



Oifis an Cheannasaí Airgeadais, An Roinn Airgeadais
Oifigí na Cathrach, An Ché Adhmaid, Baile Átha Cliath 8, Éire

Office of the Head of Finance, Finance Department,
Civic Offices, Wood Quay, Dublin 8, Ireland

T. 01 222 2102/3 E. finoff@dublincity.ie

Report to the Finance Strategic Policy Committee Update on Visitor Accommodation Tax

1.0 Background

The Finance Strategic Policy Committee has considered in detail the issue of a Visitor Accommodation Tax (also referred to as a Hotel Bed Tax or Transient Visitor Levy). The most recent discussion on this issue was related to Report 1/2023 at the January 2023 SPC meeting.

2.0 Key Points relating to the introduction of a Visitor Accommodation Tax

The introduction of a Hotel Bed Tax / Transient Visitor Levy is listed in the Finance SPC's work programme 2019 to 2024. Requests made to Government in the past by Dublin City Council to enact legislation facilitating the introduction of a Hotel Bed Tax at local authority level were not successful. As it stands, Dublin City Council does not have the legal capacity to introduce a tax and therefore enabling legislation is required to progress this.

3.0 Discussions with other bodies on a Visitor Accommodation Tax

Contact was made with bodies in two other countries on this subject in recent months, one where an Accommodation Tax is in operation, the other where an Accommodation Tax is in the process of being introduced. Remote meetings were held with officials from the Amsterdam City Council (ACC) and also with officials from the Welsh Government.

3.1 Amsterdam

Basis of Tourist Tax

ACC operate a Tourist Tax for persons who stay in the City who don't live there. The tax doesn't apply to refugees. ACC has greater autonomy than local authorities in Ireland and as such there is ongoing engagement with all businesses and residents on tax matters administered by ACC. In this way there are established information exchanges and parameters between the accommodation (hotels, Airbnb etc.) operators and ACC.

Double Base Assessment

In 2020 ACC changed the operation of the Tourist Tax to a double base that is a charge of 7% paid usually in advance at the time of booking and a separate €3 charge paid on departure by the tourist.

Introduction in 2012

The Tourist Tax was introduced in 2012 and has been successful with little opposition. It is accepted that residents and businesses of Amsterdam pay for the maintenance and upkeep of many facilities enjoyed by tourists such as road and cycle networks, parks, cultural institutions, events, water and drainage etc. There is an accepted argument in the Netherlands that it is wholly reasonable to ask tourists to make a contribution to the costs associated with aspects of the place that they visit.

Across the Netherlands

Tourist taxes operate in many Dutch towns and cities. They can be especially important for rural areas which may attract tourists but do not have a large residential or commercial base on which to charge other taxes.

Price elasticity of Tourist Tax

ACC recently commissioned a study to establish the price elasticity of their tourist charge which was linked to a subsequent proposal to increase the charge. The study demonstrated that the tourist charge is highly price - inelastic, that is, increases in the tourist tax will not impact on whether a tourist visits an area or whether they will revisit the area in the future.

Timeframes

A key learning has been that accommodation providers require reasonable notice to change systems to enable them to process increases or other changes.

Day Tripper Tourist Tax

In addition to the Tourist Tax on accommodation, there is a Tourist Tax on cruise ships (largely) who dock in Amsterdam. This is set at €8 per passenger on the cruise ship. Recently ACC banned cruise ships docking in Amsterdam around over-tourism issues.

Compliance

As a result of existing tax relationships, there is a very high rate of compliance in the payment of the tax. The tax can be paid by the accommodation provider to ACC

1. as you go
2. with the accommodation provider every quarter or
3. an assessment can be made on the previous year's activity with a reconciliation at the end of the year upwards or downwards to reflect changes.

Use of Funds

The funds secured through both taxes are regarded as having no restriction on how / where they can be spent by the Elected Members through the budgetary process. There are approximately 25m tourists to Amsterdam each year. There are no thresholds from national government on the value of the tax but there are European rules which require that the value of the tax be sensible in the context of the value of the accommodation.

Value of percentage as a base

As ACC chose a percentage based charge, the value of receipts has gone up steadily in line with increases in hotel prices. As in Dublin, the price per night of hotel accommodation has increased considerably and this has resulted in revenues to ACC increasing in parallel.

Area based tariffs

ACC looked at a proposal to have different tariffs of Tourist Tax for hotels in different areas of the city. On review this was not feasible as although a tourist might stay in a hotel in a less well-off area, during the day they would access all of the facilities that other tourists benefit from throughout Amsterdam and hence should pay as for other tourists for the benefits they enjoyed.

3.2 Wales

Work happening now to introduce an Accommodation Tax

The Welsh government is preparing legislation to give Welsh local authority's powers to introduce a Visitor Levy. This will generate revenue to support investment in the tourism industry in each local authority area. The introduction of a Visitor Levy was listed as a commitment in the Welsh Government's programme. Each local authority in Wales will have the power to decide if they want or don't want to introduce a visitor levy in their area.

Purpose of introduction

The Welsh government wish to encourage visitors to Wales while also considering it reasonable to seek a small contribution by overnight visitors that will generate additional revenue for local authorities to reinvest in local communities. This will support some tourism associated costs and encourage a sustainable perspective.

Reaction to date

There has been a range of reactions to the proposal, with the idea emerging from the public through a consultation process to seek ideas the government should pursue as part of a programme for government. A Visitor Levy is seen as likely to contribute directly to the Well Being of Future Generations Act 2015 goal of creating a more equal Wales.

In areas of low tourist numbers, accommodation providers have concerns that visitors will be price elastic thereby having less visitors on the introduction of a charge. In areas of high tourist numbers, expectations have been voiced of what the funds might provide by way of amenities

that would principally benefit residents and also visitors.

Other comments expressed concerns of an administrative burden for accommodation providers. Also a recurring point made was that there should be consistency in the value of levy applied in each local authority across Wales.

Links to further material relating to Wales

Below are some links should SPC members wish to seek more information:

<https://www.gov.wales/government-finance>

<https://www.gov.wales/a-visitor-levy-for-wales>

<https://www.gov.wales/sites/default/files/publications/2023-05/welsh-government-organisation-chart-may-2023.pdf>

Comprehensive Report on HOTEL BED TAX from Government of Wales – dated November 2020

https://groupnao.com/wp-content/uploads/2020/11/TOURISM-TAXES-BY-DESIGN-NOV12-2020_rettet-compressed-2.pdf

3.3 Scotland

As part of the background research to Report 1/2020 on this matter, developments in Scotland particularly Edinburgh were reviewed. It is worth noting that The [Visitor Levy \(Scotland\) Bill](#) was introduced to the Scottish Parliament in May 2023. If passed, the legislation will enable Scottish local councils to apply a tax to visitor overnight accommodation if they wish to do so. This will be based on a percentage of the cost, with the rate set by individual councils.

4.0 Conclusions

There is no indication that enabling legislation is planned by Government so as to enable local authorities to introduce a Visitor Accommodation Tax. This is despite such a tax operating maturely within the EU in Amsterdam and also in the context of proposals by both the Welsh and Scottish Governments to proceed with this initiative. In the face of these developments it may be worthwhile and opportune for the Finance SPC to again request Government to commence a process to consider and implement a Visitor Accommodation Tax.

Kathy Quinn

Head of Finance

with responsibility for ICT

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