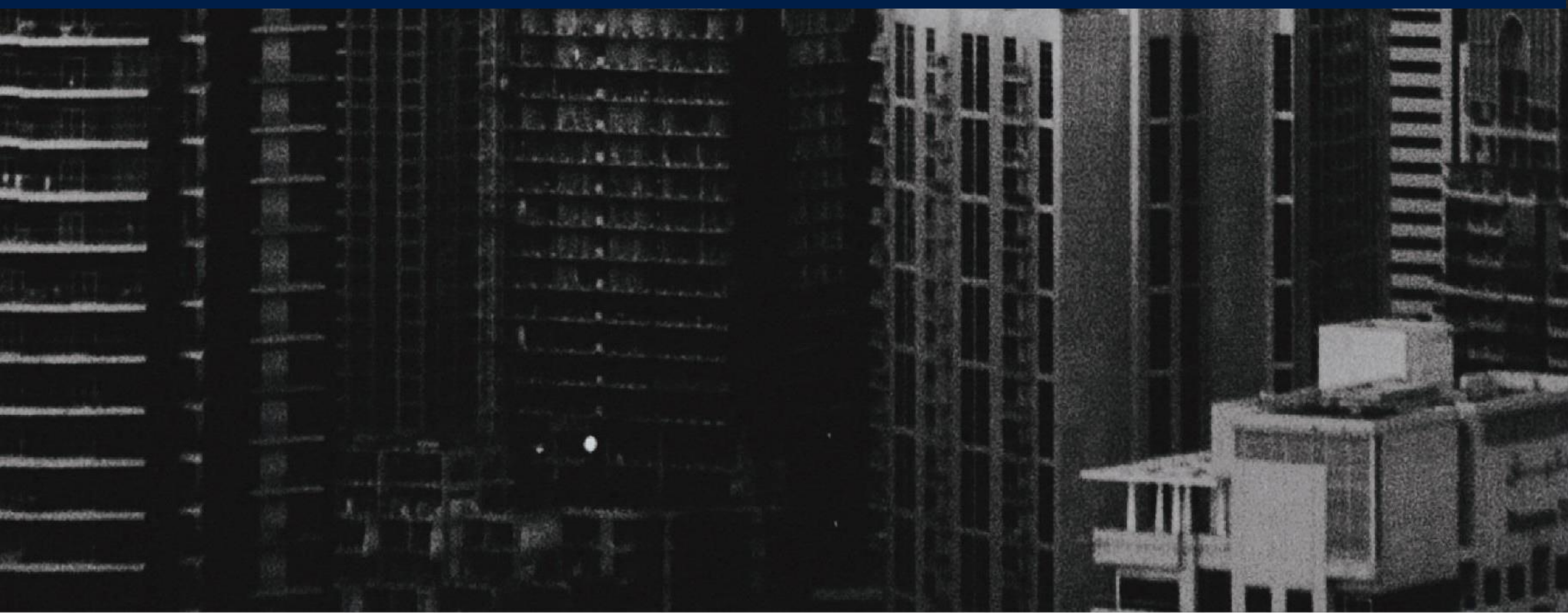
Consultation on The Principles of a Local Discretionary Transient Visitor Levy or Tourist Tax

Scottish Chambers of Commerce Network

Consultation Response



1.0 INTRODUCTION

Scottish Chambers of Commerce (SCC) appreciates the opportunity to input into this consultation on behalf of the 27 local Chambers of Commerce across Scotland. The SCC Network is a leading, global and entrepreneurial business network, representing more than 12,000 companies and 50% of Scotland's private sector workforce. Our insight is derived from our members, who form the network of the 27 Chambers of Commerce across Scotland's towns, regions and cities. Chamber Network members are the trusted champions of businesses, places, and global trade. Leading and uniting the Chamber Network, the Scottish Chambers of Commerce has built an unrivalled reputation as Scotland's voice for business at national and international level.

The SCC Network provides an unrivalled suite of business support services, including a national business mentoring initiative to hundreds of business events each year, to legal & HR support services and a global international trade service.

2.0 ECONOMIC CONTEXT OF THE TOURISM SECTOR

It is our view that understanding the economic context of the Tourism Sector is critical when considering the potential introduction of a Transient Visitor Levy in Scotland.

The following economic data and insight is sourced from the latest Quarterly Economic Indicator (QEI) (11/10/19) Scotland's longest-running economic survey of its kind, in partnership with Scottish Chambers of Commerce & the Fraser of Allander Institute.

In summary, optimism in Scotland's key tourism sector has remained in positive territory but has shown a significant decline from the same time last year. Businesses reported a slight increase in visitors from the EU compared to Q2 2019, but this has not translated into easier recruitment, with tourism employers continuing to report difficulties in finding staff.

- ***CONCERNS/PRESSURES:*** Cost pressures remain significant, most notably for raw material costs (46%) and other overheads (58%). Similarly, business concerns remain significant with the top 3 being taxation, inflation and business rates.

- ***GUESTS/CUSTOMERS:*** A net balance of firms reported a decrease in the number of total guests/customers for the third quarter (+14%) compared to Q2 (+26%). Most trends are lower when compared with the same period a year ago. There has been a slight increase in the number of those coming from the rest of the EU, but all other trends have seen some easing.

- ***INVESTMENT:*** Total investment has remained unchanged for the quarter but is still positive at +4%. Capital and training investment have seen some increases from previously negative territory, although capital is now flat at 0. This figure for capital investment is 15 percentage points lower than for the same quarter in 2018.

- ***LABOUR MARKET:*** More than three-quarters of firms are actively attempting to recruit staff with more than half of these reporting recruitment difficulties. The proportion of firms increasing wages has eased from the historical high of +70% seen in Q2, down to +41% for this quarter.

- ***EXPECTATIONS:*** The outlook for the tourism sector is cautious with negative net balances recorded for sales, investment and employment.

3.0 Views from the Scottish Chamber Network

SCC recognises the breadth of views that exists amongst the Scottish Chambers of Commerce Network on the issue of the Transient Visitor Levy. We encourage the Scottish Government to reflect and consider regional economic needs and the national importance of the Tourism sector.

There is a consensus amongst the Chamber Network that Scotland must remain an attractive & competitive place to do business. Companies in Scotland are facing a barrage of challenges. The Brexit bite, rising business costs and recruitment difficulties are having real-life implications on investment decisions. The burden of costs on the shoulders of businesses can be felt up and down the country, contributing to the quietly growing perception that doing business in Scotland is less competitive than other parts of the UK.

Businesses are already contributing in other taxes, such as business rates and VAT. In regions which have a higher dependency on the income generated by tourism such as in the Borders and across the Highlands – we note that businesses are cautious and reluctant of a further burden on the cost of doing business, as well as a possible deterrent to attracting future visitors and investment into the region.

Inverness Chamber of Commerce agrees that Scotland must remain an attractive destination for people to stay, visit, work and invest in. The Chamber, representing 1,220 members, is of the view that the introduction of the Transient Visitor Levy would damage the tourism sector across the Highlands, as well as Scotland's economy and standing in a global context.

A similar concern has been highlighted by Caithness Chamber of Commerce. They draw upon the importance of the tourism sector to the economy of the North Highlands, which has seen considerable growth in recent years through infrastructure investment such as the North Coast 500. They also believe that a TVL would harm their local economic region, and risks giving off a negative perception that visiting the area would be too costly on top of other expenses that visitors already pay.

We would also draw attention to the joint Highland Chamber letter - co-signed by Inverness, Caithness, Lochaber and Cairngorms Chambers' of Commerce – which was also submitted in response to this consultation. The letter states the Transient Visitor Levy would act as a further unwelcome burden on the cost of doing business in Scotland, particularly for the tourism sector which is already dealing many business issues including recruitment challenges and skills shortages. They also share a fundamental concern over the importance of 'messaging' and what message a TVL would send to investors and visitors to Scotland. They are opposed to the introduction of a TVL in their local regions.

Glasgow Chamber of Commerce are also opposed to the introduction of a TVL in Glasgow, raising concerns at the potential impact to the City's Tourism and Visitor Plan target of an additional one million visitors by 2023. It has also been noted that the draft legislation does not ensure a level playing field in Scotland, with some local authorities potentially introducing the levy, whilst other may not.

Edinburgh Chamber of Commerce – through consultation – have found broad support for the *principle* of a levy from their members, on the provision that proceeds are dedicated to improving the city's infrastructure, as well as improving Edinburgh's tourism offering.

Aberdeen & Grampian Chamber of Commerce are supportive, *in principle*, of a TVL being devolved to local authorities with some overarching national principles.

They recognise the balance between the preference of local accommodation providers in their area for national consistency, alongside the growing priority to deliver the meaningful devolution of powers to city regions, reflecting recommendations from the Aberdeen Economic Policy Panel that more autonomy at a regional level could support the more effective delivery of their regional economic strategy. AGCC believe that any levy must support the specific ambitions of the region in which it is implemented and acknowledge that priorities may vary. For some regions, the priority might be minimising the impact on infrastructure from high levels of tourism, for the Aberdeen City Region funds from the levy would support the strategy of creating a sustainable £1bn tourism economy by 2023.

Based on our discussions, it is our preference that the system of the delivery of the levy should be set out in a national framework. Local level autonomy has featured in many of our discussions, with some in favour and others against, as illustrated above.

4.0 On Revenue Raised

It is our view that any funds raised through the Transient Visitor Levy should be ring-fenced directly for economic development, including but not limited to, infrastructure and business support. Ultimately, it is our view that those businesses and sectors that are burdened with the levy, must have a say in how those funds are utilised.

5.0 Additional Taxable Activities

We do not think that the legislation should extend the power for local authorities to impose on cruise ship passengers. As well as the complexities in applying this and the pressure it would place on local infrastructure, we could see further risks to local economies with liners simply choosing to move their routes to other Scottish ports.

We would raise the issue of regions such as the Highlands, having a significant number of visitors wild camping in camper vans/motorhomes. The consultation document raises the possibility of extending the TVL to these visitors. This would be challenging to both apply and enforce. We would also express our concern over the additional aspect of having VAT on top of a TVL, this would create a further admin burden on all non-VAT registered businesses.

6.0 Conclusion

SCC is available to provide further evidence, insight and business examples as this topic is considered further.

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