# Scrutiny of the Welsh Government Draft Budget 2022-23 - Additional information from Wales Tourism Alliance

1. Countries where TT is levied, are with one exception (Denmark - a high tax base economy), countries which lower their VAT rates considerably on tourism and hospitality specifically as compared to other economic activity. This makes the argument for a dedicated local tax which is circulated back into the local economy easier to make. In the UK, that VAT cut is not available and WG benefits from tourism's contribution to that general taxation take via the block grant. A tourism tax would be a form of double taxation when compared to the system in other countries.

2. In calculating each local authority's RSG, the distribution sub-groups take into account what councils 'should' be spending as part of their IBA calculations for things like road maintenance, refuse collection/disposal and street cleaning. Part of their calculation includes an enhanced population multiplier acknowledging that local authorities are likely to have higher demand on this type of service because of visitors, so tourist impact on relevant services is already considered in the RSG. There is no way, at the moment, of assessing the actual spend by local authorities attributable to the additional temporary population.

3. Our members have no issue with fair taxation. However, of the 140 countries for which tourism/visitor economy is a meaningful contributor to the overall finances of those countries, the UK carries the highest tax burden; VAT, APD, online travel agency levy, corporation tax, capital gains tax/IHT, business rates/council tax (though we don't accept you're a tourism business if you pay council tax rather than business rates), plus personal taxation (eg income tax) or non-incorporated businesses of which there are many in the owner/manager SME accommodation sector. As businesses they also pay directly, at a premium rate, for council services so even if they fall into a NDR relief category, they are still paying separately for eg waste collection, so they are contributing to the local authority's income.

4. The drive for a tourism tax comes from two sources: shortage of homes in certain parts of Wales and "overtourism" where impact ostensibly outstrips ability to mitigate.

On the first, we are keen to help WG distinguish between businesses and homes. The first benefit the local economy through job creation and stimulation of activities (hospitality, attractions, property maintenance to keep places looking good) which contribute to the wellbeing of residents as well as visitors, plus give families reasons to stay in their communities rather than abandon them due to lack of work. The other doesn't do that, but the current structures for second home owners participating in casual, ancillary letting without quality assurance, commercial-rate services etc, is blurring the line between business activity and the underuse or unregulated use of potential housing stock which can cause problems in certain communities. The formal self-catering sector wants to helps address that and, though ourselves, is active on WG discussions re registration of businesses, for example. The worry is that TT would be raised to solve a housing issue rather than a visitor impact issue.

On the second, honey pots have seen demand outstrip 'supply' during the pandemic staycation bonanza. Disquiet has been exacerbated by the expectations

of visitors who would otherwise have chosen catered holidays abroad behaving in a less than exemplary way and causing tensions with local residents and businesses - as well as other visitors who behave appropriately. This impact has been much more pronounced in 2021 and will not be as acute when people have the opportunity to pursue different holidaying options. Nevertheless, even though hot spots are busy even in normal times - which can be dealt with effective destination management; the demand has grown in these places at a pace in line with WG's previous tourism strategy - the greater issue is under tourism everywhere else. You will see that the hot spots have featured heavily in VW promotion over the years, as well as more localised destination marketing (not the same as destination management) whereas the load could be better spread, reducing the strain on the hot spots.

The fragmentation of destination management, part of which is referred to above, means that, were ringfenced monies raised via a TT, there is no confidence in the industry that it would be spent effectively and address the effects of overtourism/undertourism.

5. Current discussions revolve around any monies raised by and spent by local authorities. That is more likely to lead to fire fighting in hot spots rather than being used strategically at regional level to reduce acute impact whilst preserving/growing economic benefit. At its simplest, and just by way of illustration, a bed tax (which is the current proposal) may reduce overnight stays in Gwynedd which adopts it but increase them in Conwy which doesn't. The effect is more day trips to Gwynedd from Conwy, with less value per head and more pressure on roads, electric charging points, street parking and leisure eating (instead of a relaxing time in a local cafe/pub/restaurant, you'll grab a McD/Greggs because you don't want to spend more on car parking and can just throw the packaging away). It's also current WG policy to increase the number of overnight stays cf day visitors as they are higher value.

6. The proposal also centres on monies being available to councils rather than destination management leads. Again, this is for another day, but the current WG-led structures don't work for effective destination management; local expertise, resources, relationships, VW's own capacity (not a criticism of officers, to be clear). It is a huge ask for individual councils to lead on destination management when they have competing priorities. Which leads to the essential point that there is no guarantee re (a) unhypothecated TT monies not disappearing into the RSG and, therefore, available for any use, or (b) if hypothecated, that this will be for additional work not replacing current spend.

7. What kind of tax? If it's a bed tax, hotels, B&Bs, caravan parks, tree houses, yurts, barn conversions (commercial planning only), annexes to homes and abandoned properties in the middle of nowhere rescued and remodelled as self-catering properties don't take anything out of available housing stock, rented or sale. Arguably, the very largest and smallest within communities don't either, although larger premises can sometimes be split into more attractive rental units. A bed tax is not the answer to housing shortage. If the issue is impact mitigation and the polluter-pays approach, it's not the overnight stays who fill up the car parks and the roads etc

8. Finally, the argument that a few pounds doesn't make a difference to a holiday choice. In many cases it won't, of course. In others, buyers will be sufficiently irritated to displace their choice to somewhere nearby which doesn't charge. In others, they will be sufficiently annoyed to go outside Wales to somewhere else within the UK with a comparable offer (most visitors to Wales are from the UK with about 20% coming from Wales itself. This may well have changed during the pandemic). There are reasons why other parts of the UK have been to the brink on TT before, but always stepped back.

Two things to think about the *message* the existence of a TT gives. The first is, for both host and customer - what do I get for this tax? Hosts aren't going to thank anyone for having to deal with a customer who feels taken advantage of and whose start of their holiday is tarnished by this, regardless of the actual cost. The second is low-income visitors, especially those from within Wales itself. WG's strategy is to attract higher value overnight visitors but it is far from progressive to deter low-income families from seeking the wellbeing attached to a break from their usual surroundings if they can, and it is those families who will be concerned about a few pounds. With so many self-catering businesses owned and run by Welsh families, supported by local staff - as I know from personal experience - I wouldn't want to hear a customer say they won't go the the cafe or buy something from the local shop because they've had to give me the money they would otherwise have spent there. They just fill up at a national supermarket chain before they leave home.

Two anecdotes to finish:
A few years ago, I booked a very cheap 2-room unit in Rome for three adults for two nights. The bill was 30% higher than advertised because of the TT. Rome, of course, a premium location, but a lesson in how customers at the lower end of the market can pay disproportionately.
When customers using the Airbnb system spot the service charge that they - in addition to the provider - has to pay, they don't always proceed with the booking as they feel misled on the price advertised.

To summarise: WG needs to consider carefully how it will frame the impact assessment of any proposal for a localised tourism tax. Who pays, why they in particular pay, clarity of purpose, delivery of purpose, monitoring and review of outcomes will all be relevant as well as who and what are lost.