

Dear Kate,

We write to you regarding our concerns about the **Visitor Levy (Scotland) Act 2024**, and how local authorities in the Highlands and Islands Region plan to implement it.

Every local authority in the Highlands and Islands region is considering the introduction of a Visitor Levy, and each authority is at a different stage of this process.

Both Highland Council and Argyll and Bute Council currently have live public consultations, which conclude on 31st March 2025 and 10th April 2025 respectively and Moray Council has recently agreed to proceed towards the implementation of a levy.

Comhairle nan Eilean Siar, Orkney Islands Council and Shetland Islands Council are all due to start a consultation in March 2025.

Following discussions with constituents and organisations across the Highlands and Islands we are deeply concerned about the effect of the levy on the local economies.

The levy will undoubtedly lead to business closures and redundancies, and the administrative burden on micro and small businesses in particular will be immense.

The ripple effect of closures and contraction of the numbers of accommodation operators will in-turn affect other businesses that rely on the visitor economy.

Frankly, our communities will suffer.

We have provided further details of these concerns below.

There are concerns that the burden to collect the levy will be placed on businesses, as opposed to the local authority, meaning that business owners will effectively become tax collectors, and will be forced to spend excessive amounts of time ensuring that new and complex regulations are adhered to, rather than focussing on the services they provide to their guests.

As the interpretation of the provisions of the Act by local authorities has developed, and further information released, **businesses are significantly concerned about the extra costs associated with administering the scheme.**

Local business owners have told us that the proposed excel spreadsheet visitor levy return, currently being circulated by some councils, is both overwhelming in volume and over-reaching in scope.

Businesses across the Highlands and Islands have been clear that the **levy will impact the number of nights, or indeed, whether guests choose to stay in their accommodation** at all, and that as a result, revenue will be dramatically reduced.

As you may appreciate, margins are tight in this sector, following hard times during the pandemic leading to increased amounts of debt and with inflation leading to high and increasing overheads.

The 5% levy being proposed by both Highland and Argyll and Bute Council's is far too high and is likely to have a detrimental impact on the viability of many businesses.

A recent Skye and Lochalsh Business Impact Survey undertaken by concerned business owners has shown that over 50% of businesses will, or are seriously considering, closing given the financial challenges that the levy presents.

Neither the Highland Council, or any other council to date, has undertaken an independent Economic Impact Assessment modelling the effect this levy might have on Accommodation businesses in their area.

This exhibits a risky, even reckless, disregard for accommodation operators' livelihoods.

This levy threatens the economies of many of our most rural and fragile communities across the Highlands and Islands.

Many of these places lean heavily on tourism, and according to HIE, tourism jobs represent up to 43% of the workforce in some parts of the Highlands and Islands.

Measures which threaten the number of visitors in these areas, threaten the communities who live there.

Communities across the Highlands and Islands Region are dealing with a "working-age depopulation emergency" according to the Scottish Government's own *Action Plan to Address Depopulation* published in February 2024.

Business closures and job losses for hospitality workers will accelerate this problem, as residents are forced to move south to find work.

Going forwards, it is difficult to see how families and young people in rural Scotland can be enabled to invest in new visitor accommodation enterprises.

With the abolition of the Furnished Holiday Let regime and now a proposed percentage take on accommodation turnover from local councils, business plans will be almost impossible to approve by lenders.

Hospitality has always been at risk from many outside forces, not limited to pandemics.

Not knowing how much a council will fluctuate a percentage rate will make it impossible to future plan and proof a business especially during the start-up phase.

The complications with VAT registration further exacerbates this risk, one that no other industry in the UK has to contend with.

The levy attracts VAT.

There is nowhere in Europe where a tax on a tax exists.

Estimates suggest that possibly in excess of 75% of businesses in Highlands and Islands that will be affected by the visitor levy are not currently VAT registered.

There is a real risk that the levy will push many businesses over the VAT threshold, forcing them to register for VAT.

A 5% levy will lead to an immediate tax increase of 26%, as the levy itself will then be subject to yet another VAT charge.

Most will not be viable as they will be unable to increase prices to cover the increased taxation.

This will lead to either increased seasonality as businesses reduce their availability to visitors, or many will simply close.

Residents of rural Scotland, unlike those in larger cities, must frequently travel for work, healthcare, and other essential needs.

The introduction of a visitor levy will add further financial strain to these already costly journeys, placing an undue burden on local residents.

It will also drive up the cost of bringing in essential workers, exacerbating existing challenges in sustaining communities, running businesses, and advancing local projects—especially where capital costs are already exceptionally high.

Attracting contractors and skilled tradespeople is already difficult, yet they are vital to rural sustainability and often require overnight stays.

This disproportionate impact will be even more severe for those living on Scotland's islands, where overnight stays when accessing essential services, including healthcare, or bringing in skilled workers are unavoidable.

Scottish islands are already expensive destinations, and there is deep concern that the visitor levy will deter visitors at a time when many island communities are struggling to recover from the impacts of the pandemic and the reputational damage caused by many years of unreliable ferry services.

Island communities feel the levy is ill-suited to their unique circumstances, does not take into account the distinct challenges of island life and will only harm local residents, as well as the small and micro businesses that depend on tourism.

Fundamentally, we believe that the Visitor Levy scheme is the equivalent of using a hammer to crack a nut.

It was brought in to address issues largely confined to Edinburgh and Glasgow, where the visitor economy generally enjoys year round high demand, but it could have a devastating impact elsewhere in Scotland.

There remains wider support for a flat rate charge on international visitors which is simple to administer and collect and (dependent on the level set) would be unlikely to significantly affect the viability of businesses across rural Scotland and in our Islands.

As MSPs for the Highlands and Islands supported by businesses and individuals throughout the region as undersigned below, we would like to ask whether you will pause the scheme and review the concerns that have been expressed, not only in this letter, but in the local authorities respective consultation responses.

We would ask you to give due consideration to abandoning the levy altogether or delaying its implementation in local authority areas where it is not appropriate given price sensitivities in rural and island economies dependent on tourism, Scotland's status as an already expensive destination, and the financial challenges facing accommodation operators .

We would ask you to consider relevant legislative changes to make the levy fairer and more equitable for the people who will be most affected by it, in particular the businesses and individuals in our most fragile rural and island communities.

We look forward to your considered response

Yours Sincerely

Tim Eagle MSP

Your Name Here