



Report to the Finance Strategic Policy Committee

Extract from Commission on Taxation Report relating to an Accommodation Tax

Introduction

The Finance Strategic Policy Committee has examined the introduction of a Hotel Bed Tax / Transient Visitor Levy in Dublin in recent years. The last review of this subject was paused in the context of the impact of the Covid 19 pandemic on the accommodation strand of the hospitality industry.

Background

At the September meeting of the Finance SPC, members agreed that the matter of an Accommodation Tax as proposed in the recently published Commission on Taxation report would be discussed at the next meeting. *See Appendix 1 Extract from the Report of the Commission on Taxation and Welfare 2022.*

Commission's Recommendation re Accommodation Tax

The Commission makes a recommendation that an Accommodation Tax be introduced. A timeframe for the introduction is not provided. The report makes reference to there being 'significant local/municipal discretion over the rates applied' in other jurisdictions. While there is reference to the environmental and economic improvements that can accrue from an Accommodation Tax, the report is silent on the matter of the collection agency i.e. local or central government. As it stands, there is no legal framework for Dublin City Council to initiate a Local Accommodation Tax.

Other Recommendations of the Commission relating to Local Government

- **A Site Value Tax (SVT)** applicable to all land that is not subject to the Local Property Tax (LPT) should be introduced, replacing the existing system of Commercial Rates. There should be differential treatment in the application of SVT to agricultural land.
- As the yield from taxes on fossil fuels declines, it will be necessary to replace these revenues with new taxes, including road usage charges. In the short-term, the Commission supports **the introduction of congestion charging** in key urban

areas.

- The Commission **recommends the introduction of an additional duty on non-residential car parking, both public and private, and not limited to employer provided car parking**, in the same key urban areas identified as suitable for congestion charges.
- **Revenues deriving from Local Property Tax (LPT) should increase to form a substantially larger share of total revenues** through the adjustment of the basic rates of taxation and potentially through an adjustment of valuation bands.
- **The ability of local authorities to decrease the basic rate of LPT should be removed.**
- The Commission recommends that, **in the case of multiple property owners, a Local Property Tax surcharge should apply to properties not occupied** as the principal private residence of the property owner or a registered tenant.
- **A Local Property Tax surcharge should be introduced for vacant properties.**
- The Commission supports **the reform of the differential rent schemes towards a national system based on ability to pay**. Any proposed changes to social housing supports should fully consider the potential impact on incentives to work.

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With responsibility for ICT

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6.4.2 Accommodation tax

Accommodation or city taxes (also referred to as tourist or transient visitor taxes) are largely focused on tourism or accommodation providers, and are typically levied on short-term stays in paid accommodation.

Across Europe, including in for instance Paris, Berlin and Vienna, such taxes are applied to hotel accommodation in addition to VAT.

Such taxes have been introduced across the globe in response to tourism consumption and the pressures it places on the provision of public goods and services. Consumers are generally responsible for paying such taxes, while the accommodation facility is responsible for collecting them.

Tourists and other visitors get a short-term benefit from public goods and services, such as water and sewerage systems, utilities, waste facilities, parks, security and public safety services, without having contributed to their funding. The rationale behind an accommodation tax is to ensure that those guests contribute to the ongoing costs of providing these goods and services. Depending on their design, accommodation taxes may also make the tourism industry more sustainable by providing a revenue stream that can improve environmental and economic sustainability as well as improving infrastructure.

An accommodation tax can be regarded as an adaptation of the general 'polluter-pays principle' to a 'user-pays principle' that calls upon the user of resources (i.e. the tourist) to bear the cost in a more sustainable way.

Accommodation taxes are typically charged per person, per night, with significant local/municipal discretion over the rates applied. Rates across the EU Member States that apply a tax range between an average of €0.40 and €2.50 per night and vary depending on the type of accommodation.

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Recommendation

6.12 The Commission recommends the introduction of an accommodation tax. The intention to introduce this tax should be signalled early and a process of engagement with relevant stakeholders should be undertaken prior to implementation of the tax.