



VISITOR LEVY (SCOTLAND) ACT 2024 UPDATE

Report by Chief Officer - Economic & Community Regeneration

PURPOSE

- 1.1 The purpose of the Report is to update the Comhairle on the Visitor Levy (Scotland) Act 2024.

EXECUTIVE SUMMARY

- 2.1 Through the [Visitor Levy \(Scotland\) Act](#) the Scottish Government has committed to creating a discretionary power for local authorities to apply a levy on overnight visitor stays. The funds generated are to be invested into local tourism-related infrastructure and services. The Bill received Royal Assent and became an Act on the 5th July 2024 and it is expected to receive its Commencement Orders from the Scottish Parliament following their summer recess (likely to be September 2024) and this is when Local Authorities can officially start consulting and enacting the levy procedures.
- 2.2 Local Authorities are now awaiting publication of the official Visitor Levy Guidance – due in September - to ensure that they progress appropriately and within legislation, whilst gathering and submitting the required information to compile a local levy scheme proposal. This will be required to be consulted upon prior to the final local decision being announced, and then if approved, the levy can commence 18 months following this date to allow for implementation and preparation time.
- 2.3 The Scottish Government are also currently consulting upon a potential Cruise Levy. This proposal has been a long-standing ask from COSLA Leaders and has been developed to reflect both the growing number of tourists who visit Scotland by cruise ship every year and the significant impact these tourists have on local communities. Proposals are still being developed and the use of the cruise ship levy revenue is still to be confirmed. With the increase in the volume of cruise traffic to the Outer Hebrides it would be prudent for the Comhairle to be involved in these discussions.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle agrees to:**
 - (a) **Continue to develop proposals, engage with stakeholders and undertake a consultation to develop a detailed outline of an Outer Hebrides Visitor Levy Scheme to be presented to members for final review and a decision to enact it.**
 - (b) **Respond to national consultations and develop proposals on a proposed Cruise Levy if it was to be implemented in the Outer Hebrides, through a unified collaborative approach with local stakeholders and the Highlands and Islands Regional Economic Partnership.**

Contact Officer: Kathlene Morrison, Economic Development Officer – Innovation
Background Papers: [Visitor Levy Report to SD Committee 23 April 24](#)

IMPLICATIONS

4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	The Levy will generate income to be used to support tourism and visitor infrastructure and developments throughout the Outer Hebrides. However, financial support will be required at the outset - for year 1 - to set up the levy's administration as the Scottish Government have stated that they will not provide support for this. Consequently, it is proposed that this will be borrowed from the income generated from Comhairle's Short-Term Let Licensing Scheme. It is anticipated that this will be repaid in 2027 if a levy is introduced in late 2026.
Legal	The Comhairle's Legal team will be engaged in the development and delivery of the scheme.
Staffing	It is expected that the scheme will require dedicated staffing to ensure compliance and collection of the levy from providers.
Assets and Property	None
Strategic Implications	Implications/None
Risk	There is reputational and financial risk associated with the delivery of the scheme in terms of the financial implications to set up its administration and animation, and ensuring providers and visitors are aware of the implementation and reporting requirements.
Equalities/Child Rights	The Act provides national exclusions and exemptions for several groups who fall out with the scope of the Act and are not liable to pay a VL charge. These groups are: <ul style="list-style-type: none"> a) Those who are homeless or at risk of homelessness. This also includes people living in very poor housing conditions as a result of experiencing domestic abuse or other forms of violence. b) Those whose residence are unfit for habitation. c) Asylum seekers and refugees. d) Members of the Gypsy/Traveller communities staying on dedicated sites. e) Those in receipt of the following disability benefits, payments, or allowances.
Corporate Strategy	<i>Strategic Priority: Economy & Jobs:</i> <u>Branding</u> - 'Ensure that the Outer Hebrides are an attractive place to live, work, study, invest and visit.' <u>Tourism</u> – 'Support local businesses so that the 'quality' of local tourism is improved.' <i>Strategic Priority: Communities & Housing:</i> <u>Culture</u> – 'Develop sustainable economic opportunities from our natural, cultural, and historic resources.'
Environmental Impact	The income generated from the scheme could be used to support projects and activities which will aim to alleviate, and mitigate, the environmental impacts caused by the visitor sector on the islands.
Consultation	Consultation requires to be taken at various stages of the scheme's development including pre-consultation engagement with relevant stakeholders to assist in preparing for the statutory 12-week consultation period.

BACKGROUND

- 5.1 Through the [Visitor Levy \(Scotland\) Act](#) the Scottish Government has committed to creating a discretionary power for local authorities to apply a levy on overnight visitor stays in various accommodation settings. It is for each local authority to decide, through consultation, whether or not to introduce a Visitor Levy (VL) scheme. The Comhairle have previously indicated their intention to develop a scheme proposal should the Bill be enacted.
- 5.2 The Act stipulates that the funds generated through the scheme are to be invested into local tourism-related infrastructure and services. The Bill has now been passed, received Royal Assent and became an Act on the 5th July 2024, it is expected to receive its Commencement Orders from the Scottish Parliament following their summer recess (this is likely to be September 2024) and this is when Local Authorities can officially start consulting and enacting the levy procedures.
- 5.3 The Comhairle has already set up both a VL Short-Life Members Working Group and a VL CnES Officers Group to discuss the development and administration of a local scheme.

TOURISM VISITOR LEVY

- 6.1 The Bill will also be accompanied by a VL Guidance document that has been prepared by an Expert Group, chaired by VisitScotland. It is imperative for all Local Authorities to adhere to the Acts operational aspects, including statutory timelines and processes that will be outlined in the guidance, which is also due to be published in September 2024.
- 6.2 In developing an outline for a visitor levy scheme, a local authority needs to draw a clear link to the ambitions/objectives of its local tourism strategy. Therefore, the Outer Hebrides Tourism Leadership Group (OHTLG) – which includes the Comhairle, Highlands and Islands Enterprise, Outer Hebrides Tourism and VisitScotland – have agreed to immediately review their [Tourism Outer Hebrides 2030](#) strategy, published in April 2021, to reflect the introduction of the levy. The recent Outer Hebrides Visitor Infrastructure Plan and the Cruise Forum plans, amongst others, will also be referred to. The OHTLG will also support the Comhairle in the development of the local Visitor Levy Scheme proposals pre-consultation and throughout.
- 6.3 Once Commencement Orders have been given the Comhairle will begin drafting a proposal following engagement with relevant stakeholders – primarily the OHTLG at this stage - for presenting to the Comhairle at the Nov/Dec 24 Committee series. The agreed Outer Hebrides Visitor Levy Scheme proposal will then be presented for public consultation (which should be a minimum of 8 weeks). The Comhairle must consult with those it considers representative of communities, businesses engaged in tourism, and local tourist organisations.
- 6.4 Following the consultation, local authorities must prepare and publicise a report which summarises the consultation responses, states whether the authority intends to proceed with a scheme (or a scheme as modified following the consultation) and sets out the authority's reasons for whether it intends to proceed. It is anticipated that the final proposals would be presented to a Full Comhairle meeting in April 2025 (this is contingent on the final 2025 Comhairle meeting schedule). The outcome of this meeting also signifies the Comhairle's formal public announcement of its decision of whether it will be introducing the levy, and if so when.
- 6.5 The actual date on which a visitor levy scheme can come into force, or on which a significant modification is to take effect, must be at least 18 months after the date which the local authority announces its intentions. At present, no local authority will be able to start the collection of the levy prior to late summer/early autumn 2026. However, considering current timescales it is unlikely that a levy could be introduced in the Outer Hebrides until October 2026 at the earliest.

IMPLEMENTATION STAGES AND PROPOSED TIMELINE

7.1 The Bill sets out a series of steps that a local authority must do before introducing a visitor levy. It must:

- Prepare and publicise:
 - An outline of the proposed scheme.
 - A statement about the cases and circumstances in which the levy is not payable or can be reimbursed.
 - A statement about the objectives of the proposal, including measuring and reporting on these; and
 - An assessment of the impacts of the proposed levy in the council area (e.g. the impact on island communities due to costs of travel already high compared with mainland accommodation providers).
- Consult tourism businesses and organisations, estates and communities involved in tourism/visitor activities.
- Prepare and publicise a report on the responses to the consultation, which includes a statement on whether the Council wishes to proceed with introducing or modifying a visitor levy.
- Create a Visitor Levy Forum – a statutory requirement - no later than six months after the date of its decision to introduce a levy. The Forum will be a consultative group as final decision-making powers on the levy will always lie with the Local Authority. It must be maintained for the duration of the levy, meet at least twice yearly and consist of a reasonable balance of members and the Council may not form a majority of the Forum. The main functions of the Visitor Levy Forum are:
 - To advise and consult with the Council on any consultation from other bodies with the Forum,
 - To discuss any modifications to the scheme,
 - To ensure that businesses and communities have a robust mechanism to conduct ongoing engagement with the local authority once a VL scheme has been introduced.

7.3 Table 1 below outlines an indicative timeline for the establishment and implementation of a visitor levy including decisions required at key Council meetings.

N.B. Please note that the proposed timeline is subject to change following the publication of the final TVL guidance document in September 2024.

Table 1: Indicative Timeline of Visitor Levy (VL) Implementation Requirements		
Indicative Timeline	Activity	Statutory Requirements
Pre-Consultation Work		
Apr-24	Establish both a Short Life Working Group on the TVL (SLWG), and an internal TVL Officers' Working Group (OWG) - COMPLETED	
Ongoing	Councils to engage with stakeholders to determine proposal (to take place across the development of a VL Scheme).	✓
Sep-24	Paper to the CnES SD Committee to provide an update on the TVL, approval to consult and produce a scheme. Publication of finalised visitor levy guidance by VisitScotland	SG
Aug-Sept 24	Objectives of visitor levy scheme (aligned to the OHVIP strategy) to be developed by OWG in liaison the SLWG and the OHTLG.	✓
Sept - Oct 24	Impact studies to be completed as required by OWG working with the SLWG.	✓
Oct-24	Design of a Visitor Levy scheme proposed – as per VL Guidance Plans for use of net proceeds of the scheme to be developed	
Dec-24	Agreement of VL scheme proposal, content and consultation process by CnES at full Council meeting on 4th December 2024.	
Formal Consultation		
Dec 24- Feb 25	Public consultation on visitor levy proposal (Approx 12weeks)	✓
Feb/March- 25	OWG analyse findings working with the VL SLWG and input from the Shadow VL Forum, as appropriate.	
Apr-25	Report to a Full Council meeting in March 2025 of the findings and proposed structure for adoption and agreement of the Outer Hebrides Visitor Levy Scheme.	✓
Governance Requirements		
Apr-25	If approved, formal public announcement of decision to introduce a visitor levy and its date of commencement.	✓
	Scottish Ministers to be notified of decision to introduce a visitor levy across Outer Hebrides.	✓
	Establish the formal Visitor Levy Forum (advisory function) to be maintained for the duration of the scheme (meet at least two times per calendar year).	✓
Apr-25- Oct 26	18-month minimum lead-in administration and implementation period begins.	✓
May 25 onwards	Councils to advise businesses of their liability and prepare for the administration of the visitor levy scheme	
Oct-26	Visitor levy is collected from visitors who stay overnight as described in scheme.	✓

Table 1: Indicative Timeline of Visitor Levy (VL) Implementation Requirements

CRUISE LEVY

- 8.1 The Cruise Ship Levy proposal has been a long-standing ask from COSLA Leaders and been developed to reflect the growing number of tourists who visit Scotland by cruise ship every year and the significant impact these tourists have on local communities. Previous proposals have intimated that the Levy would be charged on a per passenger basis using passenger list information, and not cruise ship capacity figures. The use of the revenue is still to be confirmed, as are other specifics of the proposals.

- 8.2 The Scottish Government are currently organising, and hosting, a series of roundtable events in various locations throughout Scotland to discuss a potential Cruise Ship Levy for Local Government in Scotland. With the increase in the volume of cruise traffic to the Outer Hebrides it is essential that the Comhairle is involved in these discussions.
- 8.3 Development of these proposals need to take cognisance of the Scottish Government's plans on introducing a Cruise Carbon Tax, along with existing pier dues, to ensure that the addition of a Cruise Ship Levy does not make ports unattractive to the cruise companies.

FINANCE

- 9.1 Once the Levy is implemented the income generated must be used to support tourism and visitor infrastructure and developments throughout the Outer Hebrides. This will be guided, and informed, by ongoing engagement, the Levy Forum, and the aims of the local tourism strategies and plans.
- 9.2 Financial support will be required to develop and administer the levy scheme proposals, and the Scottish Government have stated that they will not provide upfront support for this. Consequently, the Comhairle will identify an internal cashflow stream to initially support the consultation and preparation of the Outer Hebrides schemes proposals. As per allowances in the Act administration costs could be offset against future revenues raised through a visitor levy under spend-to-save proposals.
- 9.3 As per the requirement of the levy proposal, officers will require to accurately forecast the estimated annual income that could be realised from the levy. This is currently being undertaken and includes reviewing various historical data including the number of beds available and occupancy levels, prices, and the number of pitches at camping sites, etc, as unfortunately the information is currently not available in the same data set.
- 9.4 In the interim, Outer Hebrides Tourism provided data on their 2022 memberships occupancy survey, and it states that there were 6954 beds available in the islands per night that year, with an average occupancy rate of 61%. Therefore, estimating that there was a total of 1,548,308 bed nights available in the OH in 2022. When inputting this against both a selection of average costs of rooms per night and a selection of percentage levy options then a conservative estimated income from the levy per annum could be as follows:

Average £ of accommodation per night	£70.00	Est. Levy income	£90.00	Est. Levy income	£110.00	Est. Levy income	£150.00	Est. Levy income	£200.00	Est. Levy income
1%	0.70	1,083,815.60	0.90	1,393,477.20	1.10	1,703,138.80	1.50	2,322,462.00	£2.00	£3,096,616.00
2%	1.40	2,167,631.20	1.80	2,786,954.40	2.20	3,406,277.60	3.00	4,644,924.00	£4.00	£6,193,232.00
3%	2.10	3,251,446.80	2.70	4,180,431.60	3.30	5,109,416.40	4.50	6,967,386.00	£6.00	£9,289,848.00
4%	2.80	4,335,262.40	3.60	5,573,908.80	4.40	6,812,555.20	6.00	9,289,848.00	£8.00	£12,386,464.00
5%	3.50	5,419,078.00	4.50	6,967,386.00	5.50	8,515,694.00	7.50	11,612,310.00	£10.00	£15,483,080.00

Table 2 Examples of potential income generated from differing levy percentage rates

N.B. Please note that the amounts above are for illustrative purposes only until the full data forecast is completed and therefore the final rate imposed, and income incurred may be higher or lower. The income is also contingent on different prices being charged by providers.

The proposed Outer Hebrides levy percentage rate will form part of the scheme proposals and consultation topics, with the final level proposed to the Comhairle following the consultation period.

CONCLUSION

- 10.1 The development of a local scheme is now picking up pace, and the imminent publication of the VL guidance will assist in informing the Comhairle of what proposals and a scheme should include.
- 10.2 Whilst the income benefits of the levy are easily quantifiable, the schemes development and final proposal needs to be sympathetic, and reflective, of the needs of the local sector – and communities - to ensure an ongoing cohesive working partnership and that the islands remain competitive and attractive to visitors. The Comhairle will therefore continue to engage with stakeholders at all levels of the process both for the Visitor Levy and the proposed Cruise Levy consultation.