



CONSULTATION ON PROPOSALS FOR A DISCRETIONARY VISITOR LEVY FOR LOCAL AUTHORITIES

Issued 7 December 2022

ICAEW welcomes the opportunity to comment on the consultation on proposals for a discretionary visitor levy for local authorities published by the Welsh Government on 20 September 2022, a copy of which is available from this [link](#).

For questions on this response please contact our Tax team at taxfac@icaew.com quoting REP 96/22.

Simplicity of design should be at the heart of the visitors levy, given the wide range of accommodation providers that may be affected.

Administration of the levy should be digitised from the outset, but alternatives should be made available for those not able to use digital methods.

The additional compliance burdens on and consequent costs to accommodation providers need to be ascertained, along with the costs of developing and implementing the levy. These need to be analysed against the projected revenue that the levy may raise.

This response of 7 December 2022 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the ICAEW Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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For clarity ICAEW responses are set out in the numbered paragraphs. Unnumbered paragraphs replicate wording from the consultation document.

KEY POINTS

1. Simplicity should be prioritised in the design of the visitor levy itself and the design of its administration. The proposed base of visitor accommodation providers who will need to collect the levy is wide, potentially including large chains down to individuals with a single holiday let. It is therefore important that the visitor levy be easy to calculate, collect, record and pay for a range of users, to encourage uptake and compliance.
2. The administration of the tax, including recording data, submission of returns and payment of the levy should be digitised from the outset. Suitable alternatives will need to be provided for those who are digitally excluded or need assistance, and these should be introduced and clearly communicated at the same time as the introduction of the digitised system. Where possible, reporting should be integrated into existing systems to reduce administration for businesses.
3. A detailed cost-benefit analysis of the preferred design needs to be undertaken before any consultation proposals are taken forward. This should take into account the additional costs to visitor accommodation providers of setting up new procedures for recording and reporting the required data, as well as complying with ongoing obligations for reporting and paying the visitor levy. It should also take into account the upfront costs of implementing an accessible digital platform for the administration of the visitor levy.

GENERAL COMMENTS

Context

4. Introducing a new levy such as this will involve a lot of technical considerations, many of which have been set out in the consultation. While we understand that it is the Welsh government's intention to introduce a levy, we have received feedback from members in Wales that the timing of this introduction must be considered carefully.
5. Comments from our members in Wales express the view that the introduction of a levy will create another burden for businesses against a background of the recent difficulties encountered by the Welsh tourism industry. These difficulties include, obviously, the COVID-19 pandemic, which saw the forced closure of visitor accommodation providers for many weeks or months, with many taking on additional debt through the loan guarantee scheme, the current challenges of supply and staffing issues, inflation and high energy bills. A new visitor levy will impose an additional burden on visitor accommodation providers in Wales and may reduce spending from tourists in other areas of the economy in Wales.
6. It would reduce the burden on visitor accommodation providers if administration of the levy could be integrated into existing systems.
7. Our members have also commented that from the perspective of the individual visitor, these types of levies are typically quite small additional costs so may not affect the behaviour of most visitors. However, the additional cost may disproportionately affect visitors of budget accommodation, depending on the type of levy and the rate chosen.

Costs and benefits

8. A detailed cost-benefit analysis of the preferred design needs to be undertaken before any consultation proposals are taken forward, taking into account the additional costs to visitor accommodation providers of setting up new procedures for recording and reporting the required data.
9. It would also be worthwhile to conduct further research into how a visitor levy would be perceived by consumers.

International comparisons

10. We have received feedback from international members that similar tourist taxes are present and operate well in their respective jurisdictions, eg, Dubai's Tourism Dirham Fee.
11. Consideration should be given to whether a visitor levy would be included in the VAT base. For comparison, the per capita tourist charge in France is not subject to VAT, while the tourist charge of a flat rate based on the price of the hotel accommodation is subject to VAT.

ANSWERS TO SPECIFIC QUESTIONS

QUESTION 1. Do you agree or disagree that local authorities should have discretionary visitor levy powers to enable a more equitable basis for the funding of local services and infrastructure between residents and visitors?

- Agree
 Disagree

12. No response.

QUESTION 2. Do you have any views on whether a levy should apply to any other type of activity in addition to overnight visitors (e.g. day visitors) and if so, what activity do you think it should apply to and how do you think this would work in a Welsh context?

13. It has been noted in the consultation document that it would be difficult to enforce a levy on day visitors to Wales due to the porous land border with England. However, it may be possible to introduce a levy for admission to specific sites within Wales which receive a large number of visitors. Applying a levy in this way may better target visitors who use local resources without contributing to the local economy.

QUESTION 3. It is our view that the tax framework (legislation) which sets out how the levy would be applied and operated should ensure consistency of application across local authorities. However, there are some aspects such as setting rates and exemptions and determining use of revenues which may benefit from local autonomy. Do you agree or disagree with this position?

- Agree
 Disagree

What are the reasons for your answer?

14. The proposed scope of the levy is wide, meaning that under current propositions its operation will fall to visitor accommodation providers of varying size, some of whom may not be within other taxing regimes. It is important that the tax framework of the levy be consistent, and simple to understand and administer for visitor accommodation providers and local authority operational staff.
15. We suggest that aspects such as the type of rate and exemptions should be set out in a national tax framework to ensure consistency and minimise loopholes. Having a national framework would assist businesses that operate in more than one local authority area and make it easier for visitors to understand the levy.
16. Within the national framework having select aspects open to local autonomy should allow the levy to be varied according to local sensitivities and considerations. This would, however, increase the complexity of the levy.
17. Comments from our members highlight that the attitudes of local authorities in Wales differ greatly in respect of tourists and the taxation of tourists and visitors.
18. Permitting local authority discretion on some aspects of the tax framework may lead to disparity of application of the levy between local authorities which may result in behavioural changes from visitors where this leads to pricing differentials. We suggest that allowing

discretion within a set of national parameters would be more appropriate, as seen in the application of tourist tax in some other countries (eg, France).

QUESTION 4. Are there any other aspects of the tax framework which would benefit from greater local autonomy?

For example:

- *Exemptions or reliefs*
- *Type of rate*
- *Level(s) of the rate*
- *Use of revenues*
- *Reporting requirements*

What are the reasons for your answer?

19. We suggest that the two aspects which would benefit from greater local autonomy would be the level(s) of the rate, within a set national framework, and the use of the revenues within their local authority.

TAX DESIGN AND LIABILITY

QUESTION 5. We propose that the levy would be a self-assessed tax for visitor accommodation providers (based on number of overnight stays) who must charge and collect the levy from visitors for an overnight stay and then remit this to the tax authority. Do you agree or disagree with this?

Agree

Disagree

What are the reasons for your answer?

20. We agree that having the levy charged and collected by visitor accommodation providers would be the most practicable, as opposed to the visitor themselves remitting the levy to the tax authority. It is important that the systems and processes are designed to allow third party agents to operate the levy on their behalf.
21. Given the increased use of booking platforms (eg AirBnB, Booking.com), especially in cases involving smaller visitor accommodation providers, we suggest that it be possible for responsibility for charging, collection and remittance to be placed on such platforms. For comparison, there is a similar charging statute in France whereby accommodation providers can elect for remittance of tourism tax to be made by a booking agent.
22. If responsibility is placed on visitor accommodation providers, ease of practical operation of the levy (ie, understanding who is within charge, calculation of the levy, method for remittance of the levy) must be prioritised to maximise accessibility and compliance by providers.
23. There are other practical issues to consider regarding the administration required for visitor accommodation providers, such as how the levy may be integrated with their accounting software, how the charge may be collected from booking platforms (if not collected separately) or how to make refunds of the charge if stays do not go ahead.

QUESTION 6. When should the levy be collected as part of the booking process?

- On arrival**
 On departure
 In advance (where payments are taken in advance for bookings)

What are the reasons for your answer?

24. We suggest that the levy be collected at the point that the accommodation is paid for, whether this be on arrival or in advance. This would reduce confusion for the visitor of a levy being applied at a separate point in time, and potential objection to an unforeseen cost.
25. Collecting the levy in advance or at the commencement of a stay would reduce the risk of non-payment of the levy by visitors. Non-payment by visitors may add additional cost for the visitor accommodation provider of either providing evidence of the non-payment to the tax authority, or having to pay the tax itself. Therefore, the risk of non-payment should be reduced as much as possible through the design of the collection process.

QUESTION 7. Do you agree or disagree that ultimate responsibility be on the visitor accommodation providers for collection and payment of the levy to the tax authority?

- Agree**
 Disagree

What are the reasons for your answer? If you answered no, what alternatives should be considered and how would these work?

26. This has been addressed in the response in Paras 20 - 23.

VISITORS IN SCOPE

There are public costs associated with hosting visitors regardless of the nature of their visit. We propose that all visitors staying overnight within commercially let visitor accommodation (where not exempted) should be considered within scope of the levy, including those travelling for reasons outside of a holiday.

QUESTION 8. Do you agree or disagree that all visitor stays within commercially let visitor accommodation should be considered within scope of the levy (unless otherwise exempted)?

- Agree**
 Disagree

What are the reasons for your answer?

27. Priority should be placed on keeping the operation of the levy as simple as possible for visitor accommodation providers. We suggest that all visitor stays in commercially let accommodation should be within the scope of the levy, subject to a limited number of exemptions that should be established in a national framework.

EXEMPTIONS

Welsh Government are of the view that there should be exemptions in circumstances where application of a levy is disproportionate to the context and the nature of an individual's visit. These types of stays are often not made from choice but necessity and generally the individual has no recourse (or limited recourse) to funds to pay a levy, therefore application of a levy would be disproportionate.

We would like to minimise any exemptions to specific circumstances where application of a levy would be disproportionate. However, we are interested in understanding whether this reasoning

would apply to any other type of stay and if we should consider applying exemptions in any other scenario.

As outlined under the tax framework section, we are of the view that there should be consistency in application across local authorities which choose to introduce a visitor levy. Therefore, we propose that any exemptions would be mandatory and set out in legislation. There may be circumstances that we are not aware where it would be justifiable for a local authority to have discretionary exemption powers and are interested in hearing views from respondents on this matter.

QUESTION 9. Do you agree or disagree with the following proposed exemptions:

a. Stays within Roma and Gypsy Traveller sites (where transient stays are inherent to the culture)

- Agree**
 Disagree

What are the reasons for your answer?

28. No response.

b. Stays organised by local authorities undertaking their statutory functions (such as duties undertaken as part of The Housing (Wales) Act 2014) (e.g. provision of temporary accommodation for those who are homeless).

- Agree**
 Disagree

What are the reasons for your answer?

29. No response.

c. Stays organised through the Home Office in undertaking their statutory functions relating to asylum claims and temporary housing of refugees

- Agree**
 Disagree

What are the reasons for your answer?

No response.

d. Stays within accommodation provided by charities and non-profit organisations on a non-commercial basis (e.g. for the purposes of shelter, respite or refuge/homeless shelters and refuges)

- Agree**
 Disagree

What are the reasons for your answer?

30. No response.

QUESTION 10. Are there any other exemptions that we should consider? Please select all that you think should apply:

- Children and young people**
 Overnight stays where the purpose of the visit is for medical treatment
 Disabled people
 Other (please specify):

What are the reasons for your answer?

31. For comparison, in France there are exemptions from the tourist tax for the following categories of people:

- a) Minors under the ages of 18
- b) Seasonal workers who are employed in the same local authority that they are staying in

- c) Individuals who are residents of the same local authority in which they are staying overnight in commercial accommodation
32. The levy and exemptions as are proposed risk subjecting residents of Wales to an additional charge where they stay overnight in Wales in accommodation that is not their home. This may be part of the intended design of the levy, depending on whether its purpose is to tax overnight visitors to Wales (ie, excluding those who habitually reside in Wales) or overnight visitors from outside the local area. Applying the levy to residents of Wales may result in behavioural changes, such as Welsh resident visitors deciding to take holiday in England.
33. It would be useful to consider a further breakdown of the origins of overnight visitors to Wales, as a further exemption for residents of Wales may be appropriate. However, we acknowledge that the application of such an exemption may be more difficult in practice, given there is no requirement in the UK for carrying identity documents providing an individual's address.

QUESTION 11. Do you agree or disagree that any exemptions should be established within a mandatory framework set out in legislation?

- Agree**
 Disagree

What are the reasons for your answer?

34. We suggest that exemptions should be kept to a minimum to avoid complexity and possible loopholes but if they are required they should be established in a national framework and should be the same across Wales.

QUESTION 12. As set out in the consultation we believe that where exemptions are applied, they should be done so across all local authorities in a consistent manner. However, there may be circumstances we are not aware of where discretionary exemption powers for a local authority may be required. Should local authorities have discretionary exemption powers?

- Yes**
 No

What are the reasons for your answer?

35. As indicated in Para 27 we suggest that exemptions should be the same across Wales to avoid complexity and possible loopholes.
36. Additional suggestions for exemptions identified by local authorities should be considered for inclusion during periodic reviews of the levy.

ACCOMMODATION TYPES IN SCOPE

The principle of fairness is important to the operation of a visitor levy. The levy we are proposing would be payable by visitors and collected by visitor accommodation providers. As all visitors (where not exempted) would be subject to the levy, we propose therefore that all visitor accommodation providers would be responsible for charging and collecting the levy regardless of size or scale.

As outlined, our preference is for all visitor accommodation providers to be in scope of the levy. However, we want to explore views about whether there should be any exceptions to this, for example a threshold of letting days for when an accommodation should be considered within scope of the levy or based on a minimum price of accommodation or a room, or profit or turnover of the visitor accommodation provider.

QUESTION 13. To ensure fairness, it is proposed that all commercially let visitor accommodation is considered within scope of this levy. Do you agree or disagree with this?

- Agree**
 Disagree

What are the reasons for your answer?

37. We agree that including all commercially let visitor accommodation within the scope of the levy would best achieve the policy objective, and would not prejudice one type of visitor accommodation over another.
38. There may be practical difficulties in operating the levy for smaller visitor accommodation providers, ones which have infrequent bookings or unconventional types of accommodation. Priority should be placed on ensuring visitor accommodation providers understand the scope of the levy, can calculate the applicable rates and have an accessible method for reporting and paying the levy to the tax authorities.

QUESTION 14. Should there be any commercially let visitor accommodation that is exempt from charging and collecting a visitor levy?

- Yes**
 No

If you answered yes, what would the basis for the exemption be and how would this be applied (for example a certain threshold)? What are the reasons for your answer? If you answered no: What are the reasons for your answer?

39. Exempting certain visitor accommodation would increase the complexity of the levy, given the various types of accommodation within the scope. For instance if considering a price threshold, a tent pitch is likely to cost less than a whole holiday cottage, so different levels of minimum price would need to be set. This may also lead to bunching of accommodation prices just below the de minimis.
40. Basing an exemption on a de minimis of turnover or profit may be difficult as the level of turnover or profit may only be calculated further through an accounting period, especially for infrequent or smaller visitor accommodation providers. The levy would need to be charged before or at the point of the stay, so there may be a timing mismatch between may be practical difficulties for smaller visitor accommodation providers or ones which have infrequent bookings.
41. Some individual visitor accommodation providers may not have tax or reporting requirements, eg, individuals who are eligible for the rent-a-room scheme are not required to submit a self assessment tax return. It should be considered that, in the absence of a de minimis, the visitor levy will create an administrative burden that may disproportionately impact such individuals.
42. However, provided that a simple to understand and use method for reporting and paying the tax is implemented, all visitor accommodation providers should be able to apply the levy, reducing the risk of prejudicing one type of accommodation over another.

STATUTORY LICENSING PROPOSALS

We would be interested in your thoughts how a statutory licensing scheme may benefit the operation of a visitor levy. As highlighted, a separate requirement to register for the purposes of tax or no registration would be the alternative options.

QUESTION 15. Should there be a comprehensive list of visitor accommodation providers available to the tax authority to support the administration of a levy, rather than there being no registration requirements in place?

Yes

No

What are the reasons for your answer?

43. In order to administer a visitor levy that is collected by visitor accommodation providers, it is necessary to have an obligation for those within the scope of the levy to register to the tax authority and a list of all visitor accommodation providers to act as a control measure.

QUESTION 16. Would utilising the proposed statutory licensing scheme (as opposed to creating a bespoke tax registration scheme) provide an appropriate means by which a local authority could ensure that it has a comprehensive list of visitor accommodation providers in its area and that this information would support the operation of a visitor levy?

Yes

No

What are the reasons for your answer?

44. No response.

RATE TYPE

The advantages and disadvantages of the rate-type options have been summarised in this section of the consultation. There is no clear preferential type of rate that we have identified, and we are interested in your views as to what would work best for Wales.

As outlined under the tax framework section of this consultation, it is preferable for all local authorities to utilise the same type of rate to ensure consistency in the application of a visitor levy. This is an element that we propose would be set out within the tax framework with no option for local determination. We did not identify a rationale for local variation of rate type during our engagement, however, please highlight any reasoning for this in your response if you believe local determination of rate type would be beneficial.

An initial summary of impacts depending on the type of rate opted for has been provided in the previous section. Our partial regulatory impact assessment explores potential impacts from the various design choices in more detail. However, we would be interested in understanding if there are any impacts that we might not have considered or if you have further information to provide regarding potential impacts. For example, impacts regarding: resourcing and staff time, financial costs, other administrative costs, time and costs required to update any digital systems, seasonal price changes, and any other impacts we should consider.

QUESTION 17. Which of the following do you think would be the most appropriate type of rate for this levy?

A per night, per room/accommodation

A per person, per night

A percentage of the accommodation charge

A blended model of the above

What are the reasons for your answer?

45. A per person, per night charge best meets the objective of the levy, as each person who benefits from local services and infrastructure must pay the levy. This would be the simplest system to administer in most circumstances.

QUESTION 18. We propose that the same type of rate would apply across all local authorities that use a visitor levy rather than this being locally determined. Do you agree or disagree with this approach?

- Agree**
 Disagree

What are the reasons for your answer?

46. We suggest that the type of rate should be set out in a national framework. This would make the charge easier to understand for visitors and ease administration for visitor accommodation providers.

QUESTION 19. Are there any additional impacts we should consider based on the type of rate chosen (for example, impacts regarding: resourcing and staff time, financial costs, other administrative costs, time and costs required to update any digital systems, seasonal price changes, and any other impacts we should consider)?

i. A per night, per room/accommodation levy

Visitor Accommodation providers

47. Providers of non-standard accommodation such as tents, yurts, motorhomes, or whole flats and houses may face a definitional issue regarding how many 'rooms' the accommodation contains. For instance, if the living room of a holiday flat could double as a bedroom would this count as an additional room for the purposes of the levy, and would this treatment vary based on the number of occupants of the property. If only bedrooms were counted this may mean that visitors staying in standard single or double hotel and guestrooms are disproportionately subject to the levy. Definitional guidelines may need to be provided.
48. For comparison, in France it is the responsibility of the visitor accommodation owner or the booking platform (where the accommodation is rented by a non-business visitor the platform receiving payment has to collect the tax, where the accommodation is rented by a business visitor the latter can request that the platform collects the tax) to confirm the number of visitors staying in the accommodation.
49. The levy would not naturally reflect seasonal changes in the price of the accommodation. To encourage out of season visitors to stay in Wales, seasonal rate changes or exemptions could be introduced, though this would increase the complexity of the levy.

Tax authority

50. Consideration would need to be given as to how the levy would be applied in circumstances where visitors on different bookings share a room, eg, dormitory style rooms in a hostel.
51. There may be manipulation by visitor accommodation providers in respect of the number of rooms in non-standard accommodation, so additional time and cost may be incurred by the tax authority in verifying and correcting the position where errors arise.

Visitors

52. The cost of the levy per person reduces the greater the number of visitors staying in the same room, so this may result in a higher cost for solo travellers compared with groups, and for those staying in standard hotel accommodation compared with non-standard accommodation. This may result in behavioural changes regarding the type of accommodation visitors choose to stay in.

ii. A per person, per night levy

Visitor Accommodation providers

53. Visitor accommodation providers would need to verify that the number of people that stay in the accommodation matches the number of people on the booking and who are subject to the levy. This may be difficult where self-check-in is used, as there may not be any verification of the number of visitors.

54. The levy would not naturally reflect seasonal changes in the price of accommodation. To encourage out of season visitors to stay in Wales, seasonal rate changes or exemptions could be introduced, though this would increase the complexity of the levy.

Tax authority

55. No response.

Visitors

56. Larger groups of visitors (eg, large families) would face a larger additional cost to stay overnight in Wales. Where this proves burdensome, this may result in behavioural changes.
57. There may be under-declaration of the number of visitors whereby check-in processes allow this.

iii. A percentage of the accommodation charge

Visitor Accommodation providers

58. Visitor accommodation prices often include additional items, eg, provision of meals, or use of resort facilities. Having to split up a composite price in order to calculate a levy would increase complexity for visitor accommodation providers and may lead to manipulation.

Tax authority

59. No response

Visitors

60. No response

CHARGEABLE RATE

We recognise that any rate that is set should be proportionate to avoid any adverse behavioural impacts such as individuals choosing not to visit Wales. Determining what level to set this rate at is important as are the factors which should be considered when making this determination.

Most areas that apply visitor levies opt to vary the charge according to either the type/quality or cost of the accommodation. This ensures a level of proportionality to any rate that is set and promotes a more progressive tax share between visitors, linked to ability to pay.

As a starting point, from the basis of simplicity and consistency for the operation of the levy, we propose that the same rate or rates should be utilised to provide consistency in application across local authority areas opting to implement a levy. We recognise that a rate would be set at a moment in time and within a certain context. Circumstances and economies will vary over time and therefore any rate that is set would require a review point to ensure that it is still appropriate.

We would like to understand your views on what an appropriate cap may be at which point a visitor levy would no longer be charged.

QUESTION 20. When setting a rate, what factors and evidence should be considered to ensure the levy rate is appropriate? This could include for example price and income elasticities, seasonal demand (and therefore price changes) and wider economic circumstances.

61. No response.

QUESTION 21. When determining what rate (or rates) to set, should a rate proportional to accommodation cost (or type/quality) be considered?

- Yes
 No

What are the reasons for your answer?

62. As indicated in Para 58 using a proportionate rate would add complexity to the calculation of the levy. To aid ease of administration for visitor accommodation providers, the type of rate should be as simple to calculate as possible.
63. However, using a flat per person, per night levy would be regressive and affect lower value accommodation more than higher value accommodation.
64. To achieve a more progressive tax, we suggest that there could be different rates that apply to different value accommodation, such that a higher levy applies to more expensive accommodation. The number of discrete rates should be small to minimise complexity. This type of rate setting could result in bunching of accommodation costs at the threshold costs set.
65. Having a higher levy for more expensive accommodation may be considered unfair if the aim of the levy is to have visitors contribute to the local resource they are using, as it can be assumed that all visitors largely use a similar amount of local resource.
66. Consideration should be given as to whether a visitor levy would be included in the VAT base. For comparison, the per capita tourist charge in France is not subject to VAT, while the tourist charge of a flat rate based on the price and availability of the hotel accommodation is subject to VAT. Depending on the type of visitor levy finally chosen it may be appropriate not to include the levy within the VAT base.

QUESTION 22. What is the appropriate number of consecutive nights after which the levy would not apply to any subsequent nights?

- 5 nights
 7 nights
 14 nights
 Other number, please specify:

What are the reasons for your answer?

67. To reduce complexity, it may be appropriate to use the same threshold as affects the treatment of overnight accommodation for other purposes, eg, 28 days to align with the VAT rules for long stay guests.

QUESTION 23. Should the same rate or rates apply in each local authority area rather than this being locally determined?

- Yes
 No

What are the reasons for your answer?

68. We have received comments from members that attitudes towards visitors and tourism, and levels of visitors and tourism, vary between local authorities. Local authorities have insight into their tourism market and services and would be best placed to decide what rates would be appropriate for their area.
69. Allowing full local autonomy over the rate of the levy introduces considerable complexity in the design and administration of the levy. Properties near local authority boundaries may be impacted by differing rates between local authorities, distorting visitor behaviour.
70. To limit complexity or the possibility of disparate rates, we suggest that local authorities determine their applicable rates from a set of rates established in a national framework. This would make the system simpler to administer than allowing full autonomy over rates, while

also allowing flexibility to cater to local conditions. Having a set of rates would make the charge easier to understand and ease administration.

QUESTION 24. If rate setting were to be determined locally should the same rate apply regardless of location within the local authority area?

- Yes
 No

What are the reasons for your answer?

71. This would make the charge easier to understand and ease administration for visitor accommodation providers in the local authority. There could be different rates that apply to different types of accommodation within the local authority, as indicated in Para 64. However, having multiple rates would increase complexity.

QUESTION 25. If rate setting were to be determined locally, should there be a cap or bandwidth set for the level that a rate can be charged?

- Yes
 No

72. As indicated in Para 71 to reduce complexity and allow greater consistency in application, we suggest that a bandwidth or set of possible rates be set out in a national framework, from which the local authority can determine their local rates.

QUESTION 26. How often should any proposed visitor levy rate be reviewed?

- Annually
 Every 2 years
 Every 3 years
 Every 5 years
 Other (please specify):

73. We suggest that the rate is reviewed at set intervals of 5 years to tie in with the electoral cycle of the Senedd. This is in line with Tenet 8: 'Regularly reviewed', of our Ten Tenets for a Better Tax System which we use to benchmark the tax system and changes to it. There should be provision made in the framework for reviews to be undertaken at shorter intervals to provide flexibility for unusual circumstances.

RECORD KEEPING AND SUBMITTING RETURNS

The type of levy we are proposing is based on a self-assessed tax model. This requires businesses to retain certain records to demonstrate the accuracy of any self-assessed tax return. This ensures the integrity of the tax system through enabling the tax authority to verify the accuracy of any payments and seeks to deter anyone from deliberately avoiding or evading their tax obligations.

We recognise that there would be administration costs for visitor accommodation providers to operate a levy, increased costs may result from: staff time to administer additional record keeping, IT system changes, accounting changes or other operating process changes. We recognise that there is an opportunity in the design of the levy to minimise the administrative burden on visitor accommodation providers. We are looking to understand potential costs in more detail to help inform the policy design.

The impact of self-assessed returns would be variable according to existing arrangements, infrastructure, and systems that businesses already have in place in relation to the management of their finances. There is a preference to avoid having an end-of-year crunch point for businesses and the tax authority. More frequent returns also enable more accurate up-to-date data, more time

for errors to be resolved, more timely provision of data for administrative purposes. Therefore, more frequent returns are likely to be more beneficial for the administration of the levy for all parties. This would enable greater support to be provided to businesses throughout the year when administering the levy. On the other hand, a more frequent return may be burdensome for some businesses.

QUESTION 27. We have outlined under Table 1 the potential record keeping requirements for businesses based on different rate types. To help us understand in more detail potential record keeping requirements for businesses, please could you outline what information you think would be required to be collected and retained by visitor accommodation providers for:

A per night per room/accommodation levy

A per person, per night levy

A percentage of the accommodation charge levy

74. No response

QUESTION 28. We wish to understand the impact of collecting and recording the information identified under Table 1 (and any other information you identified in response to the previous question) to help make a self-assessment of the tax liability. What would be the resource impacts of collecting this information (staff time and costs involved in making changes to any processes and systems)?

75. Collection of data should be kept to a minimum of what is required to calculate and apply the levy.

76. Most of the information required will already be recorded as part of booking and check-in processes, for some types of visitor accommodation provider. However, in the majority cases there will be additional staff time required to familiarise themselves with what information is required to be kept, and compiling the data for collecting, recording and submitting returns in respect of the levy.

77. Data protection requirements must be considered before any proposals are taken forward.

How could this data be collected (is there an existing process or system that could be used as part of the booking process)?

78. The levy is proposed to apply to all visitor accommodation types and sizes, so the processes and systems that the visitor accommodation providers will have in place will likely vary significantly.

79. We suggest that there should be an easily accessible and low cost or free recording solution made available for smaller visitor accommodation providers who may not have separate recording software, if a specific format of data collection is required.

80. The administration of the process should be digitalised from the outset and sufficient time must be allowed for businesses and local authorities to make the necessary systems changes.

81. Implementation of a separate system will increase the cost and administrative burden for businesses. This would be reduced if the collection and reporting of the visitor levy could be integrated with existing systems.

82. There should be appropriate alternative methods and support for registration for the levy and submission of tax returns for those who are digitally excluded or need assistance.

QUESTION 29. How frequently should visitor accommodation providers be required to submit self-assessed tax returns for a visitor levy, noting that it may be possible to allow more frequent submission if that suited the business?

- Monthly**
- Quarterly**
- Bi-Annually**
- Annually**

What are the reasons for your answer?

- 83. We suggest that accommodation providers be given as much flexibility as possible over how frequently they report and pay the levy. An annual option would minimise the compliance burden on the smallest businesses whose tax reporting obligations are generally annual.
- 84. As indicated in Para 6, where possible the collection of the visitor levy should be integrated into existing tax reporting and collection systems. This would mean that return submissions are aligned with existing dates for other purposes, reducing complexity for visitor accommodation providers.
- 85. More frequent obligations may be appropriate for larger businesses who may already have quarterly filing obligations (eg, VAT). The seasonality of many of the businesses concerned should be borne in mind when considering this issue.
- 86. The treatment of cancellations must be considered. We presume the levy would only be charged if the booking went ahead, even if payment for the accommodation was required in advance.

ENFORCEMENT AND COMPLIANCE

We recognise that most taxpayers seek to meet their obligations and respect the rule of law regarding taxes. However, to ensure the effectiveness of any tax system, there is a requirement for the tax authority to be provided with the powers sufficient to police the system to deter, prevent and identify those who seek to avoid, evade or defraud the public purse. We have outlined the need for investigative and civil penalty powers for the effective enforcement of a visitor levy.

QUESTION 30. To ensure compliance with the levy, it is likely the following enforcement powers would be required for the tax authority. Do you agree or disagree with the powers listed?

i. Civil information and inspection powers, including those to enquire into tax returns, audit records retained by visitor accommodation providers, and inspect premises

- Agree**
- Disagree**

What are the reasons for your answer?

ii. Civil powers to charge interest and penalties, and to recover unpaid tax, where a visitor accommodation provider fails to undertake their statutory obligations relating to the visitor levy.

- Agree**
- Disagree**

What are the reasons for your answer?

- 87. It would be appropriate for there to be a civil penalty. We suggest that the five principles outlined in [HMRC discussion documents on penalties](#) be applied. These principles are:
 - a) The penalty regime should be designed from the customer perspective, primarily to encourage compliance and prevent non-compliance. Penalties are not to be applied with the objective of raising revenues

- b) Penalties should be proportionate to the offence and may take into account past behaviour
- c) Penalties must be applied fairly, ensuring that compliant customers are (and are seen to be) in a better position than the non-compliant
- d) Penalties must provide a credible threat. If there is a penalty, we must have the operational capability and capacity to raise it accurately, and if we raise it, we must be able to collect it in a cost-efficient manner
- e) Customers should see a consistent and standardised approach. Variations will be those necessary to take into account customer behaviours and particular taxes.

iii. Discretionary debt relief powers, for example the ability to reduce a debt to nil or to not issue a penalty in certain circumstances.

Agree

Disagree

What are the reasons for your answer?

88. It would be appropriate for a light touch approach to be taken when the tax authority first introduces the levy and the focus should be on raising awareness amongst those who will need to collect it and especially those who might reasonably think that they are not within the scope of the levy.

USE OF REVENUES

Revenues raised from a visitor levy are intended to be re-invested locally to support the local visitor economy. We recognise that the optimum way to spend revenue from any visitor levy is variable by local area and spending priorities and demand will vary by location. We are interested in your views about how revenues should be used in your local area to benefit the local visitor economy.

Additionally, we note that ring-fencing (hypothecation) was raised continuously through our engagement. As highlighted, ring-fencing is non-preferable as it can restrict local decision making and ability to set local spend priorities for which locally elected officials are accountable for.

QUESTION 31. How should revenues raised by a visitor levy be spent? What are the reasons for your answer?

89. No response

QUESTION 32. Should the revenues raised by a visitor levy be hypothecated (ring-fenced)? What are the reasons for your answer?

Yes

No

What are the reasons for your answer?

90. Visitors to Wales who are subject to the visitor levy may expect revenues raised to be spent on the tourism sector. Hypothecation may help communicate the purpose and the use of the visitor levy to visitors and visitor accommodation providers.

91. Provided that there is a loose hypothecation for how revenues may be spent, local areas should be able to direct funds optimally to local projects and infrastructure that support the tourism industry while not being immediately connected to the tourism industry, such as the examples provided in the consultation document.

92. Hypothecation is likely to increase the cost and time of administering the levy. Depending on the revenues raised from the levy, the cost of hypothecation may outweigh its potential benefits. We suggest that the costs of hypothecating the levy are included in a detailed cost-benefit analysis of the proposed design.

TRANSPARENCY AND ENGAGEMENT

Local authorities are well placed to engage at a more local level when considering the optimum use of revenues from a visitor levy in their area. Existing relationships, partnerships and forums may provide mechanisms for local engagement to take place.

Additionally, local authorities existing reporting arrangements regarding finances provide a mechanism to report on the visitor levy. However, we recognise that as the levy is intended to benefit the visitor economy, that more bespoke reporting and local evaluations would provide enhanced levels of awareness of the benefits of a levy and transparency in its use. We propose that reporting requirements would be standardised across all local authorities and determined via the tax framework (as outlined under the tax framework section). This ensures consistency of approach.

As visitors are unlikely to have paid this type of tax before in the UK, there would be a requirement for readily available information for visitors to understand the purposes, benefits, and use of a locally applied visitor levy.

QUESTION 33. What local engagement should take place when deciding how revenues are allocated?

93. No response

QUESTION 34. Should there be a separate annual report detailing the revenues collected and benefits of a visitor levy at a local level?

Yes

No

What are the reasons for your answer?

94. We suggest that reporting arrangements become part of existing requirements such as annual reports, bearing in mind that there should be accountability to both central government and local residents regarding the spending of the revenues.
95. As revenues are collected on behalf of and spent in local areas, we would expect that the revenues raised from the visitor levy would not be shown in central government accounts. Instead they would be reflected in the local authority accounts.
96. If revenues raised in one local area are directed to or spent in a different local area, there should be transparency regarding the calculation and methodology of the split of revenues across local areas.
97. Reports should be publicly available so that residents and visitors can see the use of the funds.

QUESTION 35. We propose that reporting arrangements for local authorities would be set out within the tax framework to ensure consistency in approach across local authorities. Do you agree with this approach?

Yes

No

What are the reasons for your answer?

98. We agree that reporting arrangements should be set out in a national tax framework to ensure consistency between local authorities and improve transparency for local residents.

QUESTION 36. What information should be available for visitors regarding the levy?

99. Visitors should be informed of the objectives of the levy and the use of the funds. There should be clear information regarding the rates that are charged and the exemptions available.

IMPLEMENTATION TIMESCALES

QUESTION 37. We propose that local authorities would be able to decide by way of local governance processes whether to implement a visitor levy. Do you agree or disagree with this approach?

Yes

No

What are the reasons for your answer?

100. Local authorities should have discretion over whether to implement the visitor levy.

101. As indicated in Paras 17 - 18 due to local attitudes and sensitivities this may lead to disparate applications of the visitor levy.

Should local consultation take place prior to the introduction of a visitor levy?

Yes

No

What are the reasons for your answer?

102. There should be local consultation to gauge uptake of the levy by local authorities. If local authorities can decline to implement the levy, there is a risk that fewer local will participate in implementing the levy, leading to lower revenues. Considering the upfront investment required by the Welsh government to introduce the national framework and associated systems and processes to operate the levy, the level of uptake should be understood.

103. A detailed cost-benefit analysis of the preferred design should be undertaken taking into account the findings of local consultation.

QUESTION 38. What transitional arrangements should apply for accommodation that has been booked in advance of a local authority implementing a visitor levy? What are the reasons for your answer?

How could any transitional arrangements be designed to avoid deliberate tax avoidance or evasion?

104. Transitional arrangements should not apply as this would increase complexity of administration of the levy.

105. If the levy is introduced with a long enough lead time, both visitors and accommodation providers should be aware when the charge will be introduced from, with accommodation providers able to inform advance bookings of the additional levy that will be charged.

106. It is important that sufficient time is allowed to ensure that the appropriate systems and processes are in place so that administrative issues do not undermine the introduction of the charge. In particular, changes to computer software often require considerable time to implement, particularly for older systems which may be in use for bookings of accommodation.

OPERATIONAL DELIVERY MODELS

We propose that there is an opportunity for partnership working between central and local tax authorities on the delivery of this proposed levy. This could combine the strengths of local and centralised delivery. We are seeking views on how best to deliver the proposed visitor levy and whether there should be a role for a central authority or not.

QUESTION 39. How best can the proposed visitor levy be implemented and administered?

- Fully local implementation and administration**
- Fully centralised implementation and administration**
- Mixture of local and central implementation and administration**

QUESTION 40. What would be the benefits and disbenefits of each option?

a. Fully local implementation and administration

- 107. Local staff would be more attuned to local sensitivities so may be better placed to explain the levy and provide support to visitors and visitor accommodation providers in their area.
- 108. Visitor accommodation providers who operate in more than one local authority would need to use separate processes in each local authority, and these may use different systems and processes. Lack of consistency between local authority processes would require more staff time from accommodation providers to operate the levy and increase the administrative burden on such visitor accommodation providers.

b. Fully centralised implementation and administration

- 109. This may reduce local engagement and understanding of the levy, and risk increasing non-compliance by visitor accommodation providers.

c. Mixture of local and central implementation and administration

- 110. As indicated in various points above, priority should be placed on keeping the operation of the levy as simple as possible for visitor accommodation providers. Central implementation of a national framework and set systems and processes would allow consistency in application and accessibility for visitor accommodation providers.
- 111. The use of one set of systems and processes is likely to provide cost efficiencies in the initial build of the system rather than separate systems for each local authority. Consistency in application would also benefit providers who operate in more than one local authority, as they would use one system.
- 112. Local staff would provide greater engagement with the visitors and local visitor accommodation providers and may improve public perception of the levy. Having local staff would improve accessibility for providers who encounter issues with processes and systems, as well as those who are digitally excluded.
- 113. However, employing local staff would increase the cost of operation of the levy. Consideration would need to be given to the appropriate level of support required on a local level and a cost-benefit analysis should be undertaken, considering the proposed level of local staff.

WELSH LANGUAGE

QUESTION 41. We would like to know your views on the effects that the proposals to introduce a visitor levy would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English.

a. What effects do you think there would be?

- 114. No response

b. How could positive effects be increased

- 115. No response

c. How could negative effects be mitigated?

- 116. No response

QUESTION 42. Please also explain how you believe the proposed policy to introduce a visitor levy could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

117. No response

QUESTION 43. We have asked a number of specific questions through this consultation. If you have any related issues which we have not specifically addressed, please use this space to report them:

118. We suggest that the levy should be shown as a separate item on price lists, invoices, receipts and on websites. Consideration would need to be given to the extent to which the total price should be displayed, especially on websites, so that the levy does appear as an additional cost later in the process.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).