Agenda Item	7
Report No	HC/34/25

The Highland Council

Committee: **The Highland Council**

Date: **30 October 2025**

Report Title: **Visitor Levy Update Report**

Report By: **Assistant Chief Executive – Place**
Assistant Chief Executive – Corporate

1. Purpose/Executive Summary

1.1 This report provides information about the Visitor Levy (Scotland) Act 2024, which provides local authorities with discretionary powers to implement a Visitor Levy within their local authority areas.

1.2 A proposed Visitor Levy Scheme for Highland was approved by the Economy & Infrastructure Committee on 14 November 2024 for statutory public consultation. In response to the consultation, which launched on 15 November 2024 and was extended to 31 March 2025, the Council received 4,103 responses from residents and communities, accommodation providers, other businesses and visitors.

1.3 At the Council meeting held 18 September 2025 agreed to replace the related motion with the following amendment:

"Recognising that more than 4,000 consultation responses were received to the consultation on the Visitor Levy, the Council resolves to bring forward a report to Council in October 2025. This report will detail an overview of the independent work currently being undertaken by the external consultants appointed by the Council to complete an Economic Impact Assessment, Financial Forecasting, an analysis of the consultation responses and engagement with the Visitor Levy Reference Group, together with an Integrated Impact Assessment.

A further report will be considered by the Council in December 2025, setting out the findings from that work, including recommendations on the way ahead for the Visitor Levy for Highland area. In the meantime, Officers will continue to engage with the Scottish Government and stakeholders."

2. Recommendations

2.1 Members are asked to **consider** and **note:**

i. this report as agreed by Council on 18 September 2025.

3. Implications

3.1 **Resource** – A cross service team, comprising officers from both Place and Corporate Clusters, continues to engage with the Scottish Government, CoSLA and others.

3.2 **Legal** – There are no legal impacts arising directly from this report.

3.3 **Risk** – There are no risk implications arising directly from this report.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – There are no Health and Safety risk implications arising directly from this report.

3.5 **Gaelic** – There are no Gaelic implications arising directly from this report.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is an update report and therefore an impact assessment is not required.

5. Background

5.1 The visitor economy has long been a core industry and major employer in Highland, with the sector experiencing unprecedented growth in recent years as more UK and international visitors choose to visit, and to enjoy Highland's world-renowned hospitality. In November 2024, Members of the Economy and Infrastructure Committee approved the 'Sustainable Tourism Strategy 2024-2030' which sets out the Council's strategic ambitions for the sector and how it will contribute up to 2030 and beyond. The Strategy shapes how the Council will work with others, invest its resources, and co-invest with partners, including future income streams such as a potential visitor levy and any other external funds which can be secured.

5.2 Sustaining the infrastructure and services used by visitors has become increasingly challenging for local authorities. To help address these pressures, and for the first time, councils in Scotland now have discretionary powers to introduce a Visitor Levy. Net proceeds from a levy must be used to sustain, support and develop services or facilities which are substantially used for or used by those visiting the local authority area for leisure or business purposes, or both. Local authorities intending to implement a visitor levy must undertake a statutory consultation with such persons as the authority considers to be representative of communities, businesses engaged in tourism, and tourist organisations in its area.

5.3 The Visitor Levy (Scotland) Act 2024 enables local authorities to apply a visitor levy on overnight stays. In this Act, “overnight accommodation” means a room or area provided to a visitor for residential purposes in or at a type of accommodation prescribed in the legislation, other than as the visitor's only or usual place of residence. These types of accommodation are specified as hotels; hostels; guest houses; bed and breakfast accommodation; self-catering accommodation; camping sites; caravan parks; accommodation in a vehicle, or on board a vessel, which is permanently or predominantly situated in one place; and any other place at which a room or area is offered by the occupier for residential purposes otherwise than as a visitor’s only or usual place of residence.

5.4 *National Exceptions*
The Act sets out the types of accommodation which are not defined as “overnight accommodation” and therefore cannot be subject to a visitor levy. These are:

(a) a local authority gypsy and traveller site or a registered social landlord gypsy and traveller site (those expressions having the same meaning as in Part 1 of schedule 1 of the Mobile Homes Act 1983), or

(b) accommodation in a vehicle, or on board a vessel, that is undertaking a journey involving one or more overnight stops. For example, provision of a cabin on a ferry or a sleeper train will not be subject to a levy.

5.5 *National Provisions for those in receipt of benefits, payments or allowances for a disability*
Visitor levies are not payable or are to be reimbursed where the visitor or any other person utilising the right to reside in the overnight accommodation is in receipt of benefits, payments or allowances for a disability, as prescribed in the Act.

5.6 *Local Flexibilities*
The Act includes provisions for local flexibilities which include but are not limited to:

- the percentage rate of the levy;
- circumstances where the levy, or a sum equivalent to the levy, is not payable or is to be reimbursed;
- the period during which the scheme is to remain in force, which may be indefinitely;
- when the levy applies, which may be at all times, or limited times during the scheme period;
- that a visitor levy scheme may make different provision for different purposes or different areas within the local authority's area, meaning that a local authority could, for example, set different rates in relation to particular events, such as arts festivals or special conferences.

6. Consultation and Engagement

6.1 The Highland Council engaged with the Scottish Parliament during the progression of the Visitor Levy Bill. Stakeholder engagement was ongoing throughout the process of developing, publishing and consulting on a potential visitor levy scheme for Highland.

6.2 Any local authority seeking to implement a Visitor Levy Scheme is required to consult on the required content of its proposed scheme as set out in section 14 of The Visitor Levy (Scotland) Act 2024.

6.3 A minimum 12-week statutory public consultation period must be undertaken on any proposed Visitor Levy Scheme. The Highland Council's statutory consultation was launched on 15 November 2024 and following an extension, concluded on 31 March 2025.

6.4 An extended programme of public engagement was delivered across Highland from January to March 2025. The Council established a Visitor Levy Reference Group, comprising accommodation providers and industry representatives, in January 2025. The purpose of the Reference Group is to provide a forum for engaging on the proposed visitor levy scheme for consideration by the Highland Council.

7. National Guidance

7.1 An Expert Group, led by VisitScotland, developed Guidance on the Visitor Levy for Local Authorities which was published in October 2024 and updated in October 2025. This link to VisitScotland's website also includes:

- **Frequently Asked Questions** - updated in September 2025;
- **Support for Business** - a series of national-level Frequently Asked Questions to help accommodation providers understand and prepare for visitor levy schemes in Scotland;
- **Formally approved and announced** visitor levy schemes; and
- **Live or completed formal consultations** and the status of other local authorities.

8. Independent Work Currently Being Undertaken

8.1 A contract has been awarded to external consultants, which commenced on 29 August 2025 and will conclude on 30 November 2025. These consultants will provide an Economic Impact Assessment, an Integrated Impact Assessment, financial forecasting and an analysis of the feedback received from the statutory consultation and wider engagement.

8.2 In accordance with the Council's procurement procedures, the Invitation to Tender to undertake the independent commission of work was published on the Public Contracts Scotland website on 14 July 2025 and closed on 5 August 2025.

8.3 Following the evaluation of the eight submissions and the commencement of a standstill period, the contract was awarded to The Diffley Partnership on 29 August 2025, which is a partnership between the Diffley Group and Fraser of Allander Institute. The deliverables from this contract are detailed below in paragraphs 8.4 to 8.7 inclusive.

8.4 **Consultation Analysis** – An analysis of information and documents received during the consultation which includes:

- 4,103 online and paper copies of formal consultation responses received from residents, communities, businesses and visitors.

- Online responses, including written comments

- Additional information submitted to the Council or gathered from a series of engagement events.

8.5 **Economic Impact Assessment** – an Impact Assessment for Businesses, Visitors, Communities and the Council was appended to the report considered by the Economy & Infrastructure Committee on 14 November 2024. The consultants will undertake an independent Economic Impact Assessment with a particular focus on identifying and analysing the key economic impacts associated with a visitor levy scheme within the Highland context. This Economic Impact Assessment includes:

- **Accommodation Sector Diversity**: Evaluating implications of a levy across the wide range of accommodation types in Highland, considering business models, scale of operations and potential VAT threshold rules determined by HMRC.

- **Business and Community Impacts**: Assessing how the levy may affect local businesses and communities, including potential unintended consequences for residents and vulnerable groups, and fairness for businesses.

- **Mitigation Measures**: Identifying and evaluating practical mitigation strategies, which may include utilising the flexibilities within the legislative framework for proportionately, fairness, and effectiveness.

8.6 **Integrated Impact Assessment** – an Integrated Impact Assessment will be completed, including Rural, Island and Climate impacts, in line with relevant legislation, and in the format of the Council's approved template designed for this purpose.

8.7 **Forecasting of levy revenue** – Forecast of annual recurring levy revenue based on:

- Visitor numbers, taking into account potential growth and/or decline in the future number of visitors to the Highlands.

- Impacts of the Sustainable Tourism Strategy 2024-2030, and any known or anticipated future changes that may impact the visitor economy.

9. Scottish Government

9.1 On 16 September 2025, the Minister for Public Finance confirmed that there is no opportunity to introduce new legislation in this parliamentary session to provide additional powers to local authorities, including the option to introduce a single flat rate or a tiered flat rate model alongside the existing percentage-based approach. (***Appendix 1*** *to this report refers.)*

10. Next Steps

10.1 Following the completion of these independent assessments a further report will be considered at the meeting of the Highland Council in December 2025, including recommendations for the way forward for Highland.

10.2 Council Officers will continue to engage with the Scottish Government, CoSLA, and industry stakeholders.

10.3 Alongside this work, the Council is continuing to implement the Council's Sustainable Tourism Strategy and is progressing the associated delivery programme which will set out short, medium and longer term investment plans to help deliver the sector priorities.

Designation: Assistant Chief Executive – Place
Assistant Chief Executive – Corporate

Date: 13 October 2025

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Background Reading and External Reports:
Sustainable Tourism Strategy 2024-2030
Visitor Levy (Scotland) Act 2024
Guidance on the Visitor Levy for Local Authorities (October 2025)
Scottish Government Visitor Levy Business & Regulatory Impact Assessment (May 2023)

Appendix 1 – Letter from the Minister for Public Finance dated 16 September 2025

Minister for Public Finance
Ivan McKee MSP

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Scottish Government
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Ivan McKee MSP
Minister for Public Finance
Scottish Government

18 September 2025

Dear Chief Executives and Senior Officers,

I would like to extend my sincere thanks for your continued engagement with Scottish Government officials on the implementation of the Visitor Levy Act. I also wish to express my appreciation for your constructive support in helping us shape a draft amendment for Stage 3 of the Housing (Scotland) Bill.

Your input has been invaluable in progressing this work, and we greatly appreciate the time and expertise you have contributed. The Presiding Officer notified the Scottish Government yesterday that the proposed amendment was not deemed to be within the scope of the Housing (Scotland) Bill. As a result, there is no opportunity to introduce new legislation in this parliamentary session.

It is important to note that existing legislation provides Councils a wide range of powers to introduce local flexibilities and structure the levy in a way that suits their local context. However, Ministers are aware that some areas of Scotland are seeking greater flexibility in how the levy is applied and administered. Consequently, we are now actively considering how to provide additional powers to local authorities, including the option to introduce a single flat rate or tiered flat rate model alongside the existing percentage-based approach. I will ensure that you are kept up to date as this work develops and an appropriate legislative vehicle is determined.

We look forward to continuing our collaboration as we move towards, and we remain committed to working with you to ensure the legislation delivers meaningful and practical outcomes for local authorities and communities across Scotland.

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[redacted]

Ivan McKee
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