All Party Parliamentary Group for Hospitality and Tourism

Inquiry into the proposed introduction of a visitor levy on overnight accommodation in England

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Forewords

Chris Webb, MP for Blackpool South and Chair of the APPG for Hospitality and Tourism, said:

“I am pleased to present this report into the proposed overnight visitor levy by the APPG for Hospitality and Tourism.

"I am the product of a thriving tourism economy – my mother moved to Blackpool to become a Butlins Red Coat, and I had my first job selling kiss-me-quick hats on Blackpool promenade. Those entry roles in the job market are vital in creating lifelong skills that we carry with us throughout our careers, and I want young people to still be able to access their first jobs in hospitality.

"As Chair of the APPG, I have been pleased to facilitate a dialogue between industry bodies, local government representatives and businesses which has provided a space to discuss concerns, benefits and potential impacts of the levy on local economies, high streets and businesses.

"This report brings together the APPG’s findings on how government should formulate a levy that works for everyone and outlines the essential safeguards that are needed to protect the jobs the hospitality and tourism sector creates. If the government does press ahead with the introduction of a levy, I hope it will pay close attention to this report and learn from its findings.”

Allen Simpson, CEO of UKHospitality, which acts as the Secretariat for the APPG, said:

“This is an unprecedented time for the hospitality sector, and I am grateful the APPG for Hospitality and Tourism has focused its attention on how a visitor levy across England would affect the entire hospitality sector and impact the vitality of our much-loved high streets.

"This report sends an important message. This tax will have ramifications across the hospitality ecosystem, across jobs, growth and the vibrancy of our towns and high streets. Visitor spending keeps high streets alive, and the increasing costs of a family holiday will indirectly harm pubs, restaurants, the nighttime economy, cultural institutions, suppliers and the local economy.

"The Government should think carefully about the wide-ranging impacts this tax will have on families, the cost-of-living, jobs, especially for young people, communities and hospitality and tourism before devolving powers to mayoral authorities.

"This report highlights the urgent case for reviewing the unintended consequences of the levy with considered recommendations of how to mitigate them.”

Executive Summary

This inquiry set out to examine the impact of a visitor levy on overnight accommodation on the wider hospitality and tourism sector, in addition to the impact on the visitor economy more broadly. The APPG has compiled a detailed and thorough list of safeguards required by the sector to ensure the levy does not harm visitor numbers and affect tourism demand.

The most significant recommendations have been highlighted below:

- Implement pre-legislative scrutiny and a comprehensive Regulatory Impact Assessment on the impact of the levy including the impact on the visitor economy.
- A full and detailed assessment of the cumulative tax burden on the hospitality sector. Hospitality delivers £54 billion in tax receipts, and with an increased overall tax burden a full and detailed assessment of the cumulative tax burden on the sector is required so that we can fully understand the impact of a new and complicated tax on operating conditions.
- A national statutory registration scheme must be in place before the levy is introduced to ensure a level playing field across the accommodation sector.
- A consistent national framework with set rates which are different across price bands. Rates should not be allowed to steadily creep over time, but a fixed rate across different price bands is fiscally the fairest for differently priced accommodation.
- Reform VAT prior to the levy's introduction including a VAT cut for the sector to 10%, in line with the VAT rate of European nations which use a visitor levy.
- Nationally set exemptions must be set out England-wide. The overwhelming feedback was that exemptions must be nationally driven and not hyper-local to avoid complex administrative issues and that businesses should not bear responsibilities as to whether guests qualify for exemptions.
- Strict and transparent ringfencing of funds is essential. Revenues raised must go directly into the growth of the visitor economy and local town centres, not diluted in mayoral budgets or absorbed by Whitehall. Revenues should be spent in the areas it is raised in and not displace existing tourism spending commitments. Industry representation on spending bodies should be mandatory.

There was a slight divergence of opinions in the form the levy should take, with industry bodies and businesses pointing out flaws in both a percentage model and a per person per night model. Overall, there was some acknowledgement that a per unit model with some in-built tiering was the fairest model.

In summary, for Government to achieve its ambitions and goals around fair regional growth, international tourism numbers and supporting the visitor economy, it must carefully consider the recommendations of this inquiry and ensure businesses have a strong voice in the formation of the levy, before it is introduced locally.

Introduction

The Government has consulted on the potential introduction of a locally applied overnight accommodation levy in England, with the consultation formally closing on 18 February 2026. Industry is currently awaiting an official response from Government.

England attracts over 130 million overnight visits each year. The proposal would give strategic authority mayors, and potentially other local leaders, powers to introduce a levy on all overnight stays in accommodation such as hotels, guesthouses, B&Bs, serviced accommodation and short-term lets.

Secretary of State for Housing, Communities and Local Government Rt Hon Steve Reed MP said:
"Tourists travel from near and far to visit England's brilliant cities and regions. We're giving our mayors powers to harness this and put more money into local priorities, so they can keep driving growth and investing in these communities for years to come."

The Government's stated objective is to explore whether local areas should be able to raise revenue to support destination management, local infrastructure and visitor economy investment. Visitor levies, commonly referred to as a tourist or holiday tax, are common across Europe and the Government has said that the introduction of a levy in England would ensure mayors have the same powers as their European counterparts. The Government has said that money raised could help mayors fund local projects that improve communities and enhance tourists' experience of visiting an area and could potentially help attract more visitors. As an example, the Government has indicated that the levy could go towards improving some of London's busiest and famous streets and supporting the city's entertainment, sport and culture including helping smaller venues, whilst in Liverpool, they suggest it could help the city to support the major events that drive visitors - such as the upcoming UEFA EURO 2028 - and improving the infrastructure that visitors and locals rely on.

The introduction of a levy is viewed as a wider part of the Government's devolution agenda. They state that the levy will put more power in the hands of those who know their communities best and give local leaders more agency on community investment instead of decisions made in Whitehall.

However, the accommodation and tourism sectors have strong concerns that the consultation only focused on how a levy might operate, rather than the question of whether one should be introduced at all.

In the King's Speech earlier this year, the Government announced their intention to bring forward legislation to give Mayors the power to introduce a visitor levy in England.

This APPG inquiry launched with the aim of testing arguments for and against the levy and to gather businesses' perspectives on the impact of the levy. The APPG brought together evidence from across the hospitality and tourism industry, as well as from organisations involved in the potential design and delivery of a levy, including local authorities and combined authorities. Significantly, this inquiry considered the impact of the levy on hospitality businesses and the wider visitor economy, the potential designs of the levy and the variable outcomes each design will have across the industry and on the communities the sector serves. The inquiry found that there are widespread industry concerns about the impact a levy would have on high street footfall and business profitability, however there was broad consensus on the necessary safeguards Government must put in place for this scheme to be remotely workable at a challenging time for the sector.

The APPG also sought to best understand, from all perspectives, whether this tax is fiscally sound and delivers on its set aims of true fiscal devolution, tourism and hospitality investment and driving growth across the country.

Inquiry Methodology

Stakeholders consulted

A number of relevant stakeholders were consulted in the process of evidence gathering by the APPG. Listed below are those organisations who submitted a written response to the APPG's call for evidence as well as those who spoke at three in-person evidence sessions run by the APPG, which took place on 20 May, 9 June and 23 June 2026.

Awaze: Awaze is one of Europe's largest holiday rental management companies, with a portfolio of more than 100,000 holiday homes in over 20 markets across Europe and the UK. Awaze leads the marketing and booking of properties on behalf of owners, while also managing guest and owner communications, compliance support, and property maintenance.

British Beer and Pub Association (BBPA): The UK's leading trade association representing pubs and breweries. BBPA's membership brews over 90% of British beer and own over 20,000 pubs.

Blackpool Tourism Limited: Blackpool Tourism Limited operates 10 visitor attractions/cultural venues including Blackpool Tower, the Winter Gardens Opera House and the new Conference Centre. It leads the resort destination marketing organisation (VisitBlackpool). The company's vision is to deliver growth from year-round visitor demand by working collaboratively with the private sector operators in the resort. It also works closely with the resort's Tourism BID, chaired by the Managing Director.

BusinessLDN: BusinessLDN represents over 170 leading businesses in London, including hotels, airports, business events operators, Business Improvement Districts and other organisations that form a significant part of the visitor economy.

Business Travel Association (BTA): The BTA is the representative association for the business travel community and travel management companies, with membership accounting for over ninety percent of all managed travel booked in the UK.

Confederation of British Industry (CBI): The CBI represents 850 members who themselves comprise 1,100 separate registered companies and 150,000 trade association members. Founded 60 years ago and representing some of the biggest names in business, household brands and globally traded corporations that employ 1.8 million people in all sectors and across every region and nation of the UK, the CBI is the voice of business.

Forge Holiday Group (FHG): FHG, which includes Sykes Holiday Cottages, Forest Holidays and a range of regional self-catering brands, employs 1,600 people in the UK and took 2.7 million people on holiday last year, mainly in rural and coastal areas. It champions UK escapes driving visitor spend in all corners of the country.

Greene King: Greene King runs c2,600 pubs, restaurants and hotels across England, Scotland and Wales as well as two breweries in Bury St Edmunds, Suffolk, and Dunbar, East Lothian. It currently operates 137 hotels and pubs with rooms, which have a combined total of 3,479 rooms.

Haven: Haven is a leading UK holiday park operator, running 39 parks across England, Wales and Scotland with approximately 3.9 million guests in 2025. Since 2021, it has invested £700 million in its parks around the UK.

Hotelverband Deutschland (IHA) / The German Hotel Association (GHA): GHA is the industry association for the hotel sector in Germany. It includes around 1,500 leading hotels of all categories spanning the individual, cooperative and chain hotel industry. The APPG is particularly grateful for the evidence received from Tobias Warnecke whose knowledge of international visitor levies in the German context was particularly helpful for the inquiry.

Merlin Entertainments: Merlin Entertainments is a UK-based global leader in branded entertainment destinations, offering a diverse portfolio of resort theme parks, city-centre gateway attractions and LEGOLAND Resorts which span across the UK, US, Western Europe, China and Asia Pacific. It operates over 20 attractions in the UK.

Online Travel UK (OTUK): OTUK is an association of some of the best-known online travel companies in the UK including intermediaries, online travel agencies, booking and rail platforms.

Oxford Economics: Oxford Economics is a leading global economic advisory firm, providing data-driven insight, forecasting, and analysis to help organisations navigate complex economic landscapes.

Pitchup: Pitchup is the UK's largest booking platform for outdoor accommodation, booking over 5 million domestic visitor nights each year, particularly in rural destinations. Last year, 3,928 UK campsites took bookings via Pitchup.com. Since launching in 2009, Pitchup has handled over £550 million worth of bookings, and 48 million bed nights.

Parkdean Resorts: Parkdean Resorts is the UK's largest holiday park operator, with 65 parks and a substantial freehold and long leasehold real estate portfolio spanning more than 3,500 acres in leading tourist destinations. Each year, Parkdean welcomes around 3 million holidaymakers and supports a community of 19,000 holiday homeowners.

The Local Government Association (LGA): The LGA is the national membership body for councils in England, working on their behalf to champion and be the voice of local government, ensuring it has the resources, powers and support to deliver the best possible outcomes.

Thurlestone Hotel: Tim Hassell is estates director at the Thurlestone Hotel, which has been in the same family ownership since 1896, making it the longest single operator of a hotel business in England. Tim is also a fourth-generation hotelier and co-owns Ilsington Country Hotel and Spa on Dartmoor with his brother.

Professional Association of Self-Caterers (PASC): PASC is the largest sector association with 1700 members. PASC provides businesses in this key sector of the tourism economy with briefings and webinars on policy issues affecting the sector and is a key conduit to Government on legislation, policy and regulatory issues.

Short Term Accommodation Association (STAA): STAA represent and support the diverse ecosystem of short-term rental operators across the United Kingdom, from individual hosts renting out spare rooms to professional property management companies overseeing hundreds of listings.

The Tourism Alliance: The Tourism Alliance is the umbrella trade association for the whole of the tourism industry in the UK. Its role is to ensure there are good links between the UK Government and Parliament and the sector and to ensure that the industry's voice and concerns are heard.

UKHospitality: UKHospitality is the leading trade body for the hospitality sector in the UK, representing 740 members across 123,000 venues across the UK. Venues in membership include hotels, restaurants, pubs, nightclubs, and indoor leisure, attractions, and contract caterers.

UKinbound: Established in 1977, UKinbound is the only trade association dedicated to inbound tourism – the UK's second largest export industry. Membership spans 500+ businesses from all corners of the UK covering the full spectrum of inbound tourism sectors, including tour operators and DMCs, accommodation, attractions, destinations, transport, restaurants and bars, business service providers and more.

Business impact

The overwhelming majority of businesses and industry organisations that contributed to the inquiry opposed the introduction of a visitor levy in England. The sector's core argument is that the UK is already a high-tax and high-cost destination to live, visit and run a business. Adding a new accommodation levy would increase costs for visitors, weaken competitiveness, reduce demand, and place additional administrative burdens on businesses.

The CBI stated that a visitor levy breaks its 'good tax' principles. The CBI believes tax policy should be **simple,** bring **certainty** or be **predictable**, provide **competitiveness** for the taxpayer and for the UK economy, and be **proportionate** in terms of time and cost of administering. During the inquiry, the APPG consistently heard how these 'good tax' foundations are contravened by the levy.

Oxford Economics told the APPG that a 5% levy, as introduced in Edinburgh would lead to the following:

- Reduction in GDP of £2.2 billion.
- £1.6 billion tax increase for holidaymakers.
- £688 million in reduced tax receipts to the Treasury.
- A loss of £101 million in direct investment from hospitality and tourism businesses.
- £1.8 billion reduction in tourism spending.
- 9 million fewer nights spent in accommodation.
- 33,000 jobs lost.

UKHospitality's Chair, Kate Nicholls OBE, gave evidence to the inquiry, saying that: *"The years since Covid have not been inconsequential with the 2024 Budget seeing £3.4 billion in annual tax increases for the sector, meaning businesses have been forced to take tough decisions."*

This additional tax on an already highly taxed sector is not an example of sound fiscal devolution. The hospitality sector is already facing high taxes and the cumulative burden of business rate hikes, increased wages, additional employment costs from employer NICs increases (EmNICs) alongside increasing energy and supply chain costs have contributed to an unsustainable operating environment for businesses. A number of organisations highlighted to the inquiry that adding further to the tax burden would be a mistake.

Tobias Warnecke, from the GHA said that: *"Each measure may appear modest in isolation, but when combined they reduce investment capacity, profitability and destination competitiveness."*

Businesses do not face the financial and administrative burdens of new taxes such as visitor levies in a vacuum. The APPG heard that because of the high overall tax burden on the sector, any assessment of the levy should fall within assessing the broader cumulative tax burden already carried by hospitality businesses to understand the full impact on operating conditions, administration structure and the visitor economy.

Businesses repeatedly stressed their sympathies with local government finances and support for devolving power to local communities; however, there is a strong concern that a visitor levy does not represent balanced fiscal devolution in practice.

Ben Spier, from FHG told the APPG: "While greater fiscal devolution was one of the Government's manifesto pledges, a visitor levy wasn't."

The visitor levy places an additional tax on a single sector, one that is already highly taxed, without addressing the wider funding challenges faced by local authorities.

UKHospitality indicated there is no version of this tax which isn't economically damaging, indicating it could lead to job losses in rural and coastal economies as well as risking greater youth unemployment.

UKHospitality's latest member survey was revealed at an APPG evidence session showing that **two-thirds (64%) of businesses have had to cut jobs and half (51%) have had to cancel investment plans.** This feeds into societal challenges of bringing more people into work which will be discussed later in the report.

UKHospitality's Chief Executive Allen Simpson gave evidence to the inquiry saying that: "100,000 hospitality jobs have been lost since the 2024 Budget and 33,000 possibly will be lost from this tax. 65,000 jobs were lost in the worst years of the miner's strike. This is historically unprecedented."

Hospitality and tourism facilities are vital to the UK's offering to international visitors, domestic visitors and local residents. The BBPA stated that half of consumers believe that pubs are important to domestic tourism. The BBPA also said that this tax threatens the long-term resilience and outlook of the tourism sector with businesses at the foundation of the UK's tourism offering now uncertain about their long-term viability on the high street.

Businesses, including Haven and the Thurlestone Hotel, had reservations about how a levy would affect investment opportunities. Haven said that the uncertainty caused by the potential visitor levy is already impacting investment.

STAA, PASC and FHG also agreed that other sources of investment in rural areas are scarce and these areas rely on hospitality as a major contributor to the local economy.

Tim Hassell, owner of the Thurlestone Hotel, highlighted a real-life example for his hotel, where a £1.7 million sports facility was cancelled due to increases in employer NICs which had a knock-on effect on the wider supply chain including local tradespeople who lost out on work. Fiscal decisions and additional taxes feed into businesses' long-term planning and investment opportunities which, if businesses don't have adequate financial cushioning, will be cancelled. Hospitality has a central role in placemaking and regenerating the local high street, but with business uncertainty increasing and a cost-conscious customer base, they are scaling back or cancelling investment plans.

Alongside concerns about business costs and investment, respondents consistently argued that a visitor levy could also weaken England's competitiveness as a destination, with implications for visitor demand and the wider visitor economy.

Competitiveness

Internationally

The UK overall, and England within it, remains a popular destination for tourists to visit, boasting world class food and drink, iconic landmarks and unique cultural and historic sites. However, many respondents to the inquiry noted that England is an expensive place to run a business. It was highlighted that according to the World Economic Forum's Travel & Tourism Development Index the UK currently ranks 113th out of 119 for price competitiveness, revealing the high overall tax burden businesses face and the added task of attracting tourists to a typically expensive place. Several responses to the inquiry referred to the UK's uniquely high VAT rate of 20% for hospitality and tourism, compared to an average of roughly 10% in Europe, putting English holiday destinations at competitive disadvantage.

Throughout oral evidence sessions, VAT was a consistent theme from the hospitality and tourism sector. UKHospitality spoke about the VAT'sTheProblem campaign, launched on 1 June 2026, as a cross-industry campaign, spearheaded by Tom Kerridge, calling for a fair and proportionate VAT rate of 10% for hospitality. The campaign has attracted significant public support, with more than a quarter of a million signatures on its petition within the first six weeks. There has been strong long-term support across the industry for a permanent and lower rate of VAT for the sector.

VAT is a considerable part of the tax burden on the sector. Tim Hassell told the APPG that for every person staying in his hotel, on average £70 was collected in taxes, including VAT, for the Government each night. He made the point that there is no room for further taxes, without squeezing profit margins and affecting the viability of his business.

Parkdean Resorts also raised the UK being an outlier in terms of VAT, and adding further costs to the price of a holiday for domestic visitors will affect their already "*cost conscious customer base*", leading many customers to holiday abroad if cheaper holidays can be found. They were concerned that the visitor levy risks making the UK less competitive and even more expensive for those on the lowest income.

UKinbound noted at an evidence session that in addition to higher VAT, England has Air Passenger Duty at some of the highest rates in the world, Electronic Travel Authorisation doubling in price since its introduction in October 2023 and the negative impacts of the UK being one of the few nations that does not have tax free shopping.

Joss Croft from UKinbound told the Group: *"Inbound leisure is massively competitive, while domestic visitors postpone or shorten trips, inbound visitors with much more choice in destinations, simply choose not to come if the price isn't right for them… England is the 7th most visited destination in the world. There are huge opportunities of choice in where people travel. Inbound visitors spend twice as much as a domestic visitor as well as travelling outside the main season, which is why they are so important."*

The APPG welcomes the Government's ambition to increase international visitors to 50 million by 2030, with inbound tourism being worth £35 billion a year to the UK economy, but there have been consistent concerns raised by the business community that this target will be placed in jeopardy by the visitor levy.

The displacement of people and spending are key concerns with international visitors choosing cheaper and more affordable getaways. The Tourism Alliance also commented on World Travel and Tourism Council research which found that a €10 levy would prompt 29% of international visitors from the US, France, and Germany to choose an alternative destination or not visit at all — a potential loss of £14.4 billion in visitor spend by 2027.

BusinessLDN noted that London is a gateway to other travel with visitors choosing to travel onwards to other destinations in England. While the APPG heard that London may be least affected by overall decreased demand, tourists may reduce their travel to within England to London only, working against regional growth. This is another factor in the levy not representing true fiscal devolution, as it risks more funds remaining purely in London and not spreading to other regions.

STAA responded to the inquiry stating that short term lets represent sustainable tourism as well as encouraging UK wide travel spreading economic growth across the country, with ONS data showing the most popular places to visit are London, Cornwall, Edinburgh and the Highlands.

The LGA noted that funding cuts and spending pressures in councils have led to underinvestment and unequal growth across the country, affecting the competitiveness of England as a holiday destination.

BusinessLDN recommended complimentary measures to strengthen competitiveness such as the re-introduction of tax-free shopping, targeted reforms for trading regulations in major destinations to support growth and spend.

Merlin Entertainments expressed support for the Government's Great British Summer Savings Scheme. They emphasised that the temporary VAT cut on part of the sector should provide Government with a clear demonstration of the positive impact of a VAT cut on hospitality.

The BBPA favoured VAT reform to justify the levy's introduction and proposed VAT being demarcated and allocated to support tourism as in the case of international models.

Domestically

Visitor levies are not new to the UK, existing in Scotland and soon to be introduced in Wales. This gives Government the opportunity to amend existing faults in the system, so the levy is administered in a way which supports communities and the 3.5 million jobs hospitality businesses sustain.

There were repeated themes across testimonies from businesses that a visitor levy has proven in devolved nations to not be proportionate in terms of the funds delivered compared to the complex nature of collecting, administering and delivering of the levy.

Greene King and Pitchup echoed the need for the visitor levy to be cost neutral to administer. Pitchup highlighted that the Welsh Government's Regulatory Impact Assessment estimated the levy would raise around £264 million over the ten years to 2035, while also estimating total implementation, administration and compliance costs associated with the legislation of between £313 million and £576 million.

Pitchup said that the visitor levy in Wales has opted for a fixed fee of £0.75 per person per night, this could amount to as much as 25% of the pitch fee based on a family of six. While the initial fee seems modest, the tax amounts to a high charge across the entire cost of a holiday. Businesses set out that these fees will deter visitors due to the high overall cost this adds up to for lower costed holidays.

Ben Spier from FHG said at an APPG session: *"The implementation of the Scottish and Welsh levies has been incredibly time consuming for businesses and involves every single team from finance, tech, legal, commercial, HR and marketing."*

FHG demonstrated that the levy fails the key principle the CBI sets out of proportionality due to the multiple teams involved administering the levy as well as the time and cost doing so compared to the funds delivered. FHG will have to rebuild pricing journeys to ensure it is done in a way which complies with newly introduced 'drip pricing' regulations. This process is more difficult and time consuming for SMEs.

The LGA heralded Manchester's Accommodation BID overnight visitor charge as a success, raising £2 million in its first year for street cleaning, marketing campaigns and bidding for hosting large scale events.

However, throughout the inquiry, businesses have said Manchester is not a 'true' visitor levy as it functions and operates as an Accommodation Business Improvement District (ABID) with businesses voting to create such a scheme and any funds raised controlled by an independent board with the purpose to boost tourism, drive overnight stays, and host large-scale events.

Respondents identified the existing mechanism of an ABID as already delivering on the aims of a visitor levy by generating funds to support tourism promotion, which raises money in a focused and targeted way, and importantly with the voice of business strongly involved in the development.

Coastal and rural communities

The inquiry considered whether a visitor levy could affect the competitiveness of different regions and whether devolving powers to mayors to introduce such a levy would achieve the government's objectives of supporting the visitor economy across England.

UKHospitality described how hospitality and tourism is the most socially productive sector providing good first jobs, seasonal jobs and supported pathways into work for those living outside major cities. A key theme from respondents across the inquiry was the high risk the levy places on coastal communities whose local economies depend on a thriving hospitality sector.

According to the National Coastal Tourism Academy, hospitality is the biggest employer in coastal regions with as much as 50% of employment in coastal towns being attributed to the visitor economy. PASC, Haven, Parkdean and Blackpool Tourism Ltd all expressed strong reservations about the impact of this tax locally on coastal towns and communities.

Kate Shane, Managing Director of Blackpool Tourism Ltd, set out to the inquiry that the demographic of the visitor profile in Blackpool is lower income families, with 95% of visitors being domestic and value seeking families.

All businesses spoke to the high degree of price sensitivity across the hospitality and tourism market, meaning businesses fear any factors which push prices up and price customers out. This is emphasised most strongly by operators in rural and coastal communities. Kate Shane outlined that leisure activities are the first to be cancelled when household budgets are tight, and businesses understand that they cannot pass on costs without affecting demand leading to businesses absorbing costs and eating into margins further.

BusinessLDN and Blackpool Tourism Ltd both explained how the economic consequences of a levy risk suppressing visitor demand, constraining business growth leading to fewer job opportunities for young people. It was argued that coastal communities often have a disproportionate number of NEETs and young people rely on working locally in a hospitality job, often for their first job. Businesses spoke strongly about wanting to play an active role in the Milburn Review's call to arms on youth employment and the sector has a unique ability to lift people from welfare to work.

The inquiry heard from witnesses that hospitality is the trailblazer for youth employment. Parkdean employs 9,000 local people across the UK, many of whom are young people, and are often employed in areas where other employment opportunities are limited. Similarly, PASC spoke to there being minimal alternative employment in the locality of their businesses, leading to a lack of available work locally, increased competition for jobs and increased youth unemployment. PASC said that the demographic of their employee base is predominately female, over 60 and living nearby or onsite, meaning that any job losses are felt acutely by the local communities living and working alongside businesses.

UKHospitality's research showed that in 2025 there was a year-on-year 25% drop in job postings for temporary work in the summer season, evidencing that the job openings young people typically rely on for their first job are no longer there in many areas. This is even more stark in coastal and rural areas where the economy and local businesses are predominately driven by the areas' hospitality and tourism offering. Entry level, part-time and temporary jobs are a lifeline for young people or older workers who need flexible work and roles that are open to all, no matter your qualifications. Businesses are conscious of how financial decisions of customers scaling back will impact their ability to take on new team members, which will especially hinder young people.

Parkdean said that that the impact of a visitor levy in England would fall hardest on young and seasonal workers, especially in the context of rising youth unemployment, now at the highest level in over a decade. Parkdean said during peak season, approximately 40% of their workforce is aged 16–24, underlining how tourism and hospitality play a critical role in providing first jobs.

It is clear from the evidence given to the inquiry that the flexibility of hospitality work appeals to distinct social groups. UKHospitality made the case that the sector is the biggest provider of part-time work, and this makes the sector particularly accessible to students, carers, parents, and others needing work-life balance. They also said that hospitality is also one of the industries with the highest number of female workers, with 54.2% of the workforce being women. The sector provides work that is accessible for single mothers and working parents. Hospitality opens the door of opportunity to people from all backgrounds, but because of this, job losses can be felt acutely by women, and those from minority ethnic backgrounds.

Businesses highlighted to the inquiry how holiday parks, campsites and self-catering accommodation provide budget holidays for value seeking families and how lower income families rely on these types of breaks, and how they predominantly exist outside major cities.

Parkdean spoke to the APPG regarding a case study where a caravan for a family of 4 during the off-peak season costs £55 per week. A flat £2 per person, per night levy would add £56 to this - more than doubling the total cost of the holiday. Parkdean said this 100% tax rate on the cost of a holiday could have a seismic impact on a family with a fixed budget and their ability to afford a holiday in England.

Barrie Robinson, Parkdean Resorts said: *"Financial pressure on guests means socialising budgets are being cut back already with one case study showing only 7% of guests on a park were dining in the restaurant, showing a lack of disposable income."*

The APPG was told clearly that the cost-of-living crisis means families' budgets are constrained and there is very little price elasticity for lower incomes families.

Haven gave evidence to the APPG, citing polling conducted by UKHospitality of 10,000 people which showed that consumers are exceedingly price sensitive, with 73% of people saying they would have to take shorter holidays, fewer holidays or no holidays in England at all if the tax were introduced, with almost 40% of respondents saying they would holiday abroad instead.

Many holiday destinations in England currently provide low-cost holidays which are good value and create lasting memories for families. The case studies outlined above strongly suggest a visitor levy would most acutely harm the competitiveness of holiday prices in coastal and rural communities and increase holiday prices for lower income families most severely. If families are forced to look abroad for cheaper holiday alternatives this will take employment opportunities, investment and economic benefits out of the UK hospitality ecosystem and, ultimately, abroad to the international beneficiaries.

Impact on the wider visitor economy

The inquiry found substantial concerns across businesses regarding the impact on the visitor economy and the wider hospitality ecosystem. England residents and international tourists use hospitality on the high street, and businesses rely on both sets of customers for their success, often not being able to differentiate their custom on arrival.

The BBPA have costed that if the visitor levy is introduced at 5% and widely implemented across the country, it will cost over £1,000 per pub room and will add nearly £40 million in costs in England alone. This cost will squeeze profit margins further, adding to already inflationary pressures on businesses and fuelling the cost-of-living crisis, potentially leading to further job losses and hollowing out of the high street. Across the visitor economy, there was strong consensus that the hospitality sector represents a fragile ecosystem of different businesses which will be affected in some way by the visitor levy.

Merlin Entertainments gave evidence to the inquiry, both on the direct and indirect impact to their venues. They gave the example of local hotels near to Alton Towers benefiting from their proximity to the resort, with families extending their stay to visit the attraction. There is now a risk that families would shorten breaks to day trips because of the levy, meaning businesses surrounding visitor attractions would lose out on bookings.

Similarly, Awaze made the point that families on smaller budgets would have to shorten their stay leading to a reduced discretionary spend in the local high street and visitor economy. They believed holiday parks would be disproportionately impacted by weakening demand for domestic tourism due to them residing in destinations that depend on the visitor economy.

Greene King noted that small price changes influence customer behaviour, leading to lower occupancy rates, especially in highly competitive local markets. Customers staying at pubs with rooms typically dine on the premise, but higher overall costs could cause customers to offset higher costs with cheaper dining options such as takeaways which can be consumed in their rooms on the premises.

The Government has mentioned a small fee may be levied on overnight accommodation with the aim of putting more power into the hands of local people. The evidence businesses gave questioned the authenticity of a small levy and suggested it could also negatively impact the local economies.

Eddy Leviten from the Tourism Alliance said: *"While the argument is used that the levy is simply the price of a cup of coffee so the material impact of business demand will be limited, Government should be cautious against this sentiment. This example was used for the Venice 2024 day tripper charge, and it proved to be ineffective at raising necessary funds for investment in the local economy."*

The Tourism Alliance also said that the metaphor of the 'cup of coffee' must not be underestimated as the price of that 'cup of coffee' contributes to staff wages, supplier costs and sustains the income of cafés and other high street businesses. They warned that the 'coffee' could therefore come to represent a cut back holiday makers may choose to make on high street spending as a result of the levy.

Speaking to the APPG Eddy Leviten from the Tourism Alliance said*: "Accommodation is the anchor on the high street. Visitor spending does not stop at the hotel door - visitors eat out, visit attractions, shop and use transport."*

UKHospitality agreed and suggested that the levy represents not a single tax on accommodation — but by default taxes every business in the local economy that depends on local footfall and high occupancy rates in hotels.

According to VisitBritain, in 2024, domestic overnight visitors spent £32.9 billion in 2024, averaging £107 per night per person. They also forecast that international visitors will spend £35.7 billion spend in the UK in 2026. Respondents to the inquiry said that one of the best ways to invest in high streets and local communities is to grow visitor spending in high street shops to sustain local economies. Increased visitor numbers and spend will transform local towns and communities, bringing vitality to the high street. There is significant concern that a visitor levy runs counter to this.

International models of visitor levies

The APPG explored the international perspective on visitor levies, what lessons can be learnt from international models to improve the scheme and, importantly, avoid mistakes at implementation.

The Government states that many cities around the world charge tourists a small fee when they visit, including New York, Paris and Milan. Visitor levies are the norm in European countries with Amsterdam being particularly notable as it has recently increased the visitor levy to 12.5% specifically to disincentivise tourism. Awaze reflected the concerns that *"some destinations, particularly major cities, tend to use visitor levies as means to manage 'over-tourism' and its impacts, such as Venice, Amsterdam, and Barcelona."* This runs counter to the UK Government's pro-growth ambitions, as mentioned earlier, to increase international visitors to 50 million by 2030. The APPG was also concerned to hear evidence from STAA which states that there has also been a contraction in the UK of domestic tourism with domestic trips falling by almost 10 million, from 42.3 million in 2023 to 32.5 million in 2024.

Businesses expressed that the key lessons from international models that Government should learn are regarding VAT and ringfencing. UKHospitality and the BBPA both mentioned that while European countries use an overnight levy, they simultaneously apply lower rates of VAT to hospitality and tourism. France has a 10% VAT rate for hotels and restaurants. Germany's VAT rate for accommodation is even lower at 7%. On 1 July 2026 Ireland permanently reduced their VAT rate on food, catering and hairdressing services from 13.5% to 9%. Accommodation continues to benefit from Ireland's reduced VAT rate of 13.5%, compared with the standard VAT rate of 23%.

UKHospitality and the BBPA said that the UK has one of the highest accommodation VAT rates in Europe and is consistently one of the highest rates for food and drink in hospitality venues. The BBPA recommended that the UK Government learns from European examples in how other nations demarcated and allocated levy funds to support tourist infrastructure, instead of leaving funds loosely defined leading them to be absorbed into general budgets.

New modelling from Central London Forward, which represents 12 Central London local authorities, shows a 3% levy on the cost of a room could generate £352 million in extra income for the Greater London Authority every year, purely through international tourism. However, the CBI said that expected behavioural shifts mean that overnight levy revenue estimates are likely to be overestimated. The CBI's sister federation in France, MEDEF, showed that in the case of Paris, the original estimate of €200m was four times higher than the actual €50m collected in the first year.

In France, visitor levy rates have crept up significantly since they started, with new municipal and regional elements added to the tax across France, with revenue absorbed into general municipal budgets. The French government recognised the complexity of the rules and announced in 2025 that they would review the entire system to try to simplify it.

The CBI set out why Government estimates of levy revenues, visitor number estimates and the rate of return of footfall may be overestimated. The CBI said this was because travel is ultimately an optional luxury and travellers now have a set list of requirements for their travel, and with greater competition travellers are less routinely loyal to locations.

Overestimates may be founded in all leisure travel being optional, making consumer patterns and movements harder to track and predict. Instead, people may choose to not travel or may travel for shorter periods to reduce costs. This may be true of business travel as well, with companies moving meetings online.

The CBI also discussed some travel being location agnostic. Travellers have criteria for their travel which can be met by multiple locations. That may be the family friendly budget criteria or luxury spas which are not unique to region, or a conference which can be held in any location with close proximity to transport links. This change may lead them to choose a location which is not in a region with overnight levy, or even to move it abroad.

The GHA strongly believed that where visitor levies exist for them to be a success, the industry must see funds transparently reinvested into the visitor economy. In Germany, visitor levy revenues have disappeared into general public budgets rather than being visibly reinvested into tourism infrastructure, destination marketing or visitor services. The GHA concluded that the failure of the German Government to ringfence funds was the biggest downfall of a system which was intended to benefit the tourism industry. Industry has cautioned a worst-case scenario would be accommodation businesses collecting the levy, visitors paying it, but neither being able to identify any meaningful tourism benefit in return. Government must avoid this. The importance of ensuring funds are ringfenced is discussed in more detail in the next chapter of the report

Revenue collection and distribution

The evidence submitted to the APPG strongly supports the case for robustly ringfencing any funds directly raised by the levy.

Ringfencing was a key issue for operator businesses, with all representatives flagging this as a key recommendation for the success of the scheme and the survival of the hospitality and tourism industry. Greene King said that tightly ringfencing funds was crucial so that the benefits tourism brings through broad economic growth is not diluted and should be used to strengthen local infrastructure and destination management.

UKHospitality shared the view that ringfencing and a consistent national framework were necessary to ensure the tourism industry does not become fragmented. UKHospitality said that the sector is a vital tool for growth and can deliver transformational growth everywhere, including typically underserved areas. There is a greater risk of certain areas, outside of tourism hot spots, having fewer opportunities to raise similar funds in the same manner of those in high density tourism areas, leading to some areas losing out, with comparatively less funding to put towards their local area. This highlights how the visitor levy is not an example of good fiscal devolution, with winners and losers. This, in turn, strengthens the case for strict ringfencing, so that - where the tax is imposed - it can only be spent on tourism-related expenditure. UKHospitality told the inquiry that the sector has the potential to turbo-charge growth in every corner of the country, and without the sector's safeguards being strictly adhered to, this growth could remain in big cities.

The BBPA said that a *"country-wide levy with no such defined purpose is simply another tax."* The BBPA called for a ringfenced levy which directly supports local tourism promotion and infrastructure. This would require measurable targets for arrivals, spend and employment. They also stated that independent oversight would also be required to guarantee that absorption of the levy monies into local government's general budgets does not occur. As mentioned earlier, BBPA see VAT reform as necessary before a levy is considered.

Greene King and OTUK supported the guarantee of strict and transparent reporting with clear accountability for how levy revenues are allocated, with funds directed to tourism-related infrastructure. They stated this must not include the provision of core services by Mayoral Authorities.

BusinessLDN suggested funds were ringfenced to grow the visitor economy and guarantee funds are not absorbed into general local authority budgets. BusinessLDN advised levy revenues should go towards international destination marketing, tourism promotion campaigns, visitor infrastructure improvements and support for major cultural, sporting and business events.

BusinessLDN also said that authorities receiving levy revenues should establish baseline performance indicators and publish regular evaluations demonstrating the impact of spending on visitor numbers, tourism activity and economic growth. They argued that transparent reporting and regular evaluation should be required to demonstrate that levy revenues are delivering measurable benefits.

Awaze said that ringfencing was needed to ensure local leaders are incentivised to grow the visitor economy and implement policies that support its growth.

STAA agreed with respondents on ringfencing but made the case that mayoral and combined authorities should present clear investment plans before decisions were made to implement a levy.

Whilst the LGA also believes revenue raised should be reinvested in growing the visitor economy and providing facilities and services for visitors, they also argue that Councils should retain a portion of levy funds to support the services used by the visitor population. The LGA is clear that income from the levy must be additional, and existing grants should not be reduced to offset it.

The LGA believes that local decision makers are best placed to make decisions about their local area and should be afforded the flexibility to vary the rate for different accommodation types accordingly. This would enable areas with a high level of short-term lets (STLs), including student accommodation, which is sometimes rented to visitors, could have a levy scheme designed which reflects this.

The LGA's preference is generally that councils should have total flexibility over how funding is spent. However, to provide transparency for visitors and local businesses, they argued that revenue raised through the levy should be reinvested in growing the visitor economy and providing facilities and services for visitors. Local leaders should be allowed to invest funding in any services which provide a tangible benefit for the local visitor economy, including heritage, culture and transport services.

Form, design and different approaches

Beyond how levy revenues should be spent, the inquiry also explored whether there was common ground on the overall design of any future levy.

There is currently uncertainty for businesses on what form the levy will take and whether there will be different approaches or one united framework across England. The APPG sought to understand whether there was common ground amongst business leaders, industry bodies and local authorities on the best form and design of the levy.

The LGA was against having one model of delivery and argued for local discretion in both form and use with councillors having scope to adapt the levy for their own visitor economy including whether it was a flat rate or percentage. In areas with an existing ABID, councils bill accommodation providers according to the level of occupancy reported by these providers. The LGA suggested that this could therefore be a sensible model to follow for the visitor levy. The LGA also set out concerns regarding a percentage model of a total accommodation costs as this will make collecting information from accommodation providers and billing them more complicated. Therefore, the LGA and councils proposed to work with the Government to consider if it is feasible to use existing software and procedures to administer the visitor levy.

Greene King argued for a flat rate supported by a clear and nationally consistent approach which focuses on the CBI framework of governing new taxes by 'simplicity' to benefit both businesses and customers. Greene King also made the case for a per unit rate rather than per person per unit/room. Greene King added that a flat rate reduces the risk of error, and avoids the additional complexity associated with calculating a percentage-based levy on different room rates. This is particularly important for businesses operating at scale and across multiple locations, where administrative burdens can quickly increase costs.

FHG questioned the merits of either design with Ben Spier saying at an evidence session *"no design can be both simple and fair."* This was mirrored by Allen Simpson, CEO of UKHospitality saying "*there is no version of this tax that isn't economically very damaging."* He elaborated saying that there are considerable technical difficulties with a percentage levy, whilst a per person per night charge disproportionately hits those staying in cheaper accommodation. FHG highlighted that pricing does not scale predictably and there is a risk of incentivising underreporting of the number of guests staying at accommodation which is a major concern to the fire service. FHG reinforced that a fixed levy doesn't allow for market conditions and supresses demand during low seasons.

STAA were neutral on the design of the levy, so long as the levy is consistently applied and all accommodation types are in scope.

Awaze favoured a fixed percentage of the accommodation cost applied uniformly across all types of visitor accommodation to ensure fairness and proportionality. Awaze said that a percentage-based levy rises and falls with the price of accommodation, meaning guests in lower-cost accommodation pay less in absolute terms than those who can afford higher-cost accommodation. It also adjusts automatically to inflation, seasonality, and other market conditions, whereas a flat fee would have to be subject to constant review to such changes.

The BBPA argued for a nationally defined formula based primarily on each authority's share of overnight stays, with only limited scope for local adjustment. The BBPA said distribution must be transparent and shaped by the businesses generating the levy, not left entirely to local discretion. The possibility of VAT being added onto the levy risks a further complication and adds to the overall cost of a holiday and business burden. If the levy is incorporated into the room price, it becomes VAT bearing, increasing the effective tax burden.

Similarly to Greene King, the BBPA proposed a simple fixed charge per room per night, as this would be easier to manage as bookings are typically per room not per person. The BBPA also ask for the levy to be set within a *"simple fixed charge per room per night, set within a nationally capped band"*, as they state this makes it significantly clearer and easier to administer than a percentage approach. Like FHG, the BBPA raised that a per person basis may encourage dangerous practice of underreporting visitors leading to health and safety risks.

OTUK made the same case for a per night and per unit model, as occupancy rates do not always equal guest numbers. They also advocated that the levy should include all commercially let overnight stays in scope and that a flat rate brings simplicity, predictability, and eases the administration burden for businesses. They indicated that this also reflects the global practice for tourist taxes elsewhere in Europe.

BusinessLDN argued for the overriding principle of simplicity to govern the approach of the levy, favouring a flat rate and a national consistent framework instead of a patchwork approach. The Tourism Alliance backed this up saying that a patchwork levy does not address existing price competitiveness issues in the UK, it entrenches it.

Exemptions

In terms of exemptions, OTUK called for exemptions for the Gypsy, Roma, Traveller community accommodation, refuge shelters and temporary accommodation. However, they caution against locally driven exemptions as it would undermine the principles of 'good tax' of simplicity and predictability.

Awaze said that should the government decide to introduce exemptions to the payment of the levy, these should apply nationally and should be handled between local authorities and the individual within scope of the exemption. They believed strongly that accommodation providers and businesses should not be expected to verify whether a guest qualifies for an exemption.

Possible variations to exemptions being applied at a local level will substantially add to the administration burden on businesses which is discussed in detail later in the report.

Administrative or operational challenges

Administration

Evidence the APPG heard from businesses was that they are concerned around the complex compliance issues and the administrative burden that could come if the levy is not applied simply and via a nationally applied approach.

Various businesses and organisations, including the BBPA, Greene King and Tourism Alliance raised the issue of a ‘patchwork’ approach of different rates, scopes and formats would have on administration especially for small businesses. The BBPA said the majority of the pub sector is SME and UKHospitality said that over 90% of the hospitality sector are small businesses and they generate 50% of the total turnover and GVA of the industry. Small businesses are not only central to the UK’s economy and high streets, but the people behind them are at the heart of our communities. The cost and administrative burdens they face are felt even more acutely, resulting in profit margins being squeezed even further.

FHG said the administrative burden the levy would put on businesses runs counter to the Government aim set out by the Regulation Action Plan to cut red tape for businesses by 25%. FHG said self-caterers are often micro businesses and this tax would undoubtedly hit small businesses the hardest. Small businesses will struggle more with new systems, which are often untested, with potential faults still emerging making them often less efficient and less effective. The FHG were concerned that this would increase the time business owners spend on administrative tasks rather than serving customers.

Awaze reiterated that there would have to be administrative and operational changes to pricing systems, booking flows, payment processes, customer communications, and accounting and reporting. While many of these changes are unavoidable, the impact can be somewhat mitigated by ensuring that any levy operates under a unified national framework where the rate of the levy applies evenly to all accommodation types, areas, guests, seasons.

Awaze added that administration of the levy should be centralised, with a single authority responsible for the collection of the levy over a unified reporting cycle that aligns with existing tax cycles. They suggest that where a local area decides to introduce a levy following consultation, businesses must be given at least 12 months to prepare and make necessary changes to their operations. Awaze also said that the impact of the levy on the local visitor economy should be subject to periodic review to ensure adjustments to the scheme can be made to mitigate any unintended operational impacts or completely repealed if it is deemed necessary.

Greene King referenced the administration burden caused already by the levy in Scotland. Scotland will use different models in different areas, as well as eligibility for who is paying the rate not being uniform. Stirling plans to exempt local residents from paying the levy if staying within their area, and some council areas will be charging for the full length of stay and others capping after a set number of nights. The inconsistencies created by this is confusing for customers and will require a bespoke approach to each individual pub with rooms to ensure it complies with the local levy.

Ultimately this risks creating an uneven playing field, allowing some operators to have to deal with greater burdens of administration and more complex requirements. As a result, Greene King favoured a group level approach to reporting and payment to minimise duplication and ensure the system remains manageable.

Greene King told the APPG it is important that the process of collecting the levy is cost neutral for businesses. Any payment processing fees, such as credit or debit card charges, should be deducted from the total amount payable so that businesses are only required to remit the net levy collected. Without this, accommodation providers would bear additional costs simply for administering the levy, which would simply be unfair.

More broadly, Greene King said that businesses will, by default, increase their role as tax collectors, with responsibility for administering the levy, adding complexity and compliance risk for businesses, at an already challenging environment for businesses.

The underlying theme from businesses was that a single national framework is needed to avoid a high risk and high administration burden for businesses.

Booking platforms

Many of these administrative challenges become particularly apparent in the operation of online booking platforms and payment systems. Greene King raised the issues that a percentage model would bring to those accommodation providers which sell bookings via third party platforms. These charge commission, and under a percentage-based model, there is a risk that the levy would be applied to the full price paid by the customer, rather than the net revenue received by the business, meaning operators could effectively be taxed on commission costs. In addition, the same room may be sold at different prices depending on the platform used, which could result in inconsistent levy charges for identical stays, creating confusion for customers.

Greene King argued that a percentage-based approach does not align with how room pricing often works in practice, noting that accommodation rates often include additional elements such as breakfast, parking or other bundled services. They said that if a levy is introduced, it should apply strictly to the cost of the room only, and not to any additional services included within the booking. In their view, applying the levy to bundled elements would increase costs unfairly and add further complexity for both businesses and customers.

These concerns were echoed by the GHA and Pitchup. The GHA said that increasingly more guests book online, and this is where a bad design becomes visible at the worst moment. In Germany the tax is shown under different labels on different booking platforms, sometimes as prepaid, sometimes flagged to pay at the hotel, and the display did not reflect who is legally liable. These variations create further complexity for customers understanding the full price of their stay and for businesses administering the charge.

The GHA recommended that the party collecting the payment should collect and remit the levy. A statutory collect-and-remit obligation for platforms would significantly improve compliance, reduce bureaucracy and create greater fairness across the accommodation sector.

Complexity and liability

With different models of the levy highlighting different challenges for businesses, complexity was a key issue for a sector which has many different modes of operations and ways of customising service.

FHG spoke about how the hospitality sector is vast and varied meaning a campsite or self-catering cottage will operate differently to a hotel. Guests often arrive on premise when the operators of self-catering accommodation are not on site, proving to be a unique obstacle in when and how the levy is administered by those businesses.

The GHA referenced how Germany has 68 cities operating city taxes which operate under different rules, different tax bases, different rates and different collection mechanisms. This has resulted in the fragmentation of the tourism market – a fear shared by UK businesses who responded to the inquiry.

OTUK stated that accommodation providers should have ultimate legal liability for payment of the levy, as they handle bookings, assume contractual responsibility, and have direct relationships with guests. Intermediaries and digital platforms can assist with assessment, collection, and submission of levy payments but overall legal responsibility should remain with the accommodation provider to avoid ambiguity and ensure compliance. They support enabling legislation that explicitly allows accommodation providers to enter into agreements with third parties (e.g. online travel agents and platforms) for levy collection, as is the case under Scotland's Visitor Levy Act.

BTA said that the visitor levy would be taxing business productivity with business travel contributing £750 per trip, 3 times the value of a domestic holidaymaker. Many workers travel overnight for work whether that is a client meeting, an emergency service worker or a builder. The burden of reclaiming these costs would be challenging, and as a result, BTA recommended an exemption from the levy for business travel.

Pitchup warned the APPG inquiry that the complexity of the levy would have a consequential effect on how they navigate cancellations, refunds and no shows. A campsite would need to refund the levy in circumstances when refunds were otherwise not due. This would incur additional payment processor fees at a loss to the campsite, which are often not refundable even if the original transaction is refunded (e.g. with Stripe).

Pitchup also argued that local authorities do not map like countries and are not usually obvious from the address so this would require accommodation providers to select their relevant authority or the provision of a geofencing file that provides geographical boundaries and ensures accuracy and compliance.

Where first?

Beyond the practical challenges around operation of the levy, respondents also raised questions about how and where any new scheme should first be implemented. When Government first stated that they would be consulting on an overnight levy it was understood this would be for mayoral authorities to administer, govern and deliver. However, the Government also asked whether Foundation Strategic Authorities should also hold this power.

The LGA said that nearly a third (29%) of England's population will not be covered by Foundation Strategic Authorities or a mayor by 2028. The LGA believes every council should be able to exercise a levy.

OTUK said that the levy should be first limited to mayoral Strategic Authorities with optional extension to Foundation Strategic Authorities only after clear national parameters are established.

Therefore, OTUK recommends that Strategic Authorities proposing a levy should be required to undertake formal public consultation and publish a comprehensive response before implementation. Additionally, they said that there should be independent oversight and annual reporting requirements detailing revenue collection, allocation, and intended outcomes. Industry engagement should be meaningful and sufficiently resourced to allow detailed feedback before any levy is introduced locally.

Recommendations

The case presented to the inquiry was that a visitor levy is not a simple or a predictable tax, but instead is deeply complicated, variable and imbued with uncertainty. The evidence received by the inquiry raised significant questions about whether the levy would generate substantial net benefits without harming the visitor economy.

The APPG will follow the Government's next steps closely regarding any future legislation and the official Government response to the consultation.

The below recommendations should be viewed as necessary and the minimal safeguards needed to ensure the hospitality sector is not detrimentally impacted by a visitor levy.

Prior to any introduction:

- **Consultation**: A full and wide consultation, pre-legislative scrutiny and a comprehensive Regulatory Impact Assessment on the impact of the levy including the impact on the visitor economy.
- **A full and detailed assessment of the cumulative tax burden**: An assessment of the levy should fall within assessing the broader cumulative tax burden on the hospitality sector to understand the full impact on operating conditions, increased administrative burden and the broader visitor economy.
- **National statutory registration scheme:** No levy before a national statutory registration scheme is fully implemented, ensuring a level playing field across the accommodation sector.
- **Reform VAT prior to the levy's introduction**: Cut VAT for hospitality to 10% in line with European nations. The levy should not attract VAT, preventing an additional tax-on-tax burden for visitors.
- **A consistent national framework**: Avoid a patchwork of different local schemes that creates complexity for businesses and visitors. Consistent rates different across price bands. Should include all commercially let stays.
- **Small businesses:** A national approach such as a per unit per night would ease the administrative burden on businesses, especially for small and medium-sized businesses.
- **Plans and design:** Authorities should be required to present clear and costed evidence tests, to demonstrate that a levy is necessary and that alternative funding mechanisms or voluntary approaches are insufficient.
- **Business engagement:** Industry engagement should be meaningful and sufficiently resourced to allow detailed feedback before any levy is introduced locally.
- **Implementation period:** Businesses should be given a minimum of a year to prepare operations such as collection, administration and delivery of the levy and there should be information sessions to help businesses to understand their obligations.

If introduced:

- **Proactive strengthening of competitiveness:** If the levy is introduced it must be in parallel with measures to strengthen competitiveness such as the re-introduction of tax-free shopping.
- **Targets and delivery:** Measurable targets should be introduced for how the levy contributes to domestic and international tourist numbers, spend and local employment.

- **Ringfencing:** All revenues must be strictly and transparently ringfenced for tourism and destination investment, with spending decisions made in partnership with the hospitality and tourism sector. This provision must not be used to fund core services already provided by mayoral and local authorities
- **Funding commitments:** Levy revenues must not replace existing local authority funding commitments.
- **How funds are spent:** There should be local forums established to determine how funds are spent within a set framework, with at least 50% of representatives being from a visitor economy business or organisation.
- **Where:** When first introduced the levy should be limited to Mayoral Authorities to ensure any issues or flaws are identified smoothly and improved upon.
- **Regulation and control:** Independent oversight of how money is spent and where would be required to guarantee that money raised by the levy does go towards the visitor economy.
- **Performance and evaluation:** Authorities receiving levy receipts should establish baseline performance indicators and publish regular evaluations demonstrating the impact of spending on visitor numbers, tourism activity and economic growth.
- **Exemptions:** All exemptions should be nationally driven to avoid complex administration challenges for businesses and regional disparity. Businesses should not be expected to verify whether a guest qualifies for an exemption.
- **Cost neutral:** Any payment processing fees, such as credit or debit card charges, should be deducted from the total amount payable so that businesses are only required to remit the net levy collected.
- **Customer compliance:** When a customer fails to pay the levy, businesses must not be unfairly penalised by having to pay this extra charge. Government must administer a scheme to ensure that businesses do not spend an undue amount of time sourcing these funds back. Full reimbursement to businesses which is a quick and easy process must be in place for this scenario.