

## Visitor levy consultation: BusinessLDN response

February 2026

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*BusinessLDN represents over 170 leading businesses in London. These major employers span a wide range of economic sectors, including many of the Business Improvement Districts across London as well as large parts of the visitor economy ecosystem such as hotels, airports and business events. Our mission is to make London the best city in the world in which to do business, working with and for the whole UK. BusinessLDN welcomes the opportunity to respond to the Visitor Levy consultation.*

### **The case for a local overnight visitor levy in England (Question 1)**

It's hard to imagine a more challenging set of economic circumstances than the present situation into which to introduce an overnight visitor levy.

The hotel and accommodation sector was one of most severely affected parts of the economy during the Covid pandemic and the recovery from it. In recent times, it has borne the brunt of government-imposed policy costs, including increases to National Insurance Contributions, increases in the statutory Living Wage and in business rates.

The sector is fiercely price competitive, with many bookings placed through online portals and price comparison platforms. Customers are acutely price sensitive given ongoing cost of living challenges.

Hotel and accommodation providers in London frequently compete for customers with other international cities. And whilst it is true that other places impose some form of visitor levy, this is not a true like-for-like comparison given the significantly higher rates of VAT that apply here relative to other locations where a visitor levy applies. The two big visible up-front costs for international visitors when travelling are air fares (where the UK has high Air Passenger Duty) and hotel costs (where we already have high rates of VAT). Adopting the visitor levy would place a further competitive disadvantage on London by adding to the tax burden on visitors.

Implementing a visitor levy would also impose a further cost burden on accommodation providers as they will need to invest in changing booking systems.

The visitor economy is a significant contributor to the wider economy, equating to some £147bn of GDP or around 5% of the national economy<sup>1</sup>. It is also a major contributor to the Exchequer, generating around £52bn in tax revenues per annum. Hotels pay business rates to their local authorities, but they are not then retained by them. If one of the motivations behind proposing the visitor levy is to ensure that the associated 'costs' of tourism are being addressed, our view is that should be resolved primarily by looking at

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<sup>1</sup> <https://www.visitbritain.org/news-and-media/industry-news-and-press-releases/new-report-visitbritainvisitengland-shows-tourism>

spending allocation decisions between national and local government rather than coming back to the sector and asking for more.

If, however, the levy is going to be introduced, it is important that it is considered in the round and in the context of signalling to visitors that they are wanted here. Tourists are a vital part of London's economy and London acts as a gateway to international visitors to the rest of the UK. So, we would urge the Government to look again at the case for re-introducing VAT free shopping for international visitors and for extending exemptions for Sunday trading rules to targeted areas such as the West End and Knightsbridge as two growth-promoting measures which would ultimately be net positives for the Exchequer.

Despite the many economic challenges and increasing pressures on the sector, if the Government chooses to proceed with a visitor levy, it should focus on addressing the fact that London and the UK underspends<sup>2</sup> on attracting tourists and promoting the capital more generally. BusinessLDN stands ready to work with the Government and with the Mayor to ensure the proposed visitor levy is well designed and implemented to address this point.

To ensure that is the case, our over-riding priorities are:

1. To ensure that the proceeds from any levy are used to support growth, with the funds hypothecated to focus on promoting London and attracting tourists;
2. That levy collectors must have a meaningful say over what the money is spent on; and
3. That simplicity is the watchword in the design and operation of the levy, to minimise friction and ensure it is well understood by accommodation providers and customers alike.

### **Use of revenues (Questions 2 & 3)**

If a levy is introduced, we agree that the Mayor should invest the revenues from a levy in interventions designed to promote London, support tourism and attract visitors. The levy funds should be tightly hypothecated for these purposes.

As one example, it would be beneficial if the funds were used to secure and promote additional visitor attractions such as major shows and events in quieter periods of the year to provide a boost to visitor numbers.

The fear among the sector is that the levy funds get subsumed into a general pot that merely offsets spending cuts elsewhere and in areas not directly related to promoting tourism.

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<sup>2</sup> <https://tourismalliance.com/wp-content/uploads/2024/09/Falling-Behind-International-Tourist-Board-Funding-Compared-FINAL.pdf>

To ensure that the revenues are genuinely value-adding to promoting tourism, we advocate putting in place some checks and balances that include:

- An agreed governance structure that gives levy collectors a meaningful say over how the funds are spent, with the Business Improvement District (BID) style model and ballot system being a good example of how to ensure business backing for additional services;
- The Mayor setting out baseline performance indicators prior to the commencement of the levy scheme, so that it is possible to tell if the additional funding is making a positive difference over time; and
- A periodic review conducted with levy collectors as to whether the levy is proving value-added and should continue.

Given our views that the levy funds should be used exclusively for supporting tourism and attracting visitors, our instinct is that the revenues from the levy should flow to the Mayor to determine how these are distributed. In the words of a hotel operator based in the capital, “If it’s about marketing London, the GLA is best placed to do this.”

But it would be logical for the local consultation – in London as with elsewhere – to first establish the details of what the proposed revenues are to be spent on, and then once this is decided to determine whether the revenues flow directly to the Mayor or a share of them to local authorities rather than pre-judge this.

### **Scope of the levy (Questions 4-7)**

The scope of the proposed levy should be guided by the principle of simplicity. We believe that the levy should apply to all accommodation types and that they should be treated equally.

There should be as few exemptions as possible and any exemptions that do exist should be determined on a centralised basis, not left to local discretion. We do not believe that Mayors should have the powers to introduce additional local exemptions. In the words of one multi-site hotel operator, it would be an “administrative nightmare” if local variations exist.

Another argument in favour of minimal exemptions is to ensure that front desk staff are not put in an invidious position of having to determine if a guest qualifies for the exemption or not.

## **Levy rates (Questions 8-16)**

Again, driven by the principle of simplicity, we are inclined to favour a flat rate levy system rather than a percentage-based model. This would make it simpler for both parties. For visitors, it makes for a simpler customer journey and increases understanding in the marketplace if there is a common amount used everywhere. And for accommodation providers, it would also make things easier given they have complex distribution systems and take bookings from multiple platforms.

The most important thing is for a nationally consistent approach, rather than a patchwork quilt of flat fee and percentage-based models existing in different locations.

We would favour the levy applying on a per room basis rather than applying per person, both for simplicity and so as not to detract families from visiting.

A flat fee model set at around the £2-3/night level would be the least-worst option, as anything higher would be punitive for the budget accommodation sector.

We encourage the Government to put in place a cap on the maximum number of nights that the levy applies to, for example for 5 nights, so as not to penalise and discourage long stays, especially for families facing cost-of-living challenges.

## **Transparency and accountability (Questions 17-24)**

We support a formal consultation process being conducted by the Mayor to establish the detail of what any levy revenues are spent on and the mechanism for ensuring local levy collectors have a meaningful say over how the funds are spent. We agree that following the outcome of this consultation, a notice period of 12 months is appropriate for the levy to be introduced.

## **Liability and assessment model (Questions 25-28)**

We agree that the visitor accommodation provider is ultimately liable and that the tax point of a levy should be the point of arrival.

## **Administration (Questions 29-33)**

The introduction of a new levy, however simple, will add an administrative burden and cost to accommodation providers. But obviously the more complex, the higher the cost. So again, driven by the principle of simplicity, we strongly encourage the Government to put

in place a single, national collection portal rather than have operators having to deal with a myriad of local collection methods. A national collection model would also negate the question of whether relevant local authorities would need to be reimbursed to fund administration costs.

The consultation proposes that where the cost of a levy is passed on to visitors through higher prices, any VAT payable will be due on the total cost to the visitor. This would effectively 'double tax' guests with VAT being added after the levy charge. We urge the Government to change this so that the levy is not subject to VAT.

### **Compliance and enforcement (Questions 34 & 35)**

We support an appeals process that enables providers to appeal on the basis of liability, classification or enforcement action.

We also believe it is important that the Government requires Mayors to put in place a clear point of contact and appeal mechanism for individuals if they feel that they should not be subject to the visitor levy, rather than leaving any such disputes to individual hotel operators or accommodation providers to resolve.

### **Equalities impacts (Question 36)**

A levy that focuses on simplicity in design and operation is the best way to guard against any distortive impacts for persons who share a protected characteristic.

**BusinessLDN  
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