Wales: Visitor levy and business rates on private schools

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The CIOT and LITRG responded to the Senedd Finance Committee's consultation on the Welsh Visitor Accommodation (Register and Levy) (Wales) Bill and the CIOT responded to the Welsh government's consultation on the removal of charitable business rates relief for private schools.

The Visitor Accommodation (Register and Levy) Etc. (Wales) Bill was introduced in the Senedd on 25 November 2024. It provides for:

- a compulsory register of visitor accommodation going live in 2026;
- the power for local authorities to introduce a visitor levy on overnight stays; and
- amends the Tax Collection and Management (Wales) Act to provide the Welsh Revenue Authority (WRA) with the powers to administer enforce and collect the levy.

The visitor levy will be a discretionary local tax levied on overnight stays in visitor accommodation, including hotels, B&Bs, cottages and campsites. A local authority considering implementing a visitor levy will be required to consult locally before doing so. The WRA will collect and manage the levy, remitting revenues to the local authority each year. The earliest a visitor levy could come into effect is April 2027.

The visitor levy will be charged on a per person per night basis with a cap of 31 nights. The lower rate of 75p will apply to campsite pitches and the higher rate of£1.25 to other visitor accommodation. Those rates will likely be charged to VAT, bringing the totals to 90p and £1.50 respectively.

The objectives of the Bill, as set out in the Explanatory Memorandum, are to:

- ensure a more even share of costs to fund local services and infrastructure that benefit visitors between resident populations and visitors;
- provide local authorities with the ability to generate additional revenue that can be invested back into local services and infrastructure to support tourism; and
- support the Welsh government's ambitions for sustainable tourism.

Senedd Finance Committee consultation–CIOT and LITRG comments

The Senedd's Finance Committee consulted on the Bill over the Christmas break. The CIOT and LITRG responded to that consultation.

We suggested that consideration might be given to the benefits or otherwise of including the Bill's objectives in the Bill itself (not just in the explanatory memorandum) to ensure secondary legislation and permitted guidance does not move away from the objectives over time.

We said that simplicity should be a core consideration to support visitor accommodation providers through the implementation and administration of the levy, and when measuring the success of the policy after implementation.

We remain concerned about the additional administrative costs of collection and reporting the levy for businesses, although we recognise that the link to compulsory registration should help to minimise costs, provided the registration/visitor levy platform is well-publicised, easy to use and intuitive. Comprehensive guidance and ease of administration will be key requirements, particularly for smaller

unrepresented businesses. As the Regulatory Impact Assessment recognises, the estimates for potential upfront and ongoing costs for businesses are inherently uncertain.

We recognised that, following the first consultation on the *design* of the levy, there has been in-depth and collaborative engagement by the Welsh government with stakeholders in developing the draft legislation, including through the visitor levy working group. However, we suggested that a further relatively short consultation on the draft legislation would have provided pre-legislative scrutiny of the drafting, including on the consistency of terms, the definitions used and the extent to which the draft accurately translates intent into law.

We are concerned that some key components of the definitions relating to visitor accommodation and a visitor accommodation provider are not defined in the Bill. Clear guidance will be needed to provide certainty in particular circumstances, including for mobile homes and caravan pitches and guest accommodation in hospices, care homes and similar facilities.

Very clear guidance will also need to be published early since some of the provisions may need prompts to be built into accounting software.

A key concern relates to informal lets (for example, informal lets of second homes or static caravans). If included in scope, these will present challenges in terms of enforcement and compliance for registration and also for implementing and collecting the levy. We thought there is a danger of a high number of disputes about both registration and whether small amounts of levy are due. This would be disproportionately expensive to operate and could undermine trust in the WRA and its administration of other devolved taxes.

We are concerned that potentially unlimited daily penalties of £60 per day for failure to register may also undermine trust in the system unless there is adequate publicity about who will need to register. While many people are aware of the visitor levy itself, we thought there is far less public awareness of the compulsory registration requirement.

We suggested that some notification deadlines in the Bill, including those for claiming a repayment of the visitor levy and filing an annual return (both 30days), seem unreasonably short and suggest extending these and other deadlines.

The CIOT/LITRG submission can be found here: www.tax.org.uk/ref1428.

Welsh government's consultation on removal of charitable business rates relief for private schools

The Welsh government proposes to withdraw mandatory charitable rates relief (an 80% reduction) from independent schools. The stated aim of this proposal is to make additional funding available for local services in Wales. There are currently 83 independent schools registered in Wales. Of these, 17 currently receive mandatory charitable rates relief.

The CIOT's short response to the consultation raised an area of uncertainty; that is, whether it is the policy intent that the scope of discretionary relief under Local Government Finance Act 1988 s 47 will be retained. In other words, clarification was requested as to whether, following the proposed change, a Welsh local authority will be able to exercise their discretion to award up to 100% relief to a qualifying private school in the local authority area that satisfies the requirement of benefiting the local community.

The CIOT response can be found here: www.tax.org.uk/ref1390

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