers, implementation, collection and administration may result in a more effective tax.

Consider the cost-benefit analysis of introducing the new tax

- 1.9. Once clear policy aims have been determined and there is a picture of what a potential tax might look like to help achieve these policy aims, a robust cost-benefit analysis is required to determine whether it is cost efficient to introduce a new tax in Scotland. Whilst we welcome the consultation on a cruise ship levy, and it is a sensible next step from the introduction of the Scottish Visitor Levy, the cost-benefit analysis needs to show that the revenues generated by a new cruise ship levy outweigh implementation and compliance costs.
- 1.10. If the cost to implement outweighs the benefit of introducing a new tax, are there alternative levers which can be considered to tackle the policy aims, for example over-tourism?
- 1.11. Transparency on this cost-benefit analysis will help justify and develop a mutual understanding between Scottish Government and Scottish taxpayers on the decision to introduce, or not introduce, a cruise ship levy.

Ensure simplicity of tax administration

- 1.12. Simplicity of tax administration should be a key focus when deciding what implementation, collection and administration look like – a key message from our members in Scotland has been to try to reduce administrative complexity of devolved taxes in Scotland. It is important to balance tax administration with what is currently practical and the level of revenues being generated.
- 1.13. The discussion around who should be responsible for the implementation and administration should be informed by the results of this consultation and a deep understanding of the ‘process’ of a cruise ship visit (from booking through to visit). This detailed insight will help identify the pros and cons of different options, which are not discussed in detail within the consultation document. Should a decision be taken to proceed with a cruise ship levy, we would welcome further collaborative work with the Scottish Government to explore the design of the tax administration.

Undertake and evaluate post implementation assessments of the effectiveness and administrative burden of the introduction of the Scottish Visitor Levy

- 1.14. This is the introduction of a new tax, similar to the introduction of the Scottish Visitor Levy, and not the introduction of devolved powers over an existing tax or replacement of a previously well-established UK wide tax. We would recommend that the implementation period for any future cruise ship levy is scheduled to enable lessons to be learnt post implementation of the Scottish Visitor Levy. The introduction of the Scottish Visitor Levy might give insight as to the effectiveness of the local tax powers and feasibility of creating processes and systems to collect and administer.

2. About us

- 2.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2. The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3. The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4. Our members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

3. Introduction

- 3.1. The CIOT is pleased to provide a response to the Scottish Government’s [cruise ship levy consultation](#), published on 27 February 2025. Progressing consideration of the introduction of a cruise ship levy is part of the Scottish Government’s Programme for Government 2024-25, including progressing work on the design of the potential tax and undertaking necessary consultation. The questions within this consultation are primarily focussed on the design and administration of a potential cruise ship levy.

3.2. The Scottish Government's approach to tax policy is underpinned by a set of six guiding principles:

- Certainty
- Proportionality to the ability to pay
- Convenience
- Efficiency
- Engagement
- Effectiveness

The consultation document highlights that 'these principles will support delivery of a fair and progressive tax system, which aligns policy aims with outcomes, is informed by robust evidence and engagement with others and takes a strategic view of the tax system'.

3.3. Our stated objective for the tax systems include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

4. Question 1: Do you support giving local authorities the power to create a cruise ship levy in their area, if they wish to do so?

4.1. The consultation asks for views on whether local authorities should be given the power to introduce a discretionary cruise ship levy in their areas. Feedback from our members has highlighted that each local authority in Scotland has a different and unique landscape and therefore the impact of visiting cruise ships will vary significantly, from transporting visitors to a specific tourist attraction (which is primed for such a visit) to congestion of smaller locations. The consultation highlights the importance of Scottish tourism to the economy, and cruise ship tourists spend in the local community whilst onshore. Each local authority will have a different balance of tackling over-tourism (if that is an issue) and welcoming the economic activity of cruise ships to their area. Granting discretionary powers may help to address this however, care needs to be taken around creating unintended consequences.

4.2. A possible unintended consequence of the discretionary nature of the tax might be that the decision not to charge the tax is used to promote the advantage to cruise ship operators of visiting one port as opposed to another where the tax is charged. This could create economic distortions between local authority areas in what we understand is already a competitive market. This potential distortion is further exacerbated if it is feasible to visit tourist locations in a different local authority area to that which the port is situated, particularly with mainland ports. In this case, one local authority may bear the burden of facilitating access to tourist destinations in other local authorities. The consultation itself highlights distortions such as this have been seen in Amsterdam by arranging buses to transport visitors. There may also be an overall economic distortion for Scotland as a whole if a cruise liner decides to alter itinerary so that it only stops at one Scottish port, rather than multiple ports. The extent to which the tax generates or increases such distortions will depend in practice on the size of the cruise ship levy.

- 4.3. If economic distortions and behavioural impacts are a concern, consideration should be given as to whether centralised powers to implement a tax, determine the rate, administer and collect the tax could help counter this.
- 4.4. It is important that the Scottish Government determine clearly what the objective of the tax is as this will impact whether local or centralised powers are more appropriate. In our view, it is not clear from the consultation document what the main policy aims are. Is the objective to tackle over-tourism, with discretionary powers enabling each local authority to decide whether they wish to introduce a new tax to tackle over-tourism in their area? Are there wider objectives to raise revenues to improve local infrastructure, tourist attractions and/or other projects? If that is the case, the possibility of economic distortions may deter local authorities from introducing a cruise ship levy, potentially undermining the revenues which would be raised. Clear objectives for the tax are required to inform design.
- 4.5. We note that Table 2 (Annex A) provides a summary of cruise ship visitation across different cities in Europe – is similar data available for Scottish ports which provides details of the cruise ship tourists, non-cruise ship tourists and population for each respective location, and can it be published to provide transparency?
- 4.6. If the decision is taken to proceed with discretionary powers, consideration should be given to the introduction of a national framework that could help provide some element of policy and administration consistency and transparency. We discuss this in more detail in point 16.3.
5. **Question 3: What should the primary basis of a cruise ship levy charge be, if introduced in Scotland? Select one**
- **Tonnage of a ship**
 - **Passenger capacity of a ship**
 - **Number of passengers on board a ship**
 - **Number of passengers to disembark from a ship**
 - **Other (please specify)**
 - **Don't know**

Please provide reasons for your answer.

- 5.2. The chosen basis for calculation is going to have a direct impact on the complexity of a new tax and the administrative burden of implementing.
- 5.3. **Tonnage of a ship / passenger capacity of a ship:** A flat rate or banded rate approach to a cruise ship levy, based on either the tonnage of a ship or passenger capacity, may provide clarity to operators and local authorities on the level of tax at the point of booking. It may be that this option is simpler to administer however cruise ship operators will be better placed to comment. If cruise ship liners are providing information on the number of passengers on board to other ports, is using the tonnage or capacity of the ship really simpler or less onerous? The consultation document notes that these methods do not provide flexibility to take account of changes, however presumably the administration process would allow the cruise ship operator to declare a revised tonnage or capacity for each booking?
- 5.4. **Number of passengers on board:** Taxing the number of passengers onboard would be more aligned with the number of passengers visiting (whilst we appreciate that it may also tax those who choose not to disembark). The consultation notes that this is an approach taken in several overseas countries. Such synchronisation might

simplify the process for cruise ship operators, if they are undertaking such a process for other ports. We would assume that each cruise ship can provide details of ship capacity with relative ease, however it is for cruise ship operators to provide clarity on this. If this option is explored, consideration should also be given as to how the Scottish Government can audit or check cruise ship levy returns.

- 5.5. **Number of passengers to disembark from a ship:** Although we agree that this approach aligns the cruise ship levy with the number of passengers physically in the area (if tackling over-tourism or managing tourist numbers is the objective of the tax), this calculation basis is likely the most burdensome, labour intensive and likely largely impractical for local authorities or ports to implement. It would also require a process for linking the counting / monitoring of number of passengers who disembark to the administrative process of recording, calculating and paying the tax. It is for cruise ship operators to comment on, but perhaps the more fixed nature of the other proposed calculation methods would be simpler for cruise ship operators to operate eg by building the cruise ship levy into the overall 'package' price of the cruise.

6. Question 4: In addition to the main basis of the charge, should any cruise ship levy also take into account the environmental impact of a cruise ship?

- 6.1. As discussed in point 16.1, there are 'trust ports' in Scotland which already have environmental objectives. Take for example, [Port of Aberdeen's ambition](#) to become the UK's first net zero port by 2040 with information on their progress to date and key objectives to help achieve this in 2025 detailed on their website. Any attempts to reflect the environmental impact of a cruise ship within the tax should recognise and be aligned with these wider initiatives, and those of other ports.

7. Question 5: Who should collect any cruise ship levy? Select one.

- **Cruise ship operator**
- **Port operator**
- **Local authority**
- **Other (please specify)**
- **Don't know**

Please provide the reasons for your answer.

- 7.2. Simplicity of tax administration should be a key focus when deciding on what implementation, collection and administration looks like – a key message from our members in Scotland has been to try and reduce administrative complexity of devolved taxes in Scotland and to balance this with the level of revenues being generated by devolved taxes.

- 7.3. The discussion around who should be responsible for the implementation and administration should be informed by the results of this consultation and a deep understanding of the 'process' of a cruise ship visit (from booking through to visit). This detailed insight will help identify the pros and cons of different options, which are not discussed in detail within the consultation document. We therefore assume that there will be further consultation and discussion on implementation and administration, once the results of the consultation and other detailed engagement can be shared with key stakeholders. In the meantime, we have outlined some initial points on the potential options below.

7.4. Full local implementation and administration by the Local Authority or outsourced to another body

- This may or may not include self assessment by cruise ship operators.

- This may or may not include interaction with port operators.
- Local Authorities would need to be provided with the funding to create capacity and systems to deal with implementation, collection and administration of the new tax.
- This is the introduction of a new tax, similar to the introduction of the Scottish Visitor Levy, and not the introduction of devolved powers over an existing tax or replacement of a previously well-established UK wide tax. We would recommend that the implementation period for any future cruise ship levy is scheduled to enable lessons to be learnt post implementation of the Scottish Visitor Levy. The introduction of the Scottish Visitor Levy might give insight as to feasibility of creating processes and systems of collection and administration.
- Cruise ship operators and research into the operation of existing cruise ship levies may provide insight into the practicalities and effectiveness of self-assessment. If cruise ship operators are used to a self-assessment process with other countries, this may ease some element of the administration burden on local authorities (or any outsourced body). If self-assessment is chosen as a way forward, consideration needs to be given as to how local authorities/Scottish Government can verify and check the accuracy of returns.
- A detailed understanding of the current 'process' from booking to visiting port, may help to understand whether port operators can add value to implementation and administration. Could port operators help to share information with the local authority to help verify the accuracy of self-assessment returns? Port operators will be able to provide a view on whether they can play any further role in collection and administration, and an estimated cost of them doing so.
- If implementation, collection and administration are solely the responsibility of local authorities, or outsourced body engaged by a local authority, then a national framework will be very important to provide consistency and coherence between local authorities in terms of their interactions with cruise ship operators, returns and data collection (which is important to assess the overall effectiveness of the cruise ship levy in Scotland). We discuss a national framework further in point 16.3.
- The operation of a cruise ship levy will result in a combination of business data and personal data (in the context of a business) which may be in the scope of the UK General Data Protection Regulations. Care will need to be taken that such obligations are fully understood and complied with, particularly where outside bodies are engaged to provide collection or administration services.

7.5. **Fully centralised implementation and administration – by Revenue Scotland**

- The consultation document details that c1,000 cruise ships visited Scotland in 2024. If there is a relatively small number of taxpayers, could a centralised approach to implementation, collection, administration and compliance provide the most efficient, cost-effective route? Revenue Scotland would need funding to take on this responsibility.
- The policy aim / objective of the tax was discussed in point 4.4. If there is an objective to collect revenue, over and above providing local authorities with a means to tackle over-tourism in their area, the merits of centralised powers, implementation, administration and collection should be considered as a means to tackle any potential behavioural impacts.
- Although not specifically a question in the consultation document, the consultation document does mention the impact of the cruise industry across different local authorities, the interaction with the Verity House Agreement and potential mechanisms of equalisation. This may have an impact on whether Revenue Scotland needs to play a role in implementation, collection and administration.
- Centralised implementation and administration also result in a centralised approach to dealing with wider legislative requirements, such as the UK General Data Protection Regulations.
- Centralised data collection would facilitate effective post-implementation evaluation.

7.6. **Mixture of local and central implementation and administration** – A mixture of local and central implementation and administration, that combines a national framework, could provide the opportunity to have a cost-effective centralised IT system. It would also be helpful to explore the benefits of a centralised compliance facility provided to local authorities implementing the tax.

8. **Question 6: What enforcement powers should a local authority, or other relevant body, have to ensure compliance (and prevent avoidance and evasion) by those required to pay a cruise ship levy? Please select all of the powers you think the body should have.**

- **Powers to request, and obtain or inspect, the information necessary to assess the cruise ship levy liability of a body.**
- **power to apply a penalty (eg a fine) if a cruise ship levy is not paid when it is required to be.**
- **power to apply a penalty (eg a fine) if a body provides inaccurate information in relation to a cruise ship levy, or destroys requested information.**

8.2. We agree that these powers seem appropriate. 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 Revenue Scotland providing a service to local authorities should that option be pursued.

8.3. It is important that there is effective oversight of the exercise of compliance powers to ensure consistency and thereby build and maintain trust.

8.4. Consideration should be given as to whether it is possible to have a degree of synchronisation with the powers levied under the Scottish Visitor Levy, where appropriate.

8.5. We appreciate that this consultation is Stage One, and therefore, there is no discussion around factors such as interest charging powers, the process of penalty assessments (and waiving penalties) and appeals processes. We assume that there will be further consultation with key stakeholders in due course to determine the detail of enforcement powers, should the Scottish Government decide to proceed with the cruise ship levy.

9. **Question 7: Do you think the rate of any cruise ship levy should be set at a national level or should it be for a local authority to decide?**

- **Set at the national level**
- **Decided by local authorities**
- **Don't know**

Please provide the reasons for your answer.

Question 8: If the rate of any cruise ship levy were to be set by individual local authorities, should an upper limit be set at a national level?

9.2. Whilst we think that the cruise ship levy should be part of a national framework (discussed in 16.3), it could be possible for local authorities to have the option to set the level of the rate, without compromising the wider benefits offered by a national framework. Local authorities having the option to set the level of the rate could have advantages because the rate can reflect local circumstances and needs. Our concern with this is whether local authorities have access to sufficient data or relevant expertise to ensure the appropriate rate can be properly evaluated and justified.

9.3. We understand that cruise ship bookings are highly competitive between ports in Scotland. We discussed potential unintended consequences in point 4.2, including behaviours taken to ensure the competitiveness of their port such as not introducing a cruise ship levy or introducing a lower cruise ship levy than other local authorities. Actions such as this could impact the effectiveness of the tax. If the market is highly competitive, setting an upper limit may not be of such concern as setting a particularly high tax could have an impact on that port's ability to secure cruise ship bookings. However, any potential rules in respect of bandings and upper limits should be set out within a national framework.

10. Question 9: Which (if any) of the following proposed actions do you believe local authorities should be required to undertake before being able to introduce a cruise ship levy? Please select yes, no, or don't know for each proposed action below.

10.1. Yes, there should be:

- Consultation to gather views from all those affected by a cruise ship levy;
- Relevant impact assessment conducted;
- Set and publish objectives for any cruise ship levy (including spend);
- An assessment of and transparency on the administrative burden from the proposed cruise ship levy (and steps taken to minimise);
- Appropriate mechanisms in place to allow for collection (and if necessary, remittance) of a cruise ship levy;
- Publicly available information about the cruise ship levy and how to pay it;
- An established approach to monitoring revenues raised and their use, with public reporting and
- An established approach to monitoring and public reporting of the impact of the cruise ship levy.

10.2. A review of the impact of the cruise ship levy, should be undertaken post implementation and include:

- a review of the rate;
- an assessment of comprehensive data to evaluate the effectiveness of the tax in achieving its stated objectives and
- an assessment of the administrative burden to comply with the tax.

10.3. The Scottish Government could consider publishing a [Tax Information and Impact Note](#), similar to that produced by the UK Government, ideally before (but potentially after) implementation of the levy.

11. Question 10: How should revenue raised by a cruise ship levy be used? Select one.

- Revenue raised by a cruise ship levy should be required to be spent on facilities and services used by cruise ship passengers and/or the cruise ship industry.
- A local authority should be able to use revenue raised by a cruise ship levy in any way it wishes.
- Don't know.

Please provide the reasons for your answer.

11.2. The question on how revenues should be spent should be considered in the context of the objectives of the levy. As outlined in point 4.4, it is not clear from the consultation what the main policy aims are.

11.3. It is possible that the optimum outcome for directing revenues will vary by destination/area. Clear objectives for the tax should provide a broader criterion around how a local authority can spend the revenues raised, whilst not constraining local authorities as to precisely how funds are applied to meet their local needs. One of Adam

Smith's Canons of Taxation, and the Scottish Government's guiding principles, is 'certainty' ie that taxpayers are clearly informed about why and how taxes are levied.

- 11.4. Question 10 asks for views on whether revenue should be spent on industry specific facilities or services, or whether there should be no constraints on how revenues can be spent. The consultation also opens discussion on whether there should be a mechanism of equalisation between Local Authorities however there is no direct question on this within the consultation. The consultation notes that this should be considered by the joint COSLA/Scottish Government Settlement and Distribution Group – it is important that stakeholder feedback is sought on this and that this consideration takes place in sync with the design of the cruise ship levy. The consultation itself noted that feedback has already been provided around migration of cruise ship visitors between Local Authorities when onshore.
- 11.5. We assume that this question is directed at the revenue generated by the tax itself, although there may also be revenue generated from any associated penalty regime. It is important that the level of penalties reflects the purpose of deterring non-compliance, rather than as a revenue-raising tool.

12. Question 11: Should any of the following groups be granted exemptions from payment of a cruise ship levy?

- **Passengers who are 18 years or under**
- **Passengers who are disabled**
- **Passengers who are paid carers**
- **Crew members**
- **Passengers disembarking at the final port of call**

Question 12: If national exemptions are introduced, do you think local authorities should be able to create additional exemptions at a local level?

- 12.2. We think that exemptions should be established within a mandatory national framework and set out in primary legislation.
- 12.3. It is difficult to specify which exemptions are appropriate when the purpose of the tax isn't clearly defined. Once a clear objective for the tax is determined, it would then be possible to consider whether an exemption is consistent with the policy intent.
- 12.4. Exemptions and reliefs can create distortions and can have unexpected consequences. The rationale for exemptions should be clear and the number of exemptions kept to a minimum. Our preference is for a clear national approach to reliefs and exemptions for the tax to ensure compliance with the Equalities Act; coherence with the Scottish Government's guiding tax principles; and consistency. This would also provide a base for the provision of any transfer of payments between local authorities, should this form part of the design of the tax.
- 12.5. Consideration needs to be given to the practicalities of applying exemptions, as the collecting agency may need to gather data that they do not currently collect. Exemptions inevitably add complexity and so must be easily and objectively identified (and not open to manipulation) and evidenced.
- 12.6. Consideration should be given to the nature of any supporting evidence, how this can be produced without placing onerous burdens nor intruding unnecessarily on the privacy of the individuals, how this data can be collected (subject to compliance with GDPR) and processed for the purposes of determining liability, auditing

and post implementation route evaluation, and also how to deal with disputes in relation to the application of otherwise.

- 12.7. One group which is not noted within the consultation document is individuals who are engaged separately by cruise ship operators but are not necessarily a crew member. This could include, but not limited to, entertainers, musicians and guest speakers.

- 13. Question 13: Should there be an implementation period for any cruise ship levy? (This would be a required period to run from the time a local authority formally decides to introduce a cruise ship levy to when it came into force).**

Question 14: If there should be an implementation period how long should it be? Select one.

- **Less than 6 months**
- **6 months**
- **12 months**
- **One complete financial year**
- **18 months**
- **More than 18 months**

- 13.2. Yes, we agree that there should be an implementation period for any cruise ship levy. Consultation would allow for setting out the evidence base, establish whether there is local support and allow the ports and local businesses affected to have a voice in the introduction of a cruise ship levy to their area. Review of the implementation of the Scottish Visitor Levy in due course may also provide insight on the length of an implementation period, however we appreciate there are sector specifics to consider which we would hope should come out within the consultation responses / stakeholder engagement.

- 14. Question 17: Would the name 'cruise ship levy' be appropriate for a potential levy as explored in this consultation paper?**

- 14.1. Subject to the discussion in Question 18 below, yes we agree that 'Cruise Ship Levy' would be a sensible name. If the scope of the tax is extended beyond cruise ships, the idea of which is introduced in Questions 18, then accordingly the name of the tax would need to be reconsidered.

- 15. Question 18: Do you believe local authorities with islands should be given the power to create a broader 'point of entry' levy for one or more islands in their area, if they wish to do so?**

- 15.1. We recommend that any plans for a broader 'point of entry' levy for islands should be considered separately by the Scottish Government and subject to a separate consultation process. There would need to be a detailed impact assessment undertaken to understand the impact of such a tax on our island communities and consideration given to the 'bigger picture' of how this point of entry levy would interact with the Scottish Visitor Levy and any potential cruise ship levy. It may be that learnings from the implementation of a potential cruise ship levy may help inform discussion around whether there should be a point of entry levy.

- 16. Question 19: If there any other points you would like to make in relation to a potential cruise ship levy that you have not been able to make elsewhere in this consultation, please add them below.**
- 16.1. Interaction of key policy aims with trust ports** – A number of ports in Scotland operate as ‘Trust Ports’, with 100% of the profits generated through operations reinvested into the improvement and development of the relevant port and local community, with a clear statement of their social, economic and environmental strategic objectives visible to the public on their websites. The websites of such ports detail that there has been significant re-investment in the ports, which will in itself bring economic benefits to Scotland via other industries, such as the renewable sector. We do not have the expertise to provide detailed evidence on how this might interact with the policy aims of a cruise ship levy, but it is important that this is taken into consideration when determining whether to introduce a new tax, and when assessing the effectiveness of any new tax.
- 16.2. Cost /benefit analysis** – We appreciate that discussion over a cruise ship levy was raised during the consideration of a Scottish Visitor Levy, and we agree that it was sensible to consult on a potential cruise ship levy. We welcome early engagement such as this by the Scottish Government on a new tax for Scotland. Determining clear policy aims should inform the design of the tax. Once there is a clear picture of policy aims and what the new tax potentially looks like, it is important that the Scottish Government undertake a robust cost-benefit analysis to determine whether it is cost efficient to introduce the proposed new tax in Scotland. Transparency on this cost-benefit analysis will help justify and develop a mutual understanding between Scottish Government and Scottish taxpayers on the decision to introduce, or not introduce, a cruise ship levy. If this analysis shows that revenues generated by a new cruise ship levy outweigh implementation and compliance costs, it may be appropriate to consider whether there are alternative levers which can be considered to tackle policy aims.
- 16.3. National framework** – Our preference is that there is a clear national framework for the tax. This would provide a uniform, universal and consistent parameters for local authorities to work within including: definitions, exemptions/waivers, reporting and compliance procedures and enforcement, penalty and appeal rules. Subordinate legislation should be reserved to those matters which require flexibility, updating and ‘tweaking’ to ensure efficient application of the rules, rather than the making of the rules. Examples include the setting of rates, setting interest rates and ancillary provisions. A national framework would ensure consistency and coherence with the Scottish Government’s guiding principles to tax policy (including decisions over exemptions) and the operation of the tax across Scotland (including reporting arrangements). It should ensure that cruise ship operators who are stopping at multiple Scottish ports can report the same information and meet the same reporting and payment deadlines. Differing returns amongst local authorities seems more bureaucratic, burdensome and less efficient for taxpayers, the collecting agency and when developing software to digitalise returns. A national framework will also ensure a level of transparency that builds acceptance and trust, which is vital for support for a tax. That is not to say that consideration should not be given to giving local authorities the power to vary the level of the tax, which we discuss in our response to Question 8, being mindful of the highly competitive market.
- 16.4. Value Added Tax** - It is important that there is clarity on whether the cruise ship levy is, or is not, subject to Value Added Tax. The Scottish Government should work alongside HMRC to develop the necessary guidance prior to the cruise ship levy going live.
- 16.5. Consultation and engagement on levy design** – We welcome the consultation and engagement that the Scottish Government and Revenue Scotland have undertaken on the introduction of other devolved taxes, such as Scottish Aggregates Tax and the Scottish Building Safety Levy. Full transparency on data and feedback from key

stakeholders adds value to consultation and engagement – it informs discussion and builds trust in the process of designing a new tax. We would ask that any timeline for a Cruise Ship Levy Bill (and final decisions on design) allows time for full transparency on data from this consultation and feedback obtained via roundtables to be provided to key stakeholders, to get the best input on questions of design of the tax.

17. Acknowledgement of submission

17.1. We would be grateful if you could acknowledge safe receipt of this submission and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

30 May 2025

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 taxpayers¹, 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.

¹ Fairness includes being inclusive. Taxpayers' rights include their rights to challenge decisions via the relevant enforcement body (for example via reviews and appeals etc).