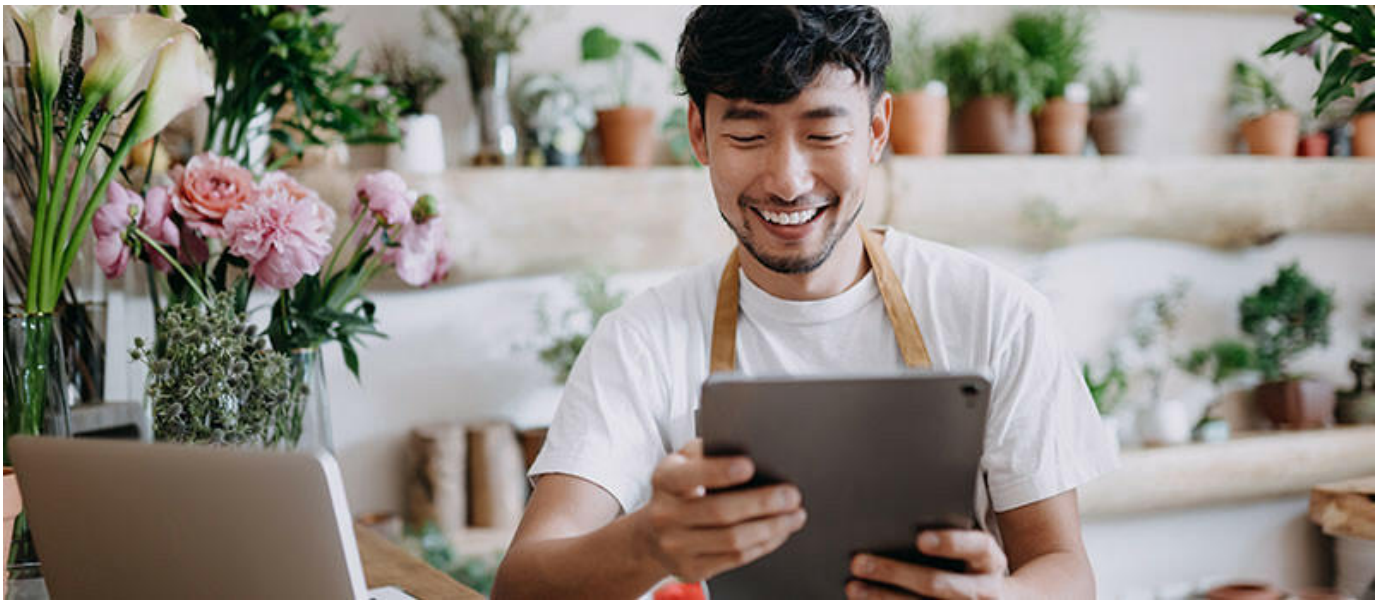
A tourist tax and business rates reform new Welsh tax proposal

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27 January 2023

Recent consultations by the Welsh government consider the introduction of a discretionary visitor levy in Wales and reforms to business rates, including bringing in more frequent valuations.

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A visitor levy for Wales

The Welsh Programme for Government 2021-2026 includes the commitment to consult on a levy on overnight visitors to Wales. Wales is not alone in considering the idea of a local tourist levy in the UK. Legislation allowing local authorities to introduce a local visitor levy is planned to be introduced in the Scottish Parliament in early 2023.

The Welsh consultation considers the design of a visitor levy, to be introduced at the discretion of each of the 22 local authorities in Wales, aiming to:

- lead to a more even share of costs between Welsh residents and visitors to fund local services and infrastructure that benefit visitors; and
- allow local authorities to generate additional revenue that can be invested back locally to support sustainable tourism.

Our preference is for a clear national framework for the levy to ensure consistency and coherence with the Welsh government's core tax principles. Lack of consistency increases administrative burdens and adds complexity for businesses, particularly those operating across local authority areas. Visitors paying the levy are less likely to trust it if it differs substantially between local areas. A consistent approach will be easier for politicians to explain. However, local authorities having the option to set the **level** (as opposed to the **type** of rate) could have advantages because the level can reflect local circumstances.

The consultation references 90 million visits to Wales in 2019 of which a relatively small proportion (10 million) were overnight stays. Assessing the visitor accommodation provider (based on overnight stays) is a more practical approach than levying a charge directly on the visitor. However, we are concerned about the additional administrative costs of collection and reporting for businesses. We suggest due weight is given to exploring options that might reduce those burdens and potentially simplify the process, some of which we put forward in our response.

Raising a levy on accommodation providers alone would be taxing one part only of the tourism industry, which could be seen as inequitable (or even as a perverse incentive not to stay overnight) if the arguments made in favour of a tourism levy apply to a wider set of visitors and service providers.

We recognise that collecting a levy on day visitors presents significant practical challenges. However, charging a higher (seasonal) rate for existing paid-for services, such as parking (with discounts for residents), in areas with high visitor numbers might be an option to explore (recognising that brings its own complexities).

Any exemptions to the levy inevitably add complexity and so must be easily and objectively identified (and not open to manipulation). As the example of the city of Geneva's provision of public transport vouchers to levy-payers suggests, it may be easier to 'sugar the pill' of the levy or vary its overall impact, such as fine-tuning

what the money raised is spent on.

Linking a statutory licensing scheme for overnight accommodation to the administration of the levy has clear compliance benefits. The proposed new legal duty to inform the Valuation Office Agency of liability to business rates (see below) might assist in providing a comprehensive list of visitor accommodation for local authorities.

Discussions will take place with the UK government about the proposed VAT treatment of the levy. If VAT applies to the levy, it may undermine what is intended to be a local tax for Wales (as VAT revenues flow to the UK government) and would lead to an undesirable 'tax on tax', a feature already present for the land transaction tax in Wales. We recognise that the VAT consequences are not within the control of the Welsh government; however, it may affect how the levy is viewed and levels of acceptance.

The full CIOT response can be found here: www.tax.org.uk/ref1028

Business rates reform in Wales

The consultation proposed:

- revaluations every three years instead of every five;
- a legal duty to supply property and lease information to the Valuation Office Agency via a new online service;
- a review of business rates reliefs and exemptions; and
- the introduction of a business rates general anti-avoidance rule.

We agree that moving, initially at least, to revaluations every three years provides a balance between administrative cost and the need for regular revaluation to reflect economic conditions.

However, given the rapidity of changes in business and shopping practices, a phased approach to achieving even more frequent valuations should, we suggest, remain under evaluation. In the longer term, a local land value tax as a replacement for business rates and council tax in Wales (under long term consideration by the Welsh treasury) would require annual valuations.

The new information requirements represent a significant step-change – applying to all ratepayers, including those who pay no business rates as a result of a relief. An extensive communications campaign will be essential to inform ratepayers.

The development and testing of the online service will be key to implementation as teething problems with new online systems inevitably create administrative and cost burdens for taxpayers. The system needs to facilitate agent access.

We are very concerned that the Welsh government's proposals to remove the need for primary legislation to create or change business rates reliefs will lack appropriate scrutiny. In our view, secondary legislation should generally be used only for administrative matters.

Similarly, the proposed general anti-avoidance rule for business rates should be set out in primary legislation (as proposed). Contrary to the consultation proposal, we are also of the view that the supporting civil penalty regime should be in primary legislation, not imposed by regulation.

The full CIOT response can be found here: www.tax.org.uk/ref1030

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