

# Highland Visitor Levy Key Facts and Impacts

Initial summary of facts and data gathered from the industry on the impact of the visitor levy to businesses, the wider economy and Highland residents.

## Impact on businesses affected by levy

### Economic Impact on Businesses

- **VAT Threshold Issues:** VL is treated as revenue, potentially pushing small businesses above the VAT threshold and increasing their tax and cost burdens (including, OTA commissions, credit card fees).
- **Higher Tax Burden:** The VL could effectively raise VAT from 20% to 26% as you will have to pay 20% on the levy income. 20% Vat + 5% VL plus 20% Vat on the VL! The average VAT in Europe is 11%, significantly lower than the UK's rate.
- **Erosion of Profit Margins:** Accommodation providers face inflation (6–7%) and will need to increase room prices by at least 12% to maintain profitability.
- **Reduced Occupancy:** Surveys predict that a 5% levy could lead to a 5% drop in occupancy. Highland hotel occupancies have fallen comparing 22/23 – 23/24 – resulting in an estimated fall in guests of up to 12,000 a month through the summer, in this small sample, giving less tourists for all sectors.
- **Tax duplication:** Businesses already pay rates and council tax for infrastructure

### Challenges in Implementation

- **Administrative Burden:** No existing software to manage the VL, requiring costly solutions or manual processing.
- **Lack of Local Control:** Despite being presented as a local tax, decisions such as setting flat fees were overridden by the Scottish Government.
- **Business Cost assumptions :** The Highland Council will dictate how much of the cost you are allowed to apportion to food versus accommodation for the calculation of the visitor levy.

## Impact on Highland residents

### Locals will pay the levy!

- If you travel and stay in the Highland Council region as a local for work or pleasure YOU WILL pay the Levy .
- Locals travelling for business and health appointments around the Highland Council region, WILL PAY the levy.
- Local suppliers and businesses who have workers who stay overnight for business in the wider Highland Council region WILL PAY the levy increasing business expenditure.

## Impact on the wider economy

### Visitor Numbers and Revenue

- **Economic Ripple Effects:** Falling occupancy affects a HUGE number of businesses, including visitor centres, transport, food and drink businesses, many other tourism service providers and those who supply to tourism businesses. Some already struggling with reduced revenues in 2024 compared to 2023.
- **Less disposable spend:** Visitors will likely spend less if they are having to pay more for accommodation.
- **Destination Reputation:** Scotland's reputation is already expensive, UK ranked 116th out of 117 countries in the world as most expensive.

## ACTIONS FOR YOU AND YOUR BUSINESS TEAMS

- You have until the 31st March 2025 to learn all the facts as to how the implementations will effect your business and yourself as a local
- There will be several in person events for you to attend in early 2025 for you to learn more and discuss this with fellow businesses
- Discuss this with your wider business teams to raise awareness within your businesses
- EVERYONE can complete the consultation form to feedback their concerns
- Write to your local councillors or MP/MPS's to highlight your feedback
- Talk to friends and family about how it will effect them and not just visitors
- **WE URGE YOU TO CONSUME AS MUCH INFORMATION BEFORE SUBMITTING YOUR FEEDBACK AS YOU ONLY HAVE ONE CHANCE.**

