

Agenda Item	7
Report No	HC/20/26

The Highland Council

Committee: The Highland Council

Date: 25 June 2026

Report Title: Visitor Levy Update

Report By: Assistant Chief Executive – Place

1 Executive Summary

- 1.1 The Visitor Levy (Scotland) Act 2024 provides local authorities with enabling powers to introduce a visitor levy, after statutory consultation with businesses, tourism sector and residents.
- 1.2 The purpose of a visitor levy is to raise additional funding from overnight visitors for investment to develop, support and sustain and local facilities and services used by visitors, while supporting sustainable tourism and local communities. Tourism is a cornerstone of the Highland economy with the latest STEAM (Scottish Tourism Economic Activity Monitor) in Scotland reports showing 9.4 million annual visitors to the area and £2.129 billion in direct spend in 2024. Whilst making a significant economic contribution, tourism also places pressure on infrastructure that is shared with local communities.
- 1.3 At the Highland Council meeting of [11 December 2025](#), Members agreed to await the publication of amendments to the [Visitor Levy \(Scotland\) Act 2024](#) to enable a visitor levy to base on fixed rate options for how the levy may be calculated, and thereafter for a report to be brought forward to a future meeting of the Council to consider these options going forward.
- 1.4 The [Visitor Levy \(Amendment\) \(Scotland\) Act 2026](#) received Royal Assent on 21 May 2026, with the commencement regulations anticipated to come into force on 22 July 2026. These regulations will enable local authorities to design a Visitor Levy Scheme on the basis of a **per room, per night charge** on overnight accommodation based on a **fixed amount or amounts**. This is in addition to the option of a percentage of the cost of the accommodation purchased as originally provided for in the 2024 Act.
- 1.5 Officers have continued to work with Scottish Government, COSLA and industry stakeholders to consider the emerging legislative changes and related matters. As the intended legislative process in the Scottish Parliament has concluded and the outcome of new legislative powers is known, Members are now asked to agree to the next steps with respect to a Visitor Levy for Highland, based on the recommendations below.

2 Recommendations

2.1 Members are asked to:-

- i. **Note** the passage of the Visitor Levy (Amendment) (Scotland) Act 2026 and that commencement of the new fixed amount powers is anticipated to be 22 July 2026. Other amendments, including those relating to financial returns are anticipated to come into force in September 2026;
- ii. **Note** the summary of the Visitor Levy (Amendment) (Scotland) Act 2026 as set out in section 6 below;
- iii. **Note** that the Diffley Partnership, in collaboration with the Fraser of Allander Institute, has been appointed to undertake an Economic Impact Assessment (EIA) on the fixed rate options, with an anticipated completion in autumn 2026. This EIA will provide comparative data and findings to the EIA previously undertaken by the Diffley Partnership and the Fraser of Allander Institute on a percentage-based levy, which is published on the Council's website at this [link](#);
- iv. **Note** the ongoing engagement with industry representatives to co-design a draft visitor levy scheme for Members' consideration;
- v. **Note** the briefing held for Members on 8 June 2026 and the broad range of matters discussed including the various options available for setting rates; practical considerations relating to the way in which a levy would operate and impacts on accommodation providers; and use of funds should a visitor levy be implemented;
- vi. **Agree** that officers continue to progress the next phase of work, including engagement and co-production with industry and Members on the development of draft proposals;
- vii. **Agree** that a further report be considered by Members as soon as is practicable following completion of further engagement with industry and Members recommending a proposed Visitor Levy scheme for consultation; and
- viii. **Agree** that following consultation, a report be considered by Members as soon as practicable setting out the way forward for Highland. Should Members agree to implement a visitor levy, the statutory minimum 18-month lead-in period would follow.

3 Implications

- 3.1 **Resource** - The purpose of the levy is to raise additional funding from overnight visitors so that Highland Council can reinvest in local facilities and services used by visitors, while supporting sustainable tourism and local communities. The implementation of a Visitor Levy Scheme therefore has significant resource and financial implications in relation to the anticipated funds which could be raised, the cost of implementing and administering a Visitor Levy Scheme, and thereafter decisions on the use of the net proceeds.

- 3.1.2 The costs to the Council in administering and managing a Visitor Levy scheme have previously been estimated by the Scottish Government to be in the range of £550k per annum. The Visitor Levy (Scotland) Act 2024 makes provisions for operating expenses to be deducted from the gross income generated from a Visitor Levy.
- 3.1.3 A levy income and use of funds could represent a significant income stream and addition to Council resources, and both income and use thereof would be reflected within the Council's annual budget plans and Medium-Term Financial Strategy were there to be a decision to proceed. The legislation requires local authorities to use net proceeds from a Visitor Levy to sustain, support and develop facilities and services which are substantially used by business and leisure visitors (or both). Within the first 18-months from when a Visitor Levy scheme comes into force, and for each 12-month period thereafter, local authorities are required to report on how the net proceeds have been used and the performance of the adopted scheme in relation to scheme objectives.
- 3.2 **Legal** - Local Authorities have powers to introduce Visitor Levy Schemes in accordance with the Visitor Levy (Scotland) Act 2024. The 2024 Act enabled such levies to be set on a percentage basis, and through the Visitor Levy (Amendment) Scotland Act 2026, local authorities can choose between a percentage-based rate, or to set either a single fixed amount or a range of fixed amounts per room/area, per night for different purposes/areas, or a tiered fixed amount.
- 3.2.1 It is anticipated that the legal commencement of the powers relating to the calculation of a levy on a fixed amount or amounts will take effect from 22 July 2026 with further amendments coming into force in Autumn 2026.
- 3.3 **Risk** - The implementation of a Visitor Levy scheme presents an opportunity to raise new income specifically targeted at sustaining, supporting and developing facilities and services which are substantially used by business and leisure visitors (or both). The changes to the legislation provide more flexibility for local authorities to tailor a levy rate that reflects the unique circumstances of their area and accommodation base.
- 3.3.1 Scottish Government forecasting indicated there may be variances in forecasted revenues when comparing and contrasting percentage-based and fixed amount levies. Updated Guidance on the Visitor Levy for Local Authorities is expected to provide additional detail on these rate-setting considerations.
- 3.3.2 Although tourism has long been a cornerstone of the Highland economy and a source of pride, sustaining employment and livelihoods for communities across the region, the scale of its success now presents significant pressures on local infrastructure, services, and the natural environment. The latest available data from the Scottish Tourism Economic Activity Monitor in Scotland (STEAM) shows that between 2012 and 2024, visitor numbers to the Highlands increased from 5.16 million to 9.4 million – an increase of 82%. In Highland, direct expenditure by visitors on goods and services (including accommodation, food & drink, recreation, transport and shopping) grew from £1.192 billion to £2.129 billion over the same period – an increase of 78.6%.

- 3.3.3 A Visitor Levy has the potential to present a sustainable mechanism to invest in the assets, infrastructure and services that make the Highlands such a desirable destination to visit. There are known risks around the potential for reductions in existing external funding streams, including the Rural Tourism Infrastructure Fund (RTIF), for example.
- 3.3.4 Financial planning by Highland Council therefore reflects known or anticipated future external funding levels when considering fiscal flexibilities, such as a visitor levy, to generate new income and when planning for future investment.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - There are no significant 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 and Context

- 5.1 Outcomes Previously Agreed – Meeting of Highland Council on 11 December 2025.

On 11 December 2025, Members agreed the following recommendations:-

- Await the intended new primary legislation for either a single fixed amount or a range of fixed amounts for different purposes or areas, and thereafter for a report to be brought forward to a future meeting of the Highland Council to decide the way forward for Highland.
- Should Members agree to the above, that Highland Council would undertake a 12-week statutory consultation based on new proposals. A report would then set out the findings from the statutory consultation and invite Members to decide whether to proceed with a Visitor Levy for Highland. Should Members decide to proceed, then an 18-month implementation period would be required before a visitor levy could be implemented in Highland.

As part of recommended next steps, Members also agreed that:-

- Once the outcome of the legislative process is known and further work is undertaken, Officers will provide a comprehensive report to the Highland Council for Members' considerations. Should Members decide to consult on a new proposed Visitor Levy Scheme for Highland, a 12-week statutory consultation would be undertaken. Thereafter, and informed by the feedback received and other relevant information, Members would be invited to decide whether to proceed. In the event that Members do decide to implement a Visitor Levy at some point in the future, then an 18-month implementation period would commence from the date of Members' decision to proceed.
- Officers will continue to engage with the Visitor Levy Reference Group in the intervening period to consider any new legislative powers that may come forward.

5.2 Members will be aware that the findings from the statutory consultation and associated independent analysis were reported in December 2025, with over 4,000 responses received from residents, businesses and visitors, highlighting both support for the principle of a levy and significant concerns regarding the proposed percentage-based model.

5.3 The [Consultation Report](#) and [Economic Impact Assessment](#) which were independently prepared by the Diffley Partnership, in collaboration the Fraser of Allander Institute, regarding a percentage-based levy, were published on the Council's website in January 2026.

6 Legislative Powers

6.1 Summary of Additional Powers

In addition to other technical modifications, the amendments passed in the [Visitor Levy \(Amendment\) \(Scotland\) Act 2026](#) enable additional flexibility for a local authority to determine whether the levy to be charged in respect of each chargeable transaction to which the scheme relates is to be on the basis of: a percentage rate (or percentage rates), a fixed amount (or fixed amounts), or tiered fixed amounts. These amendments have been passed to enable a local authority to design a Visitor Levy scheme that reflects local needs and aspirations.

6.2 Updated Guidance on the Visitor Levy for Local Authorities

Visit Scotland is currently finalising updated Guidance on the Visitor Levy for Local Authorities, to reflect changes arising from the Visitor Levy (Scotland) Act 2026. It is anticipated that this updated Guidance will be published in July 2026.

7 Scheme Options

7.1 With respect to scheme design, the options available to the Council following the amendments to the 2024 legislation are as follows:-

- i. Progress a decision on the original percentage-based scheme as consulted on in 2024-25 (i.e. a 5% visitor levy); or

- ii. Develop and consult on a new draft scheme based on:-
 - a modified percentage-based scheme that reflects consultation feedback;
 - a fixed amount scheme; or
 - a tiered fixed amount scheme; or
- iii. Do not progress implementation of a Visitor Levy scheme for Highland

7.2 Appendix 1 sets out, for information, the high-level options that are being brought forward for discussion and that have been highlighted at both the recent Members workshop and industry engagement sessions.

8 Next Steps

8.1 Report to Council - 17 September 2026

As the Council moves forward with the consideration of a Visitor Levy, it is important that revised proposals are informed through ongoing engagement with industry representatives and continued evidence gathering. Engagement with industry representatives is providing constructive co-design ideas and considerations, and this engagement is intended to continue during summer 2026. Following the Members workshop held in June, a further workshop (or workshops) will be arranged prior to the consideration of the formal scheme for approval.

8.1.2 Additional independent research to assess the forecasting and economic impacts of fixed amount or tiered fixed amount levies is being undertaken and will inform a report to Council in autumn 2026 seeking approval to undertake a statutory consultation on a new draft scheme.

8.1.3 Members will be aware that the Council does have flexibility to consider exemptions for different purposes. The preparation work for the scheme will include a full appraisal of potential exemptions, taking into account practicality, industry and Member views and other impacts. The goal should be to put in place a scheme that is as simple and administratively light as possible.

8.1.4 Irrespective of the scheme that is put in place, the burden on business, particularly smaller businesses, will need to be managed effectively. These burdens may be administrative or related to the use of the national digital portal. This is an issue across Scotland, and lessons can be learned from elsewhere, however a Highland specific response will be integrated into the proposed scheme.

8.2 Report to Council - Early 2027

Should approval to consult on a new draft scheme be agreed by Members, this will be followed by a statutory 12-week consultation period. A report would then be prepared, which would detail the feedback received from the consultation process, inviting Members to decide whether to proceed with the implementation of a Visitor Levy for Highland.

8.2.1 Following any decision to approve the implementation of a Visitor Levy scheme, an 18-month implementation period would be required before the launch of that scheme, and a Visitor Levy Forum would be required to be established within 6 months of that decision, as required by the Act.

8.2.2 A potential decision taken in January 2027 to implement a scheme would then launch in approximately August 2028.

8.3 Further Scottish Government Policy Development

Since the legislative process that produced the Visitor Levy (Scotland) Act 2024, both feedback from public consultation, and parliamentary proceedings have been cognisant of the need to address the complex tourism pressures in Scotland with a range of solutions. The commencement of a levy on visitor accommodation was likely to become the first part of further Scottish Government policy consideration due to 'the complexity that would have arisen with trying to create one levy that applied to both overnight accommodation and cruise ships passengers.'

8.3.1 A consultation on a potential Cruise Ship Levy for Scotland was undertaken in 2025 and the [results published in March of 2026](#). This process also raised the potential of a Point of Entry Levy as a means of capturing visitors and some preliminary discussions have also taken place with respect to how ANPR technology might be utilised to target campervans and motorhomes not staying in commercial accommodation.

8.3.2 It is therefore anticipated that ongoing discussions regarding the extension of the discretionary powers that began with the Visitor Levy legislation in 2024, may be extended to other visitor groups in the new session of parliament.

Designation: Assistant Chief Executive – Place

Date: 11 June 2026

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Background Papers: Economic Impact [Assessment](#) – January 2026
Consultation Analysis [Report](#) – January 2026
Tourism [Strategy](#) 2024-2030

Appendices: Appendix 1 - Strategic overview of Pros and Cons of Policy Option

Appendix 1 – Strategic overview of the pros and cons of each policy option

Option	Pros	Cons
Do Nothing	<ul style="list-style-type: none"> No further resource required from Council or businesses No risk to competitiveness or visitor demand arising from the VL 	<ul style="list-style-type: none"> No additional funds from VL Missed opportunity to ensure visitors contribute to costs Risk of declining destination quality due to underinvestment Potential reputational lag vs other destinations reinvesting levy income
Original %	<ul style="list-style-type: none"> 'Ability to pay' (Progressive) Potential revenue Introduced/pioneered by other LAs Scales with price and inflation automatically Adjusts for Seasonality Strong yield potential 	<ul style="list-style-type: none"> Admin complexity Strong industry opposition Less transparent to visitors Potential price competitiveness concerns, especially higher end
Modified %	<ul style="list-style-type: none"> 'Ability to pay' (Progressive) Retains core strengths of % model (ability to pay...) Can reduce business impact More flexibility to address SME concerns Greater political and stakeholder acceptability 	<ul style="list-style-type: none"> Similar complexities % model unpopular Risk of over engineering / confusion Reduce revenue depending on design Complexity can increase compliance costs
Flat rate	<ul style="list-style-type: none"> Preference in consultation (perceived as simple, transparent) (Regressive) Reduces compliance burden? Clear to visitors Potentially lower setup and system costs 	<ul style="list-style-type: none"> Weaker revenue growth (not linked to price or inflation) Other complexities could emerge Reduce revenue depending on design Less equitable - budget and luxury visitors pay same rate Inflationary Increases & consultation
Tiered flat	<ul style="list-style-type: none"> 'Ability to Pay' (Progressive) Balanced approach Allows some ability-to-pay differentiation 	<ul style="list-style-type: none"> Adds complexity Reduce revenue depending on design Requires classification system Risk of disputes & perceptions of unfairness