

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Finance and Resources
<b>DATE</b>	06 August 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Visitor Levy
<b>REPORT NUMBER</b>	CR&E/25/179
<b>DIRECTOR</b>	Gale Beattie
<b>CHIEF OFFICER</b>	Julie Wood
<b>REPORT AUTHOR</b>	Matthew Williams
<b>TERMS OF REFERENCE</b>	2.1.2, 3.2, 3.4

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### 1. PURPOSE OF REPORT

- 1.1 The report seeks a decision on whether and how to proceed with the visitor levy in Aberdeen.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the public consultations and key stakeholders that have been consulted on the outline proposal in section 3.22;
- 2.2 Note the key points from these consultations in section 3.23-3.25 with a full summary provided in Appendix B - Aberdeen City Council Consultation response July 2025;
- 2.3 Note the absolute earliest date that Aberdeen City Council could introduce a visitor levy is 01 April 2027;
- 2.4 Note the timeline and actions in section 3.5 if a decision is made to proceed with the visitor levy proposals or with modifications to those proposals;
- 2.5 Decide whether or not to take forward a Visitor Levy for Aberdeen and decide upon a rate in the range of 5% to 10% in line with the scheme outlined, or with modifications; and
- 2.6 Instruct the Chief Officer – City Development and Regeneration to take any actions necessary to implement the decision made under recommendation 2.5; and in accordance with the Visitor Levy (Scotland) Act 2024.

### 3. CURRENT SITUATION

- 3.1 The Visitor Levy (Scotland) Bill, introduced on 24 May 2023, was passed on 28 May 2024 becoming the Visitor Levy (Scotland) Act 2024 ("the Act"). This

legislation allows local authorities in Scotland to charge a fee on overnight stays in some types of accommodation. It stipulates that the levy would be calculated as a percentage of the chargeable transaction for accommodation, after deducting any commission costs. The main purpose of the Act is to enable councils to invest more in local tourism facilities and services that benefit visitors and residents.

- 3.2 At Finance and Resources Committee on 12<sup>th</sup> February 2025, the Chief Officer - City Development and Regeneration was instructed to proceed with wider consultation and its subsequent evaluation and report back to the Finance and Resources Committee on the consultation, and seeking a decision on how to proceed, on 6 August 2025. This report and Appendix B - Aberdeen City Council Consultation response July 2025, has details of this.

### **Implementing a Visitor Levy Scheme**

- 3.3 The Visitor Levy (Scotland) Act 2024 also sets out some general principles and requirements for councils that choose to apply a visitor levy. Before a local authority can introduce a visitor levy scheme, they must take the following steps:
- (i) Outline the Scheme: The authority needs to prepare and publicise a clear outline of the proposed scheme. This outline should explain who won't have to pay the levy or can get a refund, the objectives of the proposal, and include how the authority intends to measure and report on the achievement of those objectives. It should also include an assessment of the impact of the proposal on persons living within the scheme area and other persons likely to be affected. The proposal on which we consulted was presented to Finance and Resources Committee on 12<sup>th</sup> February 2025 and is found in Appendix A - Visitor Levy for Aberdeen Proposal.
  - (ii) Consultation: The Act requires a local authority to consult representatives of communities and businesses engaged in tourism, and tourist organisations, in its area, along with any other people or bodies who will be affected by the proposal.
  - (iii) Public Report: The local authority will be required to prepare and publicise a report which summarises the consultation responses received, its response to the consultation, states its intention to proceed and gives its reasons for continuing, modifying, or abandoning a visitor levy proposal. That report provides the summary of the responses and seeks a decision to proceed with the visitor levy proposal.
  - (iv) Publishing: If a local authority formally decides to introduce a visitor levy scheme, the Act requires it to notify the Scottish Ministers of its decision and to publicise that it is introducing a visitor levy scheme with the proposed date on which it is to come into effect.

## Implementation Timeline

- 3.4 The lead-in time for commencing a local visitor levy scheme will be **18 months after the completion of these consultations and published intent to proceed**. This is to allow time for accommodation providers to ensure they have the necessary systems to administer the levy.
- 3.5 A proposed timeline for Aberdeen (subject to consultation, approvals and Scottish Government digital platform to administer the levy being in place) to introduce a visitor levy on **1 April 2027**:

Time	Action
April 2025-July 2025	Consultation process
August 2025	Public report to Committee on consultation and proposed reporting and benefits realisation
August 2025	Decision to proceed, modify or abandon the visitor levy
October 2025	Notice given to Scottish Ministers that the visitor levy would come into effect on <b>1 April 2027</b>
October 2025 – April 2026	Establish a Visitor Levy Forum
October 2024-March 2026	Scottish Government digital platform to administer the levy is developed.
October 2025 – Summer 2026	Accommodation providers obtain the necessary systems to administer the levy

## Proposal Details

- 3.6 The proposal is based on the Visitor Levy (Scotland) Act 2024, which allows local authorities to introduce a levy, details the potential levy structure, charges, objectives, how the net proceeds could be used, the monitoring arrangements and the governance arrangements for managing the levy.

## Levy Start Date

- 3.7 The absolute earliest a visitor levy scheme can come into effect in Aberdeen is 01 April 2027. This milestone is subject to consultation feedback, lessons learned from elsewhere and national feedback, which may require us to add in additional tasks.

## Levy Rate

- 3.8 The Act stipulates that the levy is expressed as a percentage rate. The levy will be in a range of 5% to 10% (to be decided in Recommendation 2.5). A Levy will apply year round and produce a levy of between £3.50 and £7 per night on the average Aberdeen room rate of £70 a night. The levy will be the same across the entire Aberdeen local authority area. This compares to a levy of £9 a night on an average room of £180 a night in the Edinburgh at their 5% levy rate.
- 3.9 Accommodation providers within the local authority area will be liable for the levy. They will be required to submit regular reports, detailing the total

accommodation charges and the total levy collected to a national online visitor levy portal. The levy will be payable at the same time as submitting returns.

- 3.10 Accommodation providers are required to keep accurate records of all transactions that are subject to the levy. The Council will conduct inspections, as required, to ensure compliance with the scheme and remittance requirements. Accommodation providers who fail to comply may be subject to penalties.

### **Applicability**

- 3.11 The levy will apply to all overnight accommodation, including those with an annual turnover under the VAT threshold, within Aberdeen City Council's area.
- 3.12 The visitor levy is payable by anyone staying in accommodation which is not their only or usual place of residence (temporary or otherwise). Individuals from the below categories are not required to pay the levy:
- Those who are homeless or at risk of homelessness,
  - Those whose residence is unfit for habitation;
  - Asylum seekers and refugees;
  - Members of the Gypsy/Traveller communities staying on dedicated sites;
  - Individuals residing in cruise ships and motor homes; and
  - Individuals who reside in overnight accommodation who are in receipt of benefits, payments or allowances for a disability.
- 3.13 An additional exemption from the levy is proposed for individuals travelling to Aberdeen for medical appointments, accompanied by a companion.

### **Scheme Objective**

- 3.14 The overarching aim of the Scheme is to ensure that Aberdeen is a leading visitor destination by supporting the ongoing, sustainable growth of the city's visitor economy.

### **Use of funds**

- 3.15 The Visitor Levy (Scotland) Act 2024 stipulates that the net proceeds of a visitor levy must be spent on facilitating the achievement of the scheme's objectives and "developing, supporting and sustaining facilities and services which are substantially for or used by persons visiting (overnight) for leisure or business purposes (or both)".
- 3.16 After administration costs, it is proposed from the stakeholder group that the remaining funds will then be split into the following investment streams (indicative percentages shown):
- Economic Growth and Competitive Edge (63%)
  - Destination Marketing and Development (18%)
  - Destination Readiness and Improvement (13%)
  - Reserve Fund (5%)
- 3.17 More detail of each of the objectives and these investment streams can be found in Appendix A - Visitor Levy for Aberdeen Proposal.

## **Monitoring and Evaluation**

- 3.18 Within six months of giving notice to Ministers that a local authority plans to introduce a visitor levy, the Council needs to establish a Visitor Levy Forum to discuss and advise on the visitor levy scheme, including the review and modifications to the scheme. The Forum will also be consulted on how the visitor levy funds will be spent. The local authority appoints the membership of the forum and must ensure that the membership of the Visitor Levy Forum includes such persons as the authority considers to be representative of communities, businesses engaged in the visitor economy, tourism and tourist organisations in its area.
- 3.19 The policy intention is that it is transparent to all concerned what amount of money has been collected under a visitor levy scheme; how those funds have been used; and how a scheme has performed against the objectives set out for it. The Act therefore requires a local authority to publish a report setting out this information within 18 months of a scheme being introduced, and then every 12 months. The Act requires a local authority operating a visitor levy scheme to review the scheme every three years.

## **Proposal Consultation**

- 3.20 The Act requires a local authority to consult representatives of communities and businesses engaged in the visitor economy, tourism, and tourist organisations, in its area, along with any other people or bodies who will be affected by the proposal. It is recommended that the consultation is open for at least 12 weeks.
- 3.21 Officers developed this proposal in tandem with a range of key stakeholders including representatives from VisitAberdeenshire (including the Aberdeen Convention Bureau), P&J Live, VisitScotland and the Aberdeen City and Shire Hotels Association.
- 3.22 A set of consultations have been carried out. These include:
- In-person consultations with accommodation providers including the Hotel Association and representative organisations of small businesses and self-catering operators.
  - An online Commonplace consultation that sought views on the proposed Aberdeen City Visitor Levy.
  - In-person public consultations on the levy held at various localities within Aberdeen as part of a set of wider policy consultations.
- 3.23 Support for the introduction of the levy was mixed. Support came mainly from those citing investment in the visitor economy, tourism and alignment with other cities. Opposition, especially from smaller accommodation providers and individuals, focused on the financial and administrative burden and particular issues for businesses which are currently exempt from VAT.
- 3.24 A plurality of respondents wanted the levy rate to be lower than 7%. Common themes as to why included affordability for visitors, flexibility based on season or type of accommodation, and competitiveness with other cities.

- 3.25 On the use of funds views were evenly split. Supporters welcomed investment in visitor experience and destination marketing. Others wanted stronger emphasis on community infrastructure or business support.
- 3.26 A full summary of the results of these consultations is provided in Appendix B - Aberdeen City Council Consultation response July 2025.

### **Strategic fit: Regional Economic Strategy**

- 3.27 The visitor levy scheme supports the ambitions and targets in the Regional Economic Strategy and also the Regional Destination Strategy. The 2023 Regional Economic Strategy ambition is to be widely recognised as a leading Scottish destination by 2035, delivering distinctive high quality visitor experiences.
- 3.28 Within the Culture Identity theme the ambition is to support development and attract international events and festivals in the Events 365 Plan and support and invest in arts and cultural sector. Targets include significantly increasing the proportion of people participating in a cultural activity in the last 12 months, total visitor numbers, and the numbers attending visitor attractions by 2029.

### **Strategic fit: Council health-centred prevention approach**

- 3.29 In February 2024 Council agreed the Target Operating Model 1.2 which included a renewed focus on a health-centred approach as an important element of our prevention agenda. Specifically, this includes aligning Council strategic priorities with the social determinants of health.
- 3.30 The social determinants of health are the non-medical factors that influence people's health outcomes and are described as 'the causes of the causes' (Marmot, 2006). They are the conditions in which people are born, grow, work, live, and age, and the wider set of forces and systems shaping daily life.
- 3.31 The proceeds from a visitor levy would support this agenda by stimulating the visitor economy which supports jobs in the sector and across the wider economy. The proceeds are intended to be spent on initiatives to drive increased visitor numbers including development of green spaces, increased active travel, and the staging of cultural, entertainment and sporting events in Aberdeen. These are important in supporting physical and mental health including fostering community cohesion, participation in culture and sport, and supporting the local environment.

## **4. FINANCIAL IMPLICATIONS**

### **Administration Costs to Aberdeen City Council**

- 4.1 An online platform is being developed by the Scottish Government's Improvement Service for levy collection and its enforcement. Key features of the platform:

- A single platform for all local authorities, where accommodation providers will only need to register their properties once.
- Integrated with NDR (Non-Domestic Rates) and Council Tax for validation.
- The platform can vary rates by geography and time to reflect local conditions.
- It records payments and sends enforcement emails to ensure compliance.
- The Improvement Service will provide dedicated customer service support to both businesses and local authorities.
- The platform will be jointly owned by the Improvement Service for all local authorities and is designed to support a range of future capabilities, including a cruise ship levy module.
- Penalty modules to ensure compliance.
- The ability to monitor and track key data such as rates and occupancy by accommodation type, identifying any outliers and ensuring overall compliance with the levy

4.2 Development of the platform began in October 2024, with the full roll-out expected in March 2026. This is at least a full year before any scheme would come into effect in Aberdeen. Administration costs of this platform are included in Appendix A - Visitor Levy for Aberdeen Proposal.

4.3 The provisional start date for the visitor levy scheme of April 2027 is contingent upon the Scottish Government digital platform being developed on time and in a way that enables accommodation providers to have the necessary systems to upload their reporting information to that platform. Any delay or unforeseen difficulty could delay the introduction of the scheme.

### **Net Visitor Levy Revenues**

4.4 An accommodation audit of accommodation providers was carried out for Aberdeen in December 2024. Using this audit and occupancy rate and room rate assumptions from survey data including CoStar UK Limited, Scottish Government Occupancy Survey and Scottish Accommodation Survey and estimates of administration costs net revenues (after administration costs to Aberdeen City Council and costs recovery to accommodation providers) have been forecast at various levy rates. These are forecast to be £4.8m per annum at a 5% levy rate, £6.8m per annum at a 7% levy rate and £9.7m per annum at a 10% levy rate.

4.5 Noting the fiscal challenges facing public services and the sector, this could provide much needed investment to services and facilities to the benefit overnight visitors and day trippers (whether visiting for business or leisure), residents, and stakeholders associated with the local visitor economy.

## **5 Recommendation**

5.1 Overall, opinion on introducing a visitor levy remains divided. Respondents to the consultations emphasised fairness, clear communication, and streamlined administration. Clarity on levy use, regular measurement against the scheme's purpose and objectives, thoughtful exemptions, and accessible systems for accommodation providers will be essential to ensure support.

- 5.2 The visitor levy however, could provide a sustainable source of funding to retain and enhance existing support for the visitor economy, reinvest in business and leisure tourism services to achieve strategic goals, drive overnight visits, improve local amenities, and strive for continued growth of Aberdeen's visitor economy. For Aberdeen with an average room rate of around £70, a rate between 5% and 10% would produce an average levy rate of around £3.50 to £7 per night, with £5 at the consultation rate of 7%. This could produce a significant revenue stream to develop the visitor economy while at the same time not burdening an already price sensitive market with excessive costs.
- 5.3 Officers thus recommend that Aberdeen proceeds with the visitor levy scheme proposal. Should Aberdeen do so we would be required to notify the Scottish Ministers of its decision and to publicise that it is introducing a visitor levy scheme with the proposed date on which it is to come into effect.

## 6. LEGAL IMPLICATIONS

- 6.1 The Council will have to comply with the requirements of the Visitor Levy (Scotland) Act 2024 in order for the levy to be validly introduced.

## 7. ENVIRONMENTAL IMPLICATIONS

- 7.1 There are no direct environmental implications arising from the recommendations of this report.

## 8. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Levy impacts accommodation sector profitability, particularly for VAT-exempt accommodation	We will monitor the available data to check and report on any changes to occupancy rates and average room prices.  The revenue stream will be used to invest in and enhance elements of the visitor economy to attract more overnight stays	Low	Yes
<b>Compliance</b>	Accommodation providers don't pay the levy	The Council provides an administration of the levy function that monitors, verifies and enforces the payment of the levy.	Low	Yes



<b>Compliance</b>	Accommodation providers use package deals to reduce the amount of levy payable e.g. bed and breakfast packages undervalue the accommodation element.	The Council works with other local authorities and Scottish Government to monitor this and find solutions if this approach is widespread.	Medium	<b>Yes</b>
<b>Operational</b>	Resources to set up and administer the levy increase	The ongoing national digital platform work may have provided estimates of these costs which will be reviewed. The Council actively monitors additional resource requirements to monitor and enforce a levy for Aberdeen.	Low	<b>Yes</b>
<b>Operational</b>	The development of the Scottish Government national Digital Platform is delayed.	The ongoing national digital platform work is needed for accommodation providers to pay the visitor levy and to monitor and enforce the levy. Should there be delays then this could jeopardise the introduction date of the levy in Aberdeen. Officers sit on the Scottish visitor levy community working group which meets monthly to discuss progress on the levy including the development of the platform to ensure this risk is minimised.	Low	<b>Yes</b>
<b>Financial</b>	Services to the Visitor Economy may not continue if projected income from external venues is not realised and/or there is a further reduction to both Council staffing and budget resources.	A ring-fenced budget to support the visitor economy in this way substantially mitigates this risk.	Low	<b>Yes</b>

<b>Financial</b>	A visitor levy would be applied before VAT. Persons staying overnight but reclaiming the levy due to an exemption would be refunded the levy, but not any VATable part	Scottish Government continue to seek written guidance from HMRC to clarify the position. This will be shared with all local authorities as soon as it is available.	Medium	<b>Yes</b>
<b>Reputational</b>	Failure to stimulate growth in the visitor economy from visitor levy returns could damage Aberdeen and ACC reputation.	A ring-fenced revenue stream from a visitor levy will substantially mitigate this risk.  The Visitor Levy Forum should have a clear and substantial role in the recommendation of visitor levy spend	Low	<b>Yes</b>
<b>Environment / Climate</b>	N/A			

## 9. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN 2023-2024</u></b>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>  <a href="#"><u>Working in Partnership for Aberdeen</u></a>	<p>The proposals within this report support the delivery of the following aspects of the policy statement:-</p> <ul style="list-style-type: none"> <li>• Delivery of Support delivery of and attraction of new Events,</li> <li>• Aim to make Aberdeen a premier destination for festivals, productions, conferences, bands and events</li> </ul>
<b><u>Local Outcome Improvement Plan</u></b>	
Prosperous Economy Stretch Outcomes	The proposals within this report support the delivery of LOIP Stretch Outcome 1 and 2 – No one will suffer due to poverty by 2026 and 400 unemployed Aberdeen City residents supported into Fair Work by 2026. The paper seeks approval to introduce a visitor levy scheme with the main purpose to grow stays in overnight accommodation and provide a ringfenced funding stream to support the visitor economy of the city. This will provide employment opportunities for people in the sector and stimulate the Aberdeen economy by attracting business and leisure visitors to the city.
Prosperous Place Stretch Outcomes	The proposals within this report support the delivery of LOIP Stretch Outcome 14 and 15 – Increase sustainable travel: 38% of

	people walking and 5% of people cycling as main mode of travel by 2026 and Addressing the nature crisis by protecting/ managing 26% of Aberdeen's area for nature by 2026. The paper seeks to introduce a visitor levy scheme to provide a ringfenced funding stream to support visitor services in the city. This could include active travel and public transport services and incentives, and policies protecting green areas or facilitating mindful public access to those spaces
<b>Regional and City Strategies</b>	<p>The proposals support the economic and environmental objectives of the Regional Economic Strategy: to diversify the economy and increase the share of the economy from the region's growth sectors which includes the visitor economy; maintaining a healthy, sustainable, working age population through increasing economic participation rates; and reducing emissions and protecting the natural capital of the region. They also meet the objectives of the Regional Transport Strategy and Regional Transport Strategy.</p> <p>It supports the Net Zero Routemap for the City and the Council's Medium Term Financial Strategy.</p> <p>The proposals would enable wider engagement with stakeholders ensuring that the ambitions within the Regional Destination Strategy can be supported</p> <p>The proposals would enable the Council to more substantially meet the objectives of the Event365 plan and culture strategy.</p>

## 10. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	An IIA has been completed.
<b>Data Protection Impact Assessment</b>	This will be completed should a decision be made to proceed with a visitor levy in Aberdeen. It will need to be informed by the yet to be completed Improvement Service Digital Platform Data Protection Impact Assessment.

## 11. BACKGROUND PAPERS

11.1 Visitor Levy (Scotland) Act 2024

11.2 COSLA Visitor Levy Update 21 June 2024 for Environment and Economy Board

11.3 Introduction of a Tourism Levy after 2026/27 for Aberdeen City - Stage 1 Integrated Impact Assessment (for public consultation to inform Elected Members to set the 2024/25 Budget and future spending plans)

11.4 Visitor Levy (Scotland) Bill Spice Briefing 04 September 2023

11.5 Aberdeen F&R Committee Report CR&E/24/225, 07 August 2024

11.6 Aberdeen F&R Committee Report CR&E/25/028, 12 February 2025

## **12. APPENDICES**

12.1 Appendix A - Visitor Levy for Aberdeen Proposal

12.2 Appendix B - Aberdeen City Council Consultation response July 2025

## **13. REPORT AUTHOR CONTACT DETAILS**

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