

Appendix 1 of Report to Proposal to Consult on the Introduction of a Visitor Levy Scheme as reported to [Economy & Infrastructure Committee 14/11/2024](#)

Impact Assessments

- **Integrated Impact Assessment**
- **Businesses, Visitors, Communities and the Council - Impact Assessment (prior to consultation)**

Integrated Impact Assessment

The outcomes of the Full Impact Assessment using the Council's Integrated Impact Assessment tool are detailed below in Table 1:-

	Impact Assessment Area	Outcomes
1	Equalities, poverty and human rights	Protected characteristics – <i>no impact for all categories, with Disability – Positive impact</i> Vulnerable groups – <i>Positive for all categories, except for Low-income households (in-work poverty) where there is a positive and negative impact.</i> <i>Human Rights – No impact</i>
2	Children's Rights and Well-being	<i>Positive & negative impacts</i>
3	Island and Mainland rural communities	<i>Positive impact</i>
4	Climate Change	<i>Positive & negative impacts</i>
5	Data Protection	<i>No impact</i>

1. Equality, Poverty and Human Rights

Protected Characteristics

The Visitor Levy (Scotland) Act 2024 defines the meaning of overnight accommodation. A visitor levy would apply to all visitors using specified accommodation as set out in the Act. The Act sets out the types of accommodation which are not subject to the Levy. These are:

- a local authority gypsy and traveller site or a registered social landlord gypsy and traveller site (those expressions having the same meaning as in Part 1 of schedule 1 of the Mobile Homes Act 1983), or
- accommodation in a vehicle, or on board a vessel, that is undertaking a journey involving one or more overnight stops.

The Act provides for an exemption for those receiving specific disability benefits.

Some groups (older persons, those receiving gender-affirming treatment, pregnancy and maternity, disabilities) are arguably more likely to receive medical treatments and require the use of overnight accommodation. These groups may be negatively impacted by additional charges for accommodation.

Mitigation: Most of the patients travelling for medical treatment can apply to their NHS Board for support in relation to travel and accommodation. NHS policy states that patients can claim expenses from their local NHS Board. The Scottish Government's Young Patients Family Fund is available for patients aged under 18 years. It states "If you're the parent, primary carer or sibling (aged under 18) of a young inpatient under the age of 18 receiving hospital care, you can claim for the costs of travel and food...You also need to send evidence with your claim form. For example, receipts or bank statements for all public transport, parking and accommodation."

Vulnerable Groups

Vulnerable Groups are listed in the Council's Integrated Impact Assessment tool as Unemployed, Lone parent families, Young children, Older people, Homeless, Looked after children and Low-income households (in-work poverty).

There will be positive impacts for vulnerable groups through sustaining, supporting and developing infrastructure and public services, skills training and employment.

There will be a negative impact on lone parent families and low-income households who will be subject to the Levy charge should they choose to stay in accommodation defined within the Visitor Levy (Scotland) Act 2024. In mitigation the Levy being charged at a percentage rate means that the Levy is applied proportionately to the budget of accommodation the visitor has chosen.

The Visitor Levy (Scotland) Act has been drafted to protect those who are experiencing socio-economic disadvantage from being liable to pay the levy.

A number of groups do not fall within the scope of the Act and are therefore not liable to pay a visitor levy charge. These groups, with the exception of those in receipt of specified disability payments, are not considered visitors to an area for business or leisure purposes and are therefore not liable to pay a levy charge. These groups are:

- i. being homeless or at risk of homelessness
- ii. very poor housing conditions (such as overcrowding, serious damp or disrepair)
- iii. experiencing domestic abuse or other forms of violence
- iv. someone's residence being unfit for habitation
- v. someone being an asylum seeker or refugee

Young people, more specifically families and those on school trips staying overnight may be impacted, as larger room costs are generally higher.

Mitigation: The Visitor Levy charge is based on room cost, rather than individuals staying in the room. Depending on hotel/accommodation rules, children under a certain age are not allowed to stay in rooms without an adult.

It would be difficult to apply an exemption based on age, due to the difficulties of distinguishing between individuals staying in the accommodation. The Levy percentage rate being charged is applied proportionately to the budget of accommodation the visitor has chosen.

Human Rights

The proposal to introduce a Visitor Levy Scheme does not affect:

- Respect for private and family life, home, and correspondence
- Freedom of thought, belief and religion
- Freedom of expression
- Freedom of assembly and association
- Right to marry and start a family
- Protection from discrimination
- Right to peaceful enjoyment of property
- Right to education
- Right to participate in free elections

This proposal does not remove or reduce the ability of an individual to enjoy any of the above rights.

People visiting those in prison or attending court proceedings may be negatively affected, as families affected by imprisonment often face financial stresses.

Mitigation: Funding is available (in the UK and in Scotland) for those visiting people in prison, which means that those with the most need will not be negatively affected by the implementation of a Visitor Levy.

2. Children's rights and wellbeing

There is an indirect negative impact on children and young people as the Levy will be charged as a % of the room rate, therefore a family rate will include children. There is a direct negative impact for young people choosing to book accommodation for their personal use as they will be subject to the levy. As the levy is a percentage rate, this charge will be proportionate to the chosen cost of accommodation.

There is a direct positive impact with the Levy providing additional capacity to sustain, support or support skills, training opportunities and infrastructure and public services.

There will be a direct positive impact as a family with a child receiving specified disability benefits will be exempt from the Levy.

3. Island & Mainland Rural Communities

As the Levy will apply equitably across all of Highland, including the islands and the mainland rural communities, there will be positive impacts. The income generated from a Visitor Levy Scheme will provide the capacity to sustain, support and develop infrastructure and public services across Highland.

4. Climate Change

Energy, Emissions and Resources

For the Circular Economy and Waste, there will be positive impacts through sustaining, supporting and developing infrastructure and public services, skills training and employment.

For Just Transition, there is anticipated to be a negative impact for small businesses, however the development of a national digital portal is identified as mitigation for businesses administering the proposed Visitor Levy Scheme.

Natural Environment & Biodiversity, Adaption & Resilience

The assessment of the impacts under the above categories have identified the impacts as positive, through sustaining, supporting and developing infrastructure and public services, skills training and employment.

5. Data Protection

The proposed Visitor Levy Scheme, as prescribed in law, will require new datasets to be collected and processed. This is not limited to, but shall include, a register of accommodation providers, personal data relating to exemptions, billing, recovery and enforcement information. As with other data processes, the appropriate privacy statements and governance will be an integral part of this process

There is not anticipated to be a negative impact on Data Rights as a result of this proposal. Personal data will not be shared with other organisations.

For the consultation process, personal and business details will be captured. As with other data processes, the appropriate privacy statements and governance will be an integral part of this process.

Businesses, Visitors, Communities and the Council - Impact Assessment (prior to consultation)

As the Council's Integrated Impact Assessment tool does not include business impacts, Officers have been guided by the Business and Regulatory Impact Assessment undertaken by the Scottish Government. The Council's impact assessment for businesses, visitors and the Council is detailed below.

1)Introduction

1. The Highland Council is seeking to introduce a Visitor Levy Scheme in Highland using discretionary powers provided to local authorities in the Visitor Levy (Scotland) Act 2024. For the purposes of the levy, the Act refers to both business and leisure visitors. This impact assessment supplements the Integrated Impact Assessment in respect of the Council's proposed outline Visitor Levy Scheme. This assessment examines the main impacts on businesses, visitors, communities and the Council arising from the proposed Visitor Levy Scheme and identifies suitable mitigation measures for Highland. The outcomes from this impact assessment, and the Integrated Impact Assessment have shaped the content of the proposed outline Visitor Levy Scheme.

2)Impacts

2. The Visitor Levy Guidance recommends that local authorities assess the impact of a proposed Visitor Levy Scheme on:
 - businesses collecting and remitting the levy.
 - visitors paying the levy.
 - communities who may benefit from the levy.
 - local authorities administering the levy.
3. Through our engagement sessions with representatives from the tourism sector and business representatives, a range of potential impacts on businesses, visitors and communities were highlighted.
4. The two main potential impacts on businesses which relate to the proposed outline Visitor Levy Scheme in Highland are:
 - the impact of a levy on levels of visitor demand for paid accommodation in Highland; and
 - the impact on the operational costs of those businesses collecting and remitting the levy.
5. The two main ways the proposed levy may impact upon visitors (business and leisure) are:
 - the impact which a levy could have on visitor costs and demand; and
 - the impact on the visitor experience.
6. When considering potential impacts on communities who may benefit from the levy, the impacts on residents have been assessed using the Council's Integrated Impact Assessment tool which can be accessed at the following [link](#).
7. Overall, there is evidence which indicates that the proposed Visitor Levy Scheme in Highland will have some negative impacts on businesses from additional costs and administrative work. These are likely to be relatively minor when taking account of the wider legal and tax requirements a business must already undertake. However, there will be positive impacts through sustaining, supporting and developing infrastructure and public services, skills training and employment, which together will continue to make Highland a destination of choice.

Impact on demand for paid accommodation in Highland

8. Through our engagement with businesses and from other sources, concerns have been raised as to a potential negative impact a Visitor Levy Scheme could have on occupancy rates in Highland.

9. In this context, an important factor to consider is the overall health of the tourism sector in Highland and to forecast how it may change in the future. The Scottish Government Business and Regulatory Impact Assessment (BRIA) states that: “Before implementing a levy, we would also encourage local authorities to consider the sensitivity of visitor demand locally when choosing the rate at which the tax is set, given the potential for adverse impacts on visitor demand from large tax driven changes in accommodation prices.”
10. STEAM is one of the UK’s leading tourism economic modelling tools. It takes account of a wide range of visitor input data and provides detailed annual reports at regional and sub regional levels.
11. STEAM data shows a clear upward trend in visitor numbers to Highland over the past 10 years. In 2022, visitor numbers had almost bounced back to pre-pandemic numbers (6.832 million visitors) and in 2023 visitor numbers had reached 8.4 million, surpassing all previous years. STEAM also shows a similar trend with the overall economic impact of the tourism sector in Highland. Pre-pandemic in 2019, the economic impact was £1.780bn in Highland. By 2022, and when taking account of price inflation, the economic impact was assessed at £1.847bn. In 2023 it had increased further to £2.078bn.
12. Through other data sources, including recent engagement with businesses and business groups, there are some concerns that these positive headline figures disguise the financial fragility of many within the accommodation sector in Highland. The sector reports that, whilst visitor numbers (business and leisure) have increased and visitors are spending more, profitability has not returned and remains low due to factors including higher operating costs, staffing challenges and a rising minimum wage. Some businesses have reported essentially making no profit post-pandemic. The Highland Hotels Association (HHA) state that: “Accommodation providers are deeply concerned about the economic impact of increased pricing in an already highly inflationary market.” They also noted that: “... despite a general reduction in inflation to 2%, hotel inflation remains between 7% to 8%, necessitating higher prices. This has led to price resistance from tour operators
13. A key issue surrounding the levy is whether it will impact on the price competitiveness of Highland. The World Economic Forum (WEF) regularly publishes [international travel & tourism index reports](#) which measure factors and policies that enable the sustainable and resilient travel sector. In terms of the price competitiveness measure alone, the UK has regularly been ranked near the bottom of all countries assessed. Previous versions of the index (which applied a different methodology) showed the United Kingdom at the very bottom of the index in terms of price competitiveness.

In the 2024 index report, the UK position improved, albeit still below average (with a score of 2.74), similar to Ireland (2.78), Netherlands (2.87) and Denmark (2.88), and significantly higher than others such as Iceland (1.44) Switzerland (1.68). Possibly the most important ranking is the overall index, which takes account of all measures. In this, the UK has consistently performed well and is identified as 7th best overall in the world in 2024.

14. In 2024, there have been reports from some Highland businesses that occupancy rates have not matched that in 2023. HHA stated “Inverness experienced three consecutive months of declining occupancy, with a significant drop of up to 14% in August— their peak trading quarter. For example, Kingsmills Hotel reported a 21% increase in sales from 2019 to 2023, yet profits decreased by 6%. Inverness is the only major city in Scotland where occupancy is decreasing year-on-year, as per STR Scottish city stats [*industry data organisation*] (August 2024). Despite highly publicised ‘freak’ room prices often quoted in local media, the annual achieved room rate in Inverness for 2023 remains just above £100.00.”
15. Other information sources point towards a more buoyant position. Colliers [‘UK Hotels Market Index 2024’](#) market tracking index that analyses ten key performance indicators of 35 cities in the UK found the Inverness hotel market to be one of the most buoyant. It identified Inverness as a ‘Rising Star’ and had climbed to third place, “fuelled by Scottish destinations’ appeal, solid performance metrics, and favourable construction costs.” This finding is reflective of recent announcements that two new large hotel developments in Inverness city centre will go ahead – a 72-bed hotel on Church Street by Patio Hotels and a 210-bed hotel on Academy Street by Hampton by Hilton.
16. It is recognised that occupancy rates will vary across accommodation types and areas. For example, VisitScotland’s [national occupancy data](#) shows the camping and touring caravan sector had 56% occupancy in July 2024 (an increase from 51% in 2023). In Highland, some campsite and motorhome park owners have raised concerns about how a proposed Visitor Levy Scheme will impact their market, such as the potential pressure a levy may put on their costs and that the levy would apply to their customers, but not apply to those who choose to stay overnight on informal sites. This position was reflected in the consultations undertaken by the Council over recent years and in the SkyeConnect 2024 survey which found that 89% of respondents felt that those staying overnight in vehicles out with commercial sites should also be charged a levy.
17. In terms of the potential impact which the proposed Visitor Levy Scheme would have on the tourism sector, the Council notes the concerns raised. The Visitor Levy (Scotland) Act makes no provisions for the levy to apply to those who choose to stay overnight in informal sites rather than staying on a campsite or motorhome parks.

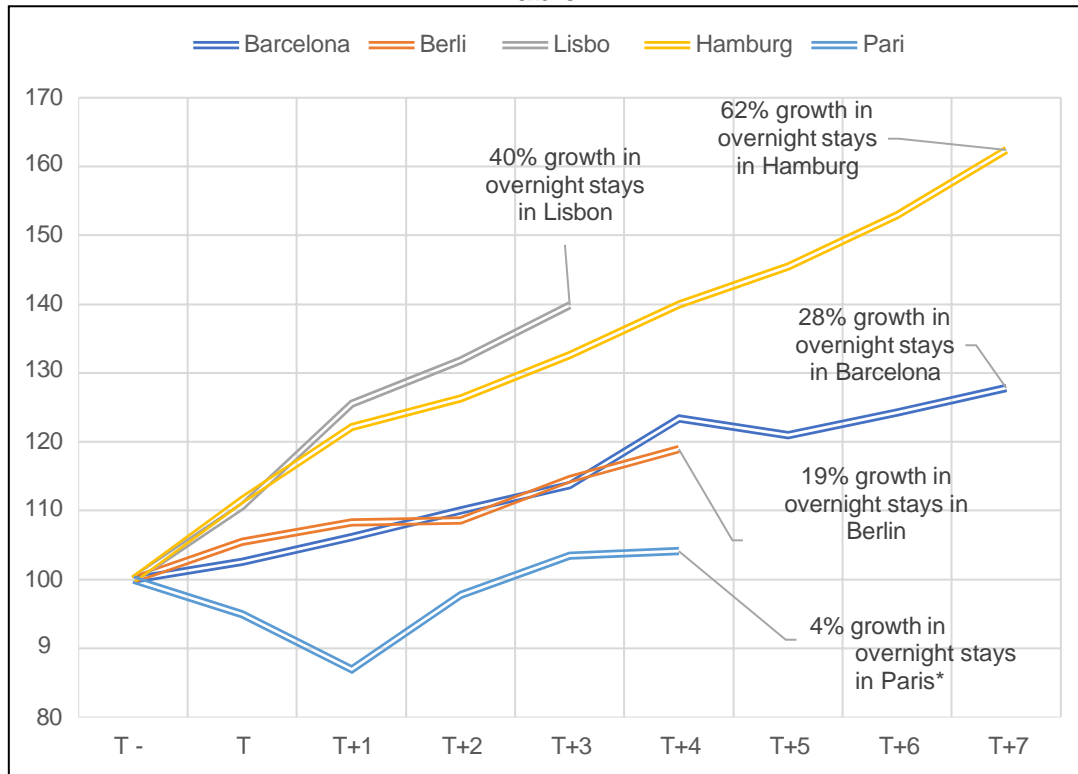
18. Whilst the national tax arrangements in each country are different, another important source of information is considering how visitor levies have impacted the market in other destinations where they have already been introduced. International travellers, both from within Scotland, the UK and from abroad, are therefore familiar with paying visitor levies. Visitor levies have been implemented across the world – some of those often highlighted include the following:

<u>Amsterdam</u>	<u>Berlin</u>	<u>Paris</u>
<u>Balearic Islands</u>	<u>Croatia</u>	<u>Quebec</u>
<u>Barcelona/Catalonia</u>	<u>New Zealand</u>	

19. There is a range of approaches to implementing and operating visitor levies with differing overall purposes, design, geography, rate and application. Within the UK, visitor levies are being actively progressed in some areas. This includes a Business Improvement District-led scheme in [Manchester](#) which was introduced in April 2023. New [legislation](#) similar to the Visitor Levy (Scotland) Act 2024, is included in the Welsh Government’s programme and could come into force in 2025.

20. The Scottish Government BRIA found that “Evidence from cities that have introduced these types of taxes recently show that generally growth in visitor numbers has continued after the introduction of these taxes. Table 1 below shows the relative change in overnight visitors for selected cities in Europe that have either introduced or increased existing taxes on visitors in the past 10 years including Barcelona, Lisbon, Berlin, Hamburg and Paris. In most cases there continued to be strong growth in overnight visitor numbers and no area saw a fall in visitor numbers prior to 2020.”

Table 1



*'T' is the year a tax on overnight visitors was introduced or increased in each city. T-1' is the year prior to the introduction of the tax. The decline in visitor numbers to Paris in 2016 has been linked the impact of terror attacks.

Source: Scottish Government BRIA

21. Valuable insights can be gained from examining other visitor levies, but it is acknowledged that each country has its own distinct set of circumstances, such as political arrangements and tax structures. For example, the UK has a relatively high VAT rate for accommodation when compared to the rest of Europe at the standard 20% but the VAT threshold is one of the highest at £90,000.
22. Nonetheless, the international examples indicate that visitor levies do not have a significant adverse economic impact where the rate is proportionate. Evidence from Highland appears to back this up. As Highland has recorded its highest levels of visitors and economic impact, regardless of the inflationary pressures impacting on price, this would suggest relatively high levels of price elasticity of visitors to Highland as a destination. It also indicates that the market can withstand a relatively small increase in price resulting from a levy.
23. As part of the 2019 online survey undertaken by the Council, the majority of visitors who responded (52.3%) were supportive of a visitor levy in Highland with 35.5% against.
24. Over 75% of visitors interviewed in person were in favour of a visitor levy for Highland with around 20% against.

25. Visitors from out with the UK were most likely to indicate support - almost 90% of respondents from both “Europe” and from the “Rest of the World” responded this way.
26. Visitors from within Highland were split 50:50 and domestic visitors were predominantly supportive but less significantly so than international visitors. 75% of respondents from the “Rest of Scotland” and 66% of respondents from the “Rest of the UK” responded in favour of a visitor levy for Highland.
27. Several stakeholders have continued to call for a flat rate to be introduced in Highland and not a percentage rate. The Visitor Levy (Scotland) Act 2024 provides local authorities with discretionary powers to introduce a percentage rate. There are no provisions within the Act to introduce a flat rate.
28. There are concerns from within the tourism sector that a particularly high levy rate may have a significant adverse impact on visitor demand to a region. The strategic approach of some places around the world which have visitor levies in place, have chosen to increase the rate significantly as a direct means of reducing visitor numbers, e.g. Amsterdam and Barcelona. The Dutch capital has increased its visitor levy on hotel rooms from 7% to 12.5% – making for the highest rate in Europe. Additionally, the levy for cruise ship passengers in Amsterdam has increased from €8 to €11 per visitor, per day. As of October 2024, visitors in Barcelona pay €4 to the city on top of the regional tourist tax - an increase of €0.75 per night. These strategies aim to encourage quality tourism over quantity and allow for greater investment in the visitor economy, including accommodation businesses.
29. The main benefit of the percentage rate, which is a requirement of the Visitor Levy (Scotland) Act 2024, is that the levy cost is proportionate to the visitor’s choice of accommodation and associated cost. As the Scottish Government BRIA notes, it “reflects both advantages in progressivity, and that a percentage charge approach means a visitor levy is potentially less distorting to behaviour compared to a flat tax where each visitor would pay the same amount in visitor levy.”
30. The Highland tourism sector has historically experienced high seasonality. In more recent years, there is a pattern of increasing demand in the shoulder months thereby extending the season to all-year round. However, feedback from Highland Hotels Association (HHA) highlighted ongoing challenges with operating seasonal businesses in the Highlands. “High summer rates often overshadow the well below-average off-season rates, making it challenging for SMEs in rural areas.”

31. A recent survey undertaken by Venture North on a visitor levy in Highland found around 65% amongst the business sector in favour of a year-round levy as opposed to a seasonal levy. The survey undertaken by SkyeConnect found 61% in favour of a year-round scheme, and of those preferring a seasonal approach indicated that they would not wish a levy to be applied in the winter months.
32. The most frequently raised concern regarding the Council's proposed outline Visitor Levy Scheme in relation to visitors relates to a potential adverse impact on visitors choosing to visit Highland due to increased costs.
33. In general, a visitor levy in Highland will mean that visitors eligible to pay a levy, will have this additional levy cost over and above their accommodation costs. Table 2 below shows the amount of levy visitors would pay should the Council decide to introduce a visitor levy for Highland and set the rate at 5% of the accommodation cost. A family of four choosing low-cost accommodation (such as a caravan site) could pay less than £10 on their long weekend, whilst a couple visiting a high-end hotel at peak season for a long weekend could pay around £23 visitor levy for their stay. The accommodation prices used in the table for calculating a 5% levy are on the accommodation component of a price. Prices charged for e.g. food and parking are not subject to the levy.

Table 2

Hypothetical examples of overnight stays and visitor levy payable across different accommodation types							
Scenario	Group Size	Accommodation Type	Scenario	Duration	Price	Total taxable cost	Total Visitor Levy Payable at 5%
A	A couple	High-end hotel	A couple stay in Inverness for a long weekend (3 nights) in February and stay in a high-end hotel	Long weekend - 3 nights	£151 per night	£453	£22.65
B	One person	Mid-range hotel	A single person stays 2 nights in a hotel in an average priced hotel in Golspie in November	2 nights	£110 per room per night	£220	£11.00
C	Two couples	Self-catering accommodation	Two couples visit Fort William for a short-break (4 nights) using an Airbnb cabin rental (entire property)	Short break - 4 nights	£140 per night	£640	£32.00
D	A group of 4 backpackers	Hostel	A group of 4 backpackers travel to the Portree for a long-weekend (3 nights) and use hostel accommodation on their trip	Long weekend - 3 nights	£30 per bedspace per person	£360	£18.00
E	A family of five (2 adults and 3 children)	Self-catering accommodation	A family of five (2 adults and 3 children) for a 1-week holiday Spring tripl in self-catering accommodation in Aviemore	One week	£1255 for a one week booking	£1,255	£62.75
F	A family of four (2 adults and 2 children)	Camping site	A family of four (2 adults and 2 children) for a 1-week summer holiday at a camping site with their own tent/campervan	One week	£21 per pitch per night	£150	£7.50
G	A couple	Mid-range hotel	A mid-week autumn wedding in Ardnamurchan	2 nights	£133 per night (with breakfast)	£226	£11.30
H	Two people	Budget hotel	Visit to Raigmore for an appointment	1 night	£81 per night (B&B)	£61	£3.05
I	One person	Guest House / B&B	Work-related travel for the working week. M-F (Wick)	4 nights	£95 per night (B&B)	£340	£17.00
J	Parent and 2 children	Caravan site	Renting a caravan in Embo for a weekend away	Weekend - 3 nights	£199 for the 3 nights	£199	£9.95

Source: Highland Council desktop research

34. Overall, the evidence available indicates that the proposed Visitor Levy Scheme, particularly at a 5% rate, is not likely to result in an adverse impact on the cost of visiting Highland and therefore on the visitor economy. The financial pressures facing the Council means it is increasingly difficult to contribute to the visitor economy in a way that delivers sufficiently positive outcomes for visitors, the environment, communities and businesses. The Council considers the levy will form an integral, long-term source of funding for achieving the scheme objectives and it will help to sustain, support or develop the facilities and services used by visitors and communities in Highland.

Impact on the costs to accommodation providers in Highland

35. There have been concerns raised by some Highland visitor accommodation providers about increased operational costs as a result of a visitor levy. With the introduction of a visitor levy, it is recognised at a national level in the Scottish Government BRIA that there are likely to be 3 main sources of additional costs:

1. Initial set-up costs required to comply with a visitor levy.
2. Ongoing administrative and compliance costs.
3. Potential changes in visitor behaviour which may impact profitability and competitiveness.

36. The Scottish Government BRIA also provided more detail on set-up costs that some accommodation providers might encounter:

- Updating property management systems (PMS) to be able to collect, record and remit levy revenue accurately and in compliance to the scheme.
- Training of staff on systems/changes.
- Testing of the new systems/piloting.
- Costs of any renegotiating of existing contracts with third parties (such as booking platforms, online travel agents) where commission is based on price of accommodation (to ensure levy is excluded).

37. For ongoing administration and compliance, the following were identified within the Scottish Government BRIA:

- Costs related to preparing regular remittance returns.
- Costs associated with reconciliation activity and due diligence rate checks against invoices and other paperwork.
- Activity related to any additional record keeping for exemptions.
- Costs linked to explaining to customers the details of the levy and its addition to their accommodation bill.
- Costs related to ongoing system requirements/tech solutions to the calculation of the levy/accommodation sales.

38. The extent of these impacts would depend on the business model and size of the individual provider, and the customer base. The complexity or simplicity of the scheme introduced would also have differing impacts. One of the main priorities which have been frequently raised during engagement sessions held in Highland is the need for a simple visitor levy scheme.
39. In Table 3 and Table 4 below are scenarios devised by Scottish Government giving hypothetical indicative scenarios for time and cost involved in a typical accommodation provider for set-up and ongoing compliance costs associated with the introduction of a visitor levy. These scenarios will not be indicative of all businesses, particularly given the variety of business models and accommodation providers operating in Highland. For larger operators and national chains that are operating at various locations across Scotland, the UK, and globally, it may be the case that the measures required for implementation e.g. IT software changes, training materials etc, need to occur once for application across multiple sites.

Table 3

A small hotel with a turnover between £1m and £5m and around 50 employees	Year T-1	Year T	Year T+1	Year T+2
Set-up costs (excluding one-off increase in PMS fee)	(£2,000 to £7,000)			
Set-up cost (one-off charge for PMS development)	(£1,000 to £3,000)			
On-going costs		(£300 to £400)	(£300 to £400)	(£300 to £400)
Total compliance cost to a typical small to medium size hotel	(£3,000 to £10,000)	(£300 to £400)	(£300 to £400)	(£300 to £400)

**Note 'Year T' is the year in which a local authority implements a Visitor Levy, costs are based on the assumptions set out above and are not necessarily representative of actual costs given variations in cost structures and contractual arrangements between individual businesses and third parties. Costs are not adjusted for inflation and are rounded to the nearest £50.*

PMS – Property Management System

Source: Scottish Government BRIA

Table 4

A micro business with a turnover of less than £85,000	Year T-1	Year T	Year T+1	Year T+2
Set-up costs	(£150 to £1,100)			
Ongoing costs (excluding a recurring increase in PMS fees)		(£100 to £350)	(£100 to £350)	(£100 to £350)
Ongoing costs (recurring increase in PMS fees)		(£100 to £500)	(£100 to £500)	(£100 to £500)
Total compliance cost to a typical micro accommodation business	(£150 to £1,100)	(£200 to £850)	(£200 to £850)	(£200 to £850)

**Note 'Year T' is the year in which a local authority implements a Visitor Levy, costs are based on the assumptions set out above and are not necessarily representative of actual costs given variations in cost structures and contractual arrangements between individual businesses and third parties. Costs are not adjusted for inflation and are rounded to the nearest £50.*

PMS – Property Management System

Source: Scottish Government BRIA

40. Operational costs to all sectors, including the tourism sector have increased in recent years. It is anticipated however that the costs of operating will generally be on a downward trend and a digital national platform will be implemented for use by all accommodation providers remitting levies. Alongside this, there has been growth in tourism in previous years.

Taking these factors into account it is considered that the proposed Visitor Levy Scheme for Highland, with a rate of 5% is appropriate. Should a Visitor Levy Scheme be implemented in Highland monitoring arrangements will be in place and will be included in the annual report and the 3-year review which is required by legislation.

41. The Visitor Levy (Scotland) Act 2024 does not make provision to compensate accommodation providers for any costs that may arise as a result of implementing and operating a Visitor Levy Scheme. Through our engagement with representatives from the tourism sector, matters relating to compensation with regards to implementing and operating a visitor levy have been discussed. The survey carried out by SkyeConnect on the visitor levy during the summer of 2024 found that 60% of businesses believed there should be some form of compensation.
42. The large number of smaller accommodation businesses in Highland including B&Bs, guest houses, campsites and caravan sites, and self-catering accommodation may be affected disproportionately by additional compliance costs, in particular for those operating below the VAT registration threshold. These businesses are likely to have limited resources (in terms of time and financial resources) to ensure compliance with a visitor levy, particularly if there is complexity around exemptions in any local scheme.
43. It is recognised that some of the tax arrangements in Scotland differ from the rest of the UK and internationally. Table 5 below details the various taxes, with Corporation Tax, VAT and National Insurance reserved to the UK Government, and Non-Domestic Rates devolved to the Scottish Government.
44. These tax arrangements are also different to other countries and will impact a business' operating costs. International comparisons to operating costs are not therefore on a like for like basis, which has been considered when undertaking this impact assessment.

Table 5

Tax	Rate	Notes
Corporation Tax	19-25%	If your company made more than £250,000 profit, you will pay the main rate of Corporation Tax. If your company made a profit of £50,000 or less, you will pay the 'small profits rate', which is 19%. <i>Source HMRC – set by UK Government</i>
VAT	Between 0-20%	Businesses have to register for VAT if their VAT taxable turnover is more than £90,000. They can also choose to register if their turnover is less than £90,000. <i>Source HMRC – set by UK Gov</i>
Non-domestic Rates (Devolved)	Poundage Rate	Reliefs may be applicable and would be deducted from the rating liability. <i>Source Scottish Government – set by Scottish Government</i>

National Insurance	Employers rate between 0-15%*	<i>Updated in the Autumn 2024 Budget Statement – UK Government</i> <i>Source HMRC – set by UK Government</i>
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Figures rates quoted as at Summer 2024 (and updated to reflect the Autumn 2024 Budget Statement – UK Government

45. A national digital portal is being developed for use by accommodation providers who will be responsible for administering and remitting the levy and for local authorities to manage, collect and enforce levies. This will support all accommodation providers and help mitigate the impacts of implementing and operating a visitor levy.
46. The Scottish Government BRIA states “Whilst it is recognised that accommodation providers and visitors already pay a variety of taxes here and in other contexts internationally such as corporation tax, VAT, taxes on commercial property and employer National Insurance contributions, the relative additional burden of visitor levies and similar taxes is generally small.”
47. The Visitor Levy (Scotland) Act 2024 provides for a statutory lead-in time of 18-months. This provides mitigation for accommodation providers and local authorities to forward plan and to take steps for the implementation and operation of a Visitor Levy Scheme. This lead-in time also ensures that seasonality and peak seasons can be catered for during this planning and implementation phase. Levies are not payable where bookings have been placed prior to a local authority publishing a decision to introduce a Visitor Levy Scheme. Levies are payable where bookings have been placed after a local authority publishes a decision to introduce a Visitor Levy Scheme and where the overnight accommodation is on or after the date that the Visitor Levy Scheme has been implemented by a local authority.
48. The benefits of introducing a Visitor Levy Scheme include the local authority gaining a new funding source not currently available through sustaining, supporting and developing infrastructure and public services, skills training and employment, thus supporting the tourism sector in a range of ways and attracting new and returning visitors to Highland.
49. The introduction of a Visitor Levy Scheme for Highland, with funds being used to deliver agreed objectives relating to the visitor economy, will have positive impacts for businesses, communities, visitors and the Council. Aligned with the Sustainable Tourism Strategy, investment in programmes such as workforce development and addressing pressures within the housing market will help address some of the substantive challenges facing the sector.
50. In line with feedback received in relation to monitoring of a Visitor Levy Scheme, the Council’s governance arrangements, annual reporting and a 3-year review cycle will ensure the levy will be delivered in a transparent and inclusive way.

51. The use of a percentage rate is prescribed in legislation. It is for implementing local authorities to determine the percentage rate to apply, should it be decided to implement a visitor levy. The Council, together with the Digital Office, Improvement Service and other early adopter local authorities, are developing a bespoke national digital portal. The portal will have a business-facing side for levy returns to be submitted and a Council-facing side to efficiently manage the collection and recovery of the levy. This is a major commitment to streamline the administrative process and will help mitigate the impacts on businesses and local authorities alike.
52. Another important means of mitigating the impacts on business will be proactively delivering support and guidance on managing and administering the levy. The Council, including through its Business Gateway services, will prepare and deliver webinars and explore other innovative approaches to guide business through the new procedures, including the use of the digital platform. This will be a continuous process, and the Council will seek to work with partners to identify further ways of supporting businesses.
53. In the proposed outline Visitor Levy Scheme for Highland, the national and legislative Disability exemption will be administered on a reimbursement arrangement. Once levies have been paid by visitors, the Highland Council will have arrangements in place to enable eligible visitors to claim their exemptions and to be reimbursed by the Council. This approach is important to protect the relationship between accommodation providers and their guests, and to ensure the dignity of visitors who are entitled to an exemption. The Highland Council has the experience of verifying and awarding exemptions and a key design principle for the levy is to ensure the administrative burden for accommodation providers is kept to a minimum.
54. For these reasons, accommodation providers will be responsible for collecting levies from visitors. Visitors will claim their exemptions and provide evidence using the national digital portal and will be reimbursed by the Council.

Impacts on visitor experience

55. While the levy will mean visitors pay a proportionate additional cost for a stay in Highland, a major factor in favour of the levy is the positive benefits visitors will gain from sustaining, supporting and developing infrastructure and public services which they use and enjoy when visiting Highland. Sustaining and developing the condition of infrastructure and services and protection of the environment, will result in an improved experience for visitors, continued word-of-mouth recommendations to visit Highland and to encourage visitors to return.

56. The Scottish Government BRIA found that “As part of Booking.com’s 2022 sustainable travel report, it was found that 59% of international travellers surveyed want to leave the places they visit better than when they arrived, and 25% of travellers would be willing to pay more for travel activities to ensure they are giving back to local communities.”
57. Many other places which operate a visitor levy use signage or other means to clearly communicate to visitors that the visitor levy collected in their area has led to the delivery of specific projects, e.g. a refurbished public toilet, new footpath, road maintenance and other infrastructure. This indicates that demonstrating positive outputs has benefits.
58. The growing interest in ‘voluntourism’ within Highland – a type of travel that combines volunteering with tourism - supports this. The diversity and quality of natural landscapes in Highland, together with the varied economy help to make Highland an increasingly popular destination for voluntourism.
59. To ensure the administration of the Scheme in Highland is kept to a minimum, and to maximise the revenues generated to sustain, support and develop the visitor economy, the Council is not proposing to exercise its discretion to apply local exemptions.
60. It will be important to clearly demonstrate transparency and inclusion when operating and reporting on the performance of the visitor levy in Highland. The Council will also ensure that steps are taken to raise awareness about how the net proceeds of a visitor levy for Highland are delivering the objectives of the outline Visitor Levy Scheme.
61. For Highland to have a thriving tourism industry which is embraced by Highland communities, there needs to be the funds available to help manage the impacts of visitors. Feedback received while developing the draft Sustainable Tourism Strategy and a survey undertaken by Venture North (2024) shows that Highland communities are generally in favour of a Visitor Levy Scheme and see it as essential in achieving a better balance between visitors, communities and the environment. Many respondents also put forward that visitors should more directly contribute towards the costs of sustaining, supporting and developing the destination.
62. Engagement with some community groups shows that the experience within some communities across Highland is that of ‘overtourism’ and that the negative impacts outweigh the positives. Common issues raised include anti-social and irresponsible behaviour, infrastructure and services being unable to cope with visitor numbers, traffic congestion, environmental degradation and increased litter and waste management concerns.

With increasing pressure on public finances, including those of the Highland Council, there is a high likelihood that were a levy not introduced that it would lead to greater challenges in maintaining the quality and provision of public amenities and infrastructure. This would be detrimental for communities and for visitors' experiences.

63. Government programmes such as the Rural Tourism Infrastructure Fund (RTIF) and Community Regeneration Funds have been integral components to help address visitor pressures in recent years. With the uncertainty over any future RTIF allocation and other national funding streams, and with increasing pressure on Council finances, it is anticipated that the current challenges will continue and possibly increase. A Visitor Levy Scheme for Highland will help mitigate these risks.
64. As has been recently experienced in other popular destinations around the world, sections of host communities have become disenfranchised with what they see as 'overtourism,' which may damage these markets. Part of the solution is to better understand and articulate the wide-ranging benefits of the tourism sector for Highland. However, it is clear from the feedback received and wider public debate, that improving capacity of public infrastructure and service provision is at the centre of the solution. Unlocking new income streams to help address these pressures is therefore essential.
65. The Scottish Government BRIA found that: "Residents in local authority areas would benefit, to some degree, from the revenues that are invested in improving local visitor economies, especially when these benefits are for goods and services used frequently by both visitors and residents. It should also be recognised that residents may derive some benefit from knowing that visitors to their area would be directly contributing revenues towards services and improvements that are funded by local authorities..."
66. Overall, the proposed Visitor Levy Scheme for Highland is considered to unlock significant positive benefits for Highland communities. The net proceeds from a Visitor Levy Scheme shall be used to sustain, support and develop infrastructure and services which benefit visitors, businesses and local communities.
67. As set out in the Scottish Government BRIA local authorities will incur costs associated with monitoring and enforcement activities. Current estimates for Highland Council would indicate costs in the region of £550k per annum. These costs are related to additional resources for managing the Visitor Levy Scheme, including the costs associated with a national digital portal. The Visitor Levy (Scotland) Act 2024 makes provisions for operating expenses to be deducted from the gross income generated from a visitor levy. Thereafter the net proceeds will be used for sustaining, supporting and developing infrastructure and public services, skills training and employment.

3) Contextual Information

68. The Highland Council is seeking to introduce a visitor levy in Highland using discretionary powers provided to local authorities as part of the Visitor Levy (Scotland) Act 2024.
69. It is intended that the outline Visitor Levy Scheme will be published for a formal 12-week consultation commencing November 2024. The findings gathered from the consultation will inform the Visitor Levy Scheme which will be included in a report to elected Members to decide whether to implement a Visitor Levy Scheme for Highland. This report to elected Members will include any updates to this initial Impact Assessment that may be considered appropriate.

Objectives of a Visitor Levy in Highland

70. The aims of the introduction of a Visitor Levy Scheme in Highland are to sustainably manage the visitor economy and the movement of visitors through the maximisation of co-investment opportunities that sustain, support or develop facilities or services which are substantially used by those visiting for leisure or business purposes.
71. The Visitor Levy Scheme Objectives are to:
- SUSTAIN public services and infrastructure used by businesses, communities and visitors to ensure the impacts of visitors are strategically and sustainably managed.
 - SUPPORT the delivery of a thriving tourism sector offering a wide range of visitor experiences by working together, in partnership with businesses, visitors and communities.
 - DEVELOP innovative approaches to balance strategic demands and opportunities ensuring that Highland achieves its full potential as a highly positioned destination for visitors.
72. The introduction of a visitor levy forms an important part of the Council's Administration Programme '[Our Future Highland 2022-2027](#)'. It contains a strategic priority to work with partners to address service delivery challenges with a positive approach to change. One of the identified actions is to implement the visitor levy as an enabler to a vibrant attractive visitor experience. This followed an agreement by Council in December 2019 to the principle of introducing a visitor levy in Highland based on an extensive consultation undertaken which resulted in a total of 6,600 responses from residents, businesses and visitors to Highland.

73. In 2024, the Council approved an Investment Plan aimed at delivering £2,077.5m new and additional capital investment over 20 years on core Council assets and infrastructure, including schools and roads. This long-term planning will be essential to ensure a sustainable approach to investment, contractor procurement, and opportunities to attract match funding and co-investment. This is complemented by the [Delivery Plan 2024-2027](#) which contains a number of workstreams, including tourism-related activity, that the Council is using to deliver the commitments set out in the Council's Programme.
74. The Visitor Levy Scheme is also closely aligned with the Council's [Sustainable Tourism Strategy](#) which is being presented to Committee for approval in November 2024. The purpose of the Tourism Strategy is to set out the Highland Council's long-term ambition for a sustainable tourism sector and contribution up to 2030. It will shape how the Council will work with others, invest its resources, and co-invest with partners, including future income streams such as the visitor levy and any other external funds which can be secured.
75. This work has been taken forward with careful consideration of the national tourism strategy '[Scotland Outlook 2030](#)' and aims to help enable Highland's contribution to Scotland being a leader in 21st century tourism and delivery of the following national priorities:
- **Passionate People** - attract, develop and retain a skilled, committed, diverse and valued workforce
 - **Thriving places** - create and develop a sustainable destination
 - **Memorable experiences** - best, authentic and memorable experiences
 - **Diverse businesses** - build business resilience, sustainability and profitability

Information Sources

76. In preparing this impact assessment, a variety of sources were drawn upon including:
- The Scottish Government's [Business and Regulatory Impact Assessment \(2023\)](#) which accompanied the Visitor Levy Bill as it was introduced to Parliament. It set out in detail the impacts and potential mitigation of the policy. The Scottish Government Business & Regulatory Impact Assessment (BRIA) formed an important part of shaping the content of the Act and proof of concept.

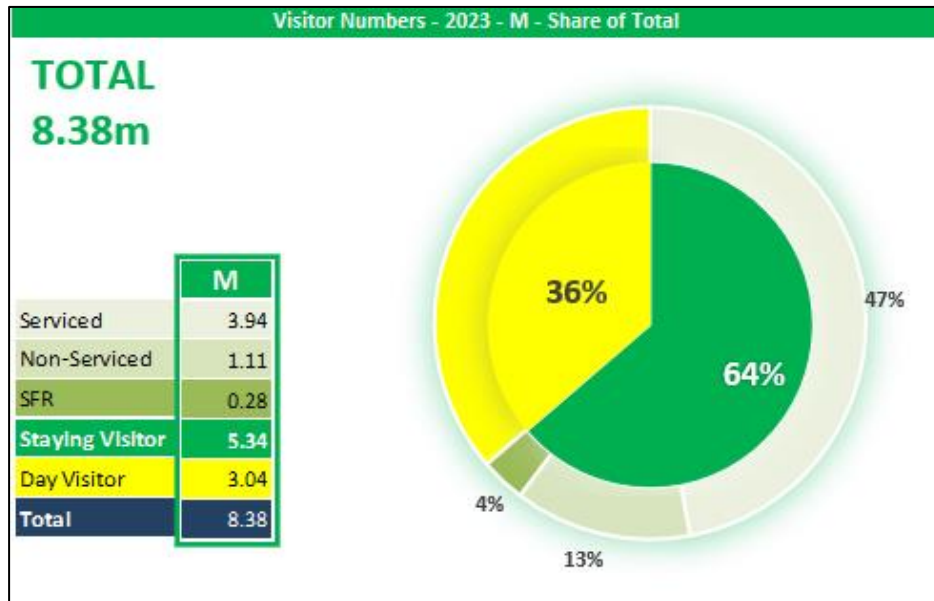
- Direct and indirect engagement undertaken by the Highland Council at different stages of the preparation of the proposed outline Visitor Levy Scheme. This includes:
 - [Highland Transient Visitor Levy Consultation Report](#), undertaken by the Council in 2019.
 - Informal engagement sessions with each of the four Chambers of Commerce, Highland Hotels Association, some Highland Destination Management Organisations, SCOTO and Cairngorm National Park Authority.
 - Relevant feedback received during the preparation of the Sustainable Tourism Strategy, including responses to the public consultation (May-June 2024), a partners and industry workshop and other informal engagements and correspondence.
 - Relevant feedback received as part of other Council initiatives and consultations and budget consultation.
 - General correspondence and informal engagement sessions on the visitor levy with visitors, businesses, residents, Councillors, MSPs, Scottish Government, other local authorities, public agencies throughout the work to date on the levy.

- Review of published reports including:
 - VisitScotland research and insights data, such as the [2023 Visitor Survey](#) results including the [Highland specific datasets](#).
 - [Scottish Tourism Alliance Visitor Levy Manifesto \(2023\)](#).
 - SkyeConnect Visitor Levy survey (September 2023 & 2024).
 - Venture North Visitor Levy survey (August 2024).
 - Community-led tourism reports (e.g. NC500 The Land Weeps).
 - Reports and press articles relating to the operation of visitor levies in other countries.
 - STEAM data - STEAM is one of the UK's leading tourism economic modelling tools. It takes account of a wide range of tourism input data and provides detailed annual reports at regional and sub regional levels.

Overview of the tourism sector in Highland

77. The tourism sector in Highland has experienced a steady upward trend in recent years. Between 2012 and 2023, visitor numbers have grown from 5.16 million to 8.375 million – an increase of 62.5%. Table 6 below shows how this visitor number figure breaks down to visitor type, with most visitors (64%) staying in Highland overnight and 36% are day visitors.

Table 6

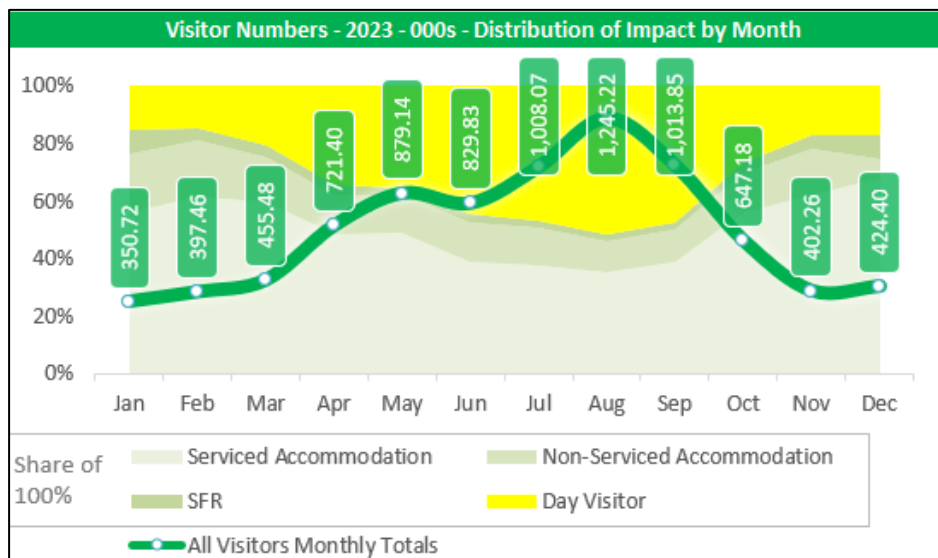


Source: STEAM data 2024

78. STEAM data shows the economic impact arising from the sector has also grown significantly between 2012 and 2023. When taking account of inflation, it has grown from £1.382 bn to £2.078 bn, an increase of 50.4%. Direct expenditure mirrored this, growing from £1.118 bn to £1.68 bn, a 50.3% increase.

79. In Highland, the tourism industry has a seasonal dimension with year-round visitors. Table 7 below shows the market peaks in August with the months between November through to March experiencing demand at lower levels.

Table 7



Source: STEAM data 2024

80. Further analysis of the economic impact indicates that material progress has been made to widen the tourism season. Table 8 below shows the growth levels across each quarter, with Q1 experiencing the highest increase at 124.6% since 2012, followed by Q4 at 77.9%.

Table 8

	Q1	Q2	Q3	Q4
% Change 2012 to 2023	124.6%	30.6%	25.7%	77.9%
Average Annual Change	11.3%	2.8%	2.3%	7.1%

Source: STEAM data 2024

81. Employment within the tourism sector has also increased significantly over this period. In 2012, data shows that tourism supported a total of 19,895 FTEs in Highland and by 2023 it had risen to 26,411 FTEs, a rise of 32.8%, as shown in Table 9 below. The growth in jobs has also been spread more evenly throughout the year, with the greatest increase being in Q1 and Q4 as shown in the table below.

Table 9

	Q1	Q2	Q3	Q4
% Change 2012 to 2023	66.3%	19.6%	18.3%	43.9%
Average Annual Change	6.0%	1.8%	1.7%	4.0%

Source: STEAM data 2024

82. In terms of the accommodation component of the tourism sector, ONS data from 2022 shows that there were around 650 accommodation businesses in Highland, making up 22.2% of the total in Scotland.

83. STEAM data shows that in terms of economic impact, the accommodation sector contributed the largest single component of the tourism sector in Highland in 2023 at 35.9% (£604m), followed by transport at 23.5%, shopping at 17.2%, food and drink at 16.6% and recreation at 6.7%.

84. There is a diverse mix of micro-, medium- and large-sized businesses, operating across Highland providing a range of accommodation options for visitors.

85. While there have been positive trends in terms of visitor numbers and economic impacts, the growth of tourism in Highland has created a range of challenges. High concentrations of visitors and vehicles in certain areas and at certain times of the year, has led to damaging impacts on the environment and communities, and lessens the visitor experience.

Many of our visitors want to explore all corners of Highland and take advantage of Scotland's 'right of responsible access' (sometimes called 'the right to roam') and find the next 'hidden gem.' This is reflective of VisitScotland's 2023 survey which found 85% of people choose Highland due to its scenery and landscape and 40% for outdoor activities. However, findings from the Council's monitoring reports showed that where the carrying capacity or infrastructure available is not able to cope or keep pace with demand this has led to various problems, such as limited transport capacity and degradation of paths and the environment.

86. Feedback shows that managing these pressures is a top priority for communities, visitors and businesses. Consultations undertaken by the Council (including the 2019 visitor levy survey and engagement undertaken on the Council's 2024/25 budget and draft tourism strategy) have consistently showed strong support for prioritising investment in improving basic infrastructure and public services used by visitors. This includes improvements to roads and the wider transport network, public conveniences and waste management services.
87. Other measures such as greater enforcement and support for tackling the housing and workforce challenges was also a high priority. The move to self-catering units (seen in the growth of organisations such as Airbnb) is often argued to have put significant pressure on the housing market. The housing stock in many of our rural communities has remained relatively static, at the same time as many existing units have been converted to holiday lets. There is a complex series of factors impacting the rural housing markets including conversion of existing stock to holiday accommodation, second homes, lack of available land for development, the high costs of construction and limited local contractors. It is also often reported that holiday lets are far more lucrative and has fewer regulations than offering housing up for private rented accommodation. This has negative loop-back impacts for the hospitality industry as less housing is available as workers' accommodation.