The case for a local visitor levy in England: CIOT response

Indirect Tax | Property Tax

April 2026



24 March 2026

A consultation seeking views on the design of a new mayoral power to create a visitor levy for overnight stays in England was announced in Budget 2025 and published on the same day. Revenues generated by the levy, if introduced, would be reinvested locally to make places more attractive to visitors, as well as residents and businesses. Although the consultation was not tax focused, the CIOT responded to demonstrate how a visitor levy system may interact with the tax regime.

Local powers versus increased complexity

The purpose of devolved powers is to allow local government to make decisions impacting their own area. In our response, we highlighted that accommodation providers (that is, those supplying hotels, holiday homes or similar non-residential accommodation) operating across multiple geographical areas in England may

experience increased tax and administrative complexities if the visitor levy has local variations in the way it operates. Accordingly, our preference would be for standardised rules wherever possible, although we noted that this may not be achievable with devolved powers.

VAT liability of a visitor levy: background

A visitor levy charged by a local authority would be outside the scope of VAT as it is a non-business activity by a public body. That is, VAT Act 1994 sections 4(1), 5(2) and 41A do not apply.

The consultation document states that the preferred position is for the accommodation provider to be the party liable for the visitor levy rather than the visitor, as this allows for a compliance and penalty regime to apply to accommodation providers, which is easier to enforce.

As noted above, the visitor levy charge from the local authority to the accommodation provider would be outside the scope of VAT. However, it is anticipated that accommodation providers will recharge an amount equivalent to the visitor levy to visitors to recoup the addition cost. The VAT liability of this additional charge must therefore be considered, and the position depends on whether the accommodation provider is registered for VAT.

VAT registered accommodation providers

If the accommodation provider is registered for VAT, the charge to the visitor – whether included via an increased room rate or as a separately itemised fee – would, in principle, be subject to VAT at the standard rate, as it would be treated as additional consideration for the supply of chargeable accommodation, subject to the 28 day reduced value rule below.

VAT rule for stays exceeding 28 days

We highlighted a potential VAT complication if the visitor levy cap for a maximum number of consecutive nights is greater than 28 consecutive days, known as the ‘reduced value rule’. If the government wants to avoid this complication, we suggested that setting a visitor levy cap of 28 days or less would achieve this.

For VAT registered accommodation providers, the reduced rate rule means that VAT is charged at the standard rate of 20% for the first 28 consecutive days of the visitor's stay. From day 29, no VAT is charged on accommodation, although a charge for 'value of facilities' must be levied (an approximate VAT rate of 4% for supplies from 29 days onwards – see part 8 of VAT notice 709/3 (tinyurl.com/4rf7ewfm)). As the visitor levy would have the same VAT liability as the supply of accommodation, any local visitor levy guidance should take account of this. For example, stating 'charge 20% VAT' on the visitor levy in cases involving stays of more than 28 consecutive days would not be correct.

Unregistered accommodation providers

We recommended that any visitor levy guidance makes it clear that where unregistered accommodation providers increase their prices to recoup the costs of the charge by the local authority, this additional income must be considered for the purposes of the VAT registration turnover threshold, currently £90,000 in a rolling 12 month period.

Complications and clarity

We highlighted additional scenarios that the visitor levy guidance should consider, such as:

- Clarity as to which party is the accommodation provider in multiple-party supply chains.
- Where local authorities provide credits of visitor levies directly to visitors (for example, where an exemption was not identified at the time of booking), how the visitor obtains a refund of VAT.
- The tax point for the visitor levy, which may differ from the tax point for VAT purposes.
- Where an accommodation provider makes a separate charge for the visitor levy plus VAT at the time of booking that is declared to the local authority, who the visitor should approach for a refund in the event of cancellations.

We noted that VAT guidance embedded within local authority visitor levy guidance would not have same level of reliance as VAT guidance published by HMRC on GOV.UK (tinyurl.com/pkmecyw8).

Visitor levies in Scotland and Wales

We highlighted our experiences of engaging on the Welsh and Scottish visitor levies, and areas to be considered if the conclusion of the consultation is that the government will move forward to legislate for a visitor levy for England.

The full CIOT response is available here: www.tax.org.uk/ref1602

Jayne Simpson *jsimpson@ciot.org.uk*