Scottish government cruise ship levy: CIOT response

General Features | Indirect Tax



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The CIOT has responded to a Scottish government consultation on the potential introduction of a cruise ship levy, a potential new local tax for Scotland.

During the consultation on the Scottish visitor levy, there were calls to also introduce similar levy powers in relation to cruise ship passengers. The Scottish government committed to publish a consultation on a potential cruise ship levy. Published on 27 February 2025, it asks for views on whether local discretionary powers should be given to local authorities, and includes questions on the design and administration of the potential new tax.

In our submission, we ask that the Scottish government use the valuable insight from consultation responses, and their wider engagement with key stakeholders to help:

- determine clear policy objectives to inform the decision on whether to introduce a cruise ship levy and the potential design of the tax;
- consider the cost-benefit analysis of introducing the new tax;
- ensure simplicity of tax administration; and
- undertake and evaluate post-implementation assessments of the effectiveness and administrative burden of the introduction of the Scottish visitor levy.

In our view, it is not clear from the consultation what the main policy aims of a cruise ship levy are. Is the objective of the consultation to tackle over-tourism? Or is the objective to raise revenues to fund investment in local infrastructure, improve tourist attractions in Scotland to further grow Scottish tourism or help grow Scottish ports to boost wider economic activity? Or is the objective to encourage ‘greener’ ships to visit Scotland?

Clear policy aims are vital to inform the design of the new tax. If the objective is to tackle over-tourism, local discretionary powers may be appropriate to enable each local authority to decide whether to introduce a new tax to tackle their own unique issues with over-tourism. Our preference would be that any local discretionary powers are accompanied with a clear, national framework to provide consistency and reduce complexity and administrative burdens.

If the objective is to raise revenues from the cruise ship levy, consideration may need to be given as to whether centralised powers, implementation and administration may result in a more effective tax. A possible unintended consequence of the discretionary nature of a cruise ship levy might be that the decision not to charge the tax is used to promote the advantage to cruise ship operators of visiting one port as opposed to another where the tax is charged. This could create economic distortions and impact the decision on whether to implement a cruise ship levy or not.

Whilst we welcome the consultation on a cruise ship levy as a sensible next step from the introduction of the Scottish visitor levy, a robust cost-benefit analysis must be undertaken to determine if it is cost efficient to introduce a cruise ship levy. Such a cost-benefit analysis needs to show that the revenues generated by a new cruise ship levy outweigh implementation and compliance costs. If not, are there alternative levers which can be considered to tackle the policy aims, for example over-tourism? Transparency on this cost-benefit analysis will help to justify and develop a mutual understanding between Scottish government and Scottish

taxpayers on the decision to introduce, or not introduce, a cruise ship levy.

Our response to the consultation asks the Scottish government to ensure that a cruise ship levy is a straightforward as possible to administer. A key message from our members has been to try and reduce the administrative complexity of the tax landscape in Scotland. The detailed pros and cons of different administration options are not discussed within the consultation. Should a decision be taken to proceed with a cruise ship levy, we would welcome further collaborative work with the Scottish government to explore the design of the tax administration.

This is the introduction of a new tax, like the Scottish visitor levy, and not the introduction of devolved powers over an existing tax or replacement of a previously well-established UK wide tax. We recommend that the implementation period for any future cruise ship levy is scheduled to enable lessons to be learnt post-implementation of the Scottish visitor levy. Hopefully, the output from this consultation will help the Scottish government to determine clear policy aims and the design of a potential tax and thereafter to undertake the necessary cost-benefit analysis to decide whether it is cost effective to introduce.

Our full submission can be found here: www.tax.org.uk/ref1411

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