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## **Introduction**

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Scottish Land and Estates (SLE) is a member organisation representing the interests of Scottish land owners, farmers and estates. Our vision is for profitable land-based businesses able to contribute to resilient rural economies helping rural Scotland thrive. Tourism is a key part of the diverse mix of businesses which our members are engaged in. From campsites, to historic houses and from adventure destinations to luxury accommodation these are just some of the activities SLE members are involved in. You can find out more [here](#).

## **Summary**

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While SLE welcomes the opportunity to contribute to the discussion on Transient Visitor Taxes in Scotland (hereafter Tourist Tax), we question the merits of such a proposal particularly with the uncertainty of Brexit compounded by already rising costs squeezing the sector. In order to ensure that rural Scotland can thrive, it is our members' view that a Tourist Tax should not be implemented in Scotland and that now is not an appropriate time to take this discussion any further. We have set out in our reasons below using the questions in the discussion paper as a guide.

## **Response**

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### **Rationale**

SLE is of the view that taxation should always be considered in the round rather than looked at as an individual tool. Considering the cumulative impact of existing taxes such as VAT and non-domestic rates in the context of an additional levy is vitally important.

It is our understanding that a motivating factor for this discussion has been perceived pressure on tourism hot-spots such as Edinburgh and Skye that have been making the headlines. While these areas are experiencing challenges, there are many other parts of Scotland (for example Scottish Borders) where footfall is considerably lower, and where the focus is on attracting more tourists to the area rather than managing or maintaining existing levels. Given the clear geographical differences in supply and demand for tourists across Scotland, it would be unreasonable to apply a generic Tourism Tax to rectify problems in hot-spot areas that would disadvantage tourism growth in others.

As noted in the Scottish Government's discussion paper, Scotland, and the UK generally, is already an expensive destination for visitors. With high VAT, both in terms of the standard VAT rate and the VAT rate applied to accommodation, the UK was 135 out of 136 countries in terms of price tourism competitiveness in 2017 according to the [World Economic Forum](#). In our view, this significantly dilutes the justification for a Tourism Tax.

According to the [Scottish Tourism Alliance](#) (STA), a further disincentive to implementing a new levy is highlighted in research by Tourism and Travel Research Institute (TTRI) at Nottingham University and by BTA (now VisitBritain). Both of which point to increasing prices resulting in an equivalent decrease in tourism. STA also highlights that in its Study of Tourism Demand in UK (2007), TTRI found that taxing visitors more will result in them spending less.

As of March 2018, SMEs accounted for [99.3%](#) of all private sector businesses in Scotland, with SMEs accounting for a larger proportion of employment in rural than in urban areas – 78.3% and 46.4% respectively. Any of those small businesses which are trading on the grace that they are exempt from VAT and or non-domestic rates will not welcome the possibility of being caught under a new Tourist Tax. We consider it more appropriate to address any specific pressure areas through more efficient spending of existing resources, for example, the [Rural Tourism Infrastructure Fund](#) or the recently announced [£5m Natural and Culture Heritage Fund](#), rather than by adding another punitive tax.

## Implementation

Any Tourist Tax would have to be well-designed and operated to ensure businesses, particularly those in rural sectors which can often be seasonal, are not disadvantaged. Given the wide variety of tourism businesses in the rural sector alone we consider this would be particularly difficult to implement. It is our view, that in order to bring an element of fairness to any levy it would have to be designed or fine-tuned to apply to only peak times and to specific locations. And even then, this approach would undoubtedly not work for all – for example, there may be businesses in Edinburgh City which fall outside the main tourist hot-spots.

For something like a campsite, a Tourist Tax operating on a per-head basis would require another complex system to account for. As well as financial accounting with limited staff, there would be a requirement for numerical counting of customers with potential age differentiations to account for.

If a Tourist Tax was to be implemented, then it would be appropriate to have a 10% rate of VAT for tourism accommodation. This would be in line with other countries who also operate a Tourist Tax and would mean businesses in Scotland would not be at such a disadvantage. It remains a fact that tourists/tourism are already being taxed very highly by existing government charges compared to their European competitors. [Research](#) gathered by STA in the last two years shows that rising costs of doing business remains the number one concern of tourism businesses in Scotland.

## Impact

SLE members are of the view that there would be no real benefit to introducing a Tourist Tax. We consider the negative impact of a Tourist Tax would almost certainly resonate more with SMEs in the rural sector where seasonal and marginal businesses operate. Particular issues for rural businesses, include:

- Administrative burden – small businesses are already tax collectors for VAT which can be an onerous undertaking especially for operations with only one staff member. The remittance of VAT impacts on cash flow, and can be difficult for SMEs to overcome, particularly when taxes from the summer season remain to be paid after income has dried up. A Tourist Tax would only add to bureaucratic complexity and problematic cash flows to already overstretched SMEs.
- Additionally, many of our members' tourism businesses already pay non-domestic rates, Corporation Tax, National Insurance Contributions, Pension Contributions for staff, VAT and other fees relating to waste disposal, registrations, rent, insurance and utilities. Each of these is charged through different systems, all of which has to be worked out separately. A Tourist Tax would add to this burden.
- The impact on price sensitive customers is not consistent throughout the sector and is therefore difficult to account for. However, this factor is especially significant for the likes of paid-for wild camping sites, for example. At such campsites, businesses will be required to bear the cost of any additional levy rather than pass it on to customers who can already choose to wild camp for free in other locations. It is SMEs like this that would be less able to absorb the extra cost generated by a Tourist Tax rather than larger more established businesses. As tourism in remoter areas is mainly the domain of SMEs a one-size-fits-all Tourist Tax would disproportionately affect rural areas, decreasing the viability of businesses in remote areas more than in tourist hot-spots. We consider this would be counterintuitive to government regeneration efforts in these areas.
- Another example is in the country sports industry where any increase in tax (or additional tax) would undoubtedly be passed on to the customer as margins in this sector are very slim. This

would result in trade almost certainly diminishing, which in tax terms, as well as from a business point of view, would be self-defeating.

The key message coming from SLE members is that from a rural perspective any reduction in trade can lead to closure. Rural businesses, particularly in remote areas, tend to operate seasonally which usually means margins are slim and they cannot afford to risk increasing prices or shouldering increased costs.

### **How it might be spent**

Another important factor to consider is how any revenue from a Tourist Tax might be spent. However, we consider this subject raises more questions than answers. Much of this will depend on who has responsibility for collecting the revenues, will it be the local authority or central government?

COSLA's position paper suggested using revenue to support general infrastructure, transport and the roads network. This may not be the right priority for all local authorities. It would also be important to understand how these investments would positively impact tourism and how that could be measured.

Central government may decide to collect all revenues in the target areas it feels are in greatest need of investment. This approach would undoubtedly disadvantage some areas in favour of others.

We note that local authorities, VisitScotland and Historic Environment Scotland have spent millions of pounds (as highlighted by Scottish Government's paper) on support for tourism, however, hot-spots are still seen as problematic. We are of the view that part of the problem is that current tax revenues from the tourist sector are not being fully re-invested and/or effectively spent on the tourism sector. We hope that this will change and we consider initiatives like the Rural Tourism Infrastructure Fund and the Natural and Cultural Heritage Fund can be taken as positive examples of the type of re-investment we would like to see.