

# So will the tourism tax be 'catastrophic' and 'decimate' the tourism sector of North Wales?

## *Daily Post Business Editor Owen Hughes on Welsh Government's proposed tourism tax in Wales*

It's fair to say the tourism tax proposal from Welsh Government attracts strong views.

Sector wise there is widespread condemnation of the [move to tax overnight stays](#) and dire warnings of its impact.

But it is also true to say there is a degree of support within many communities who can see tourism as more of a burden and inconvenience than a benefit despite the jobs and investment it brings to the country.

So will the tourism tax be "catastrophic" and "decimate" the tourism sector of North Wales?

In my opinion, no, it won't impact to that degree and there is a certain amount of hyperbole around the reaction.

But there are three other questions to consider.

Is this the right time for this tax? Is it fair? Will it actually help solve some of the negatives tourism brings and support a more sustainable industry?

Let's start with timing.

There is an impression – outside the sector – that tourism incomes have boomed during the pandemic as the UK is gripped by the staycation craze.

It's a reasonable view given the sheer numbers here over the summer as the rules were eased – and let's be honest at times it was a pain in the backside when the roads were clogged and the beauty spot on your doorstep overrun.

But the reality for many operators – many of whom took on major debts to survive the crisis – is that they have merely been clawing back some of the huge losses made during lockdowns and restricted trading.

And even in peak summer the staffing crisis meant a lot of places couldn't operate at full pelt.

As in any sector there is a mixed picture, I know some who have done okay, or even well, while others are just about clinging on, but overall it has been an incredibly challenging time.

People now want to get their heads down and crack on and for them this is an extra unnecessary hurdle on the horizon – especially for those “clinging on”.

The second issue on timing is that we need to know what the new normal is before plotting a way forward – is last summer what we can expect from now on or a one off?

The last two years have been boom and bust on steroids for tourism – we need to see where this lands over the next couple of years as foreign holidays return before making any decisions that impact the industry.

The next issue is whether this is a fair tax.

Many supporters point at the Balearic Islands and other tourism hotspots where a similar tax has been introduced and there hasn't been a drop-off in visitors and most

holidaymakers don't make choices dependent on where has and hasn't got this tax in place.

The first problem here is that in, for example Mallorca, the VAT rate on tourism is 10% – lower than in many other sectors in Spain. That compares to 20% in the UK once rates return to normal after the pandemic. So let's imagine a tourism tax adds 3% on a bill then that's 23% tax on a room in Wales compared to 13% in Mallorca.

There could be an argument made to reduce VAT on the sector and replace it with local tourism taxes so that the areas impacted by tourism get additional benefits.

But if you're adding on the tax without touching VAT (which is under UK Government control) then it's simply an extra cost for holidaymakers or hits the margins of operators – the people we want raising standards and wages in the sector.

Also these are different markets. A vast majority of holidaymakers to Mallorca will fly there so a holiday price will include flights, transfers, etc. In comparison most visitors to Wales drive in from over the border.

It means the actual room cost makes up a far higher proportion of an average trip to a hotel or self catering property in Wales compared to Mallorca – therefore a tax on a room will be felt more keenly.

This won't matter to many but for some of those comparing holiday costs with Cornwall or the Lakes it could make a difference – and we've already seen significant coverage of the proposed tax from over the border. This will continue and probably exaggerate in the minds of some the actual difference to cost it will make.

Finally is the issue of whether it will solve some of the issues associated with the sector – like swamped tourism hotspots and second homes.

On the first point it is worth returning to the fact we don't yet know how busy future summers will be.

There is though little doubt certain places – like the hotspots of Conwy, Anglesey and Gwynedd – will continue to face real summer pressures.

Extra money to improve infrastructure, the tourism offer, or just towards improving communities from the tax will help if spent well.

But a lot of these pressures come from day-trippers, not impacted by the proposed tax, who sometimes spend very little locally. Look at the numbers who descend on Llanberis, go up and down Yr Wyddfa (Snowdon), and then leave, contributing little more than a parking fee.

Wales really needs to be working to turn more day-trippers into overnight-stays to maximise benefit rather than putting them off with a tax on a room.

The nation also needs to continue the work at increasing the season and spreading the impact geographically to both ease pressures and increase the number of people in tourism careers rather than unpredictable seasonal work. I'm not convinced this tax addresses that and needs to be something looked at in any consultation.

We also need full disclosure on how much currently comes in to local authorities on the Enhanced Population Grant – which is partly based on tourism numbers – and how this is spent.

As has been highlighted many times in recent years second homes/holiday homes are a real issue for a growing number of tourism communities – pricing people out of their villages and leaving them dead in the winter.

There is now belated political action on this and I don't see the tourism tax playing any role – either positive or negative

– in tackling the problem.

So for me I don't dismiss the entire principle of a local tax that benefits tourism communities. It could be a positive thing and also help change the image of the sector in the minds of some.

But in my view this must be done alongside wider tax reforms for the sector – with Welsh Government working with counterparts in the UK and Scottish governments on this as well as engaging with other tourism areas like Cornwall, the Lake District, and Scotland.

Let's first get the sector back on track after a tumultuous two years and let businesses focus on recovery before considering going down the path of additional taxes.