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Visitor Accommodation (Register and Levy) Etc. (Wales) Bill: rural proofing impact assessment

Rural proofing impact assessment of a Bill giving local authorities the choice to introduce a levy on overnight stays in visitor accommodation in their area.

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Overview

The Welsh Government is introducing legislation to enable local authorities to introduce a visitor levy in their areas, which is a priority commitment within the Programme for Government. The levy will be a fair contribution made by visitors and applied to overnight stays in visitor accommodation. It will raise additional funds for local authorities to reinvest in the public services and infrastructure that make tourism a success. Each local authority will have the power to decide to introduce a visitor levy in its area, meaning this will be a new, local levy designed in a way that works for residents, businesses, and visitors. **Details on the Bill can be found here**.

The levy has been kept simple but fair in design to help minimise any potential negative impacts; we anticipate it will have a positive impact for local areas that choose to use a levy by generating revenue to support local areas, thereby enhancing the reputation of the destination and supporting the visitor economy.

A statutory register of visitor accommodation providers, covering all defined visitor accommodation in Wales, will support the introduction of a visitor levy and enable better understanding of the sector to help inform future policy interventions.

We undertook a **public consultation for the visitor levy proposals** from September – December 2022, the details and outcomes can be found here, alongside **consumer insight research** to seek the views of Welsh residents and UK domestic holiday consumers here.

This impact assessment relates to the draft Visitor Accommodation (Register and Levy) Etc.(Wales) Bill and should be considered alongside it.

Definitions

Exemptions

Accommodation types that will not be subject to a visitor levy.

Local authority/ local authorities

The 22 principal councils in Wales, also referred to as unitary authorities.

Nil-rates

A stay in visitor accommodation which is levied at a rate of £0.

Refunds

When the visitor levy has been passed on to a visitor and the legislation permits them to have the amount subsequently refunded.

Sustainable tourism

Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities. (**United Nations World Tourism Organisation**).

Visitor

A person who stays in visitor accommodation.

Visitor accommodation

Visitor accommodation that is defined in the Bill that is subject to a visitor accommodation provider registration.

Visitor accommodation provider

A person/ business who provides or offers to provide visitor accommodation at premises in Wales in the course of trade or business.

Visitor levy

An additional charge on overnight visitor accommodation. This is also referred to in other countries as a tourism tax, accommodation tax, or hotel tax.

Indicative timeline

2024 Introduction

Bill is introduced to the Senedd for scrutiny. Impact assessments published.

2025 Senedd vote

If the bill passes, receives Royal Assent.

2025 Local discretion

A local authority can commence local consultation and assess the impact of a visitor levy.

2026 Notice period

Likely a 12 month notice period if a local authority decides to introduce a levy.

2026 Registration

Accommodation providers begin registration in areas where levy is to be introduced.

2027 Implementation

Indicative date for visitor levy to be introduced by a local authority.

1. Visitors to Wales

1.1 In 2023, Great Britain (GB) residents took 8.58 million overnight trips in Wales, spending 26.1 million nights and £2.04 billion during these trips. The average duration of trips in Wales during the reporting period was 2.9 nights with an average spend of £237 per trip (compared to £198 in 2021) (**Domestic GB tourism statistics (overnight trips): October to December 2023**).

1.2 In 2022, there was a spread of locations, where 1 in 4 trips in Wales were to the countryside or a village, and an increase in the proportion of trips to cities and large towns in 2022 (28%) compared to 2021 (23%). A much higher proportion of trips taken in Wales in 2021 and 2022 were to the seaside and coastal areas compared to GB as a whole (20%). This reflects the higher proportion of trips taken in Wales (**Domestic GB tourism statistics (overnight trips): 2022**).

1.3 Visitors to Wales in 2022 were most likely to be staying in serviced accommodation (38%) followed by caravan/camping/glamping (21%), 21% staying in private homes, and 12% staying in self-catering property rental (**ibid**).

2. Tourism context

2.1 Tourism can influence local communities economically, socially, and environmentally. The positive economic impacts of tourism can include the creation of more jobs and employment opportunities, increased household incomes, and improved standards of living. The negative economic impacts of tourism can include an increase in the cost of living, a rise in the price of property, goods, and other products, and an increase in property taxes.

2.2 Tourism can increase the availability of recreational facilities in communities, improve understanding of cultural identity and language, and promote the preservation and revival of traditional arts, culture, and language. The negative social impacts of tourism can include the overcrowding of facilities and services, as well traffic congestion on roads, increased crime, and increased litter.

2.3 From an environmental perspective, the potential negative impacts of tourism include damage to the natural environment, and increased air, water, and other forms of environmental pollution.

2.4 There may be some differences between rural and urban areas in terms of how these impacts are realised (**Urban vs. rural destinations**). Rural tourism operators tend to be smaller, family-owned firms, originating from within the local community and often demonstrating local agricultural products and cultural activities. Rural tourism can stimulate local economic productivity through creating services and job opportunities which provide economic benefit for the area. For example, rural tourism benefits local communities by providing the farming and service sectors with a supplementary source of income. This can support the local economy with new sources of income and employment created through tourism.

2.5 The key difference between rural and urban tourism is that in cities or more built-up areas, activities are integrated with other urban activities. Tourists use many of the facilities and services found in cities, some of which are provided specifically for tourists. While urban residents are the primary intended beneficiaries of most urban facilities, such as public transport, roads, infrastructure, and services, they are also available for use by visitors. However, because cities usually have a broad economic base, there is less direct service and infrastructure provision specifically for visitors, which also benefits residents, and economic dependency on tourism is lower.

2.6 For example, tourism industries accounted for 11.8% of employment (159,000) in Wales in 2022, a fall from 161,000 in 2019 (12.1% of employment in Wales) during which time overall employment levels in Wales remained unchanged. Regionally, in Mid Wales 13.2% of employment was in a tourism industry in 2020, the largest proportion of the 4 regions, compared to only 10.0% in South East Wales. A similar pattern can be seen over the past few years, with North and Mid Wales having the largest proportion of employment in tourism industries, and South East Wales the lowest. There is considerable variation within regions and across the nation. In Pembrokeshire and Anglesey, over 20% of employment was in tourism industries, the highest of all local authorities, with the lowest levels, only 6%, seen in Wrexham (**Wales Visitor Economy Profile: 2021**).

3. How will the proposal affect the lives of rural people, positively and negatively? For example, as service users, workers and consumers.

I. Potential positive impacts

3.1 The visitor economy is a major source of jobs and economic growth across Wales. The Welsh Government's ambition is to grow tourism for the benefit of Wales by supporting local communities in a way that is sustainable for the land and environment of Wales, developing a framework which is mutually beneficial to both visitors and citizens.

3.2 Tourism is a big economic contributor (**Wales Visitor Economy Profile: 2021**) in rural and coastal areas, one which provides employment and investment and results in the provision of a much bigger share of the local economy. A large proportion of visitors come to Wales on holiday for the scenery and natural beauty (**Great Britain Tourism Survey: 2019**), therefore, any positive or negative impacts from the levy would be higher in parts of Wales that receive more visitors (which include rural and coastal areas). A levy could help to preserve this experience should revenues be invested on initiatives to maintain or improve green spaces, beaches and natural resources or access to those spaces.

3.3 A visitor levy would mean visitors from Wales and elsewhere would make a contribution to help sustain local services and infrastructure, encouraging equity between residents and visitors in how these are funded. Local areas and regions need public funding to keep infrastructure and services working for local communities and visitors. The revenue generated by adopting a visitor levy can support innovative and sustainable destination management, as is commonplace across the world in those countries that have visitor levies.

3.4 From a handful of case studies (**Tourism taxes by design**), it is evident that revenues from visitor levies can make a positive difference for destinations' work in nature preservation, restoration of cultural heritage, and help fund social and community projects. While levies are often a hot topic of debate and opposed by industry stakeholders, there is also evidence that the willingness to pay (WTP) among consumers is comparatively higher if the purpose of taxation and the use of revenue is transparent and meaningful. Also, such levies are often favoured by residents and can provide a platform for stronger destination collaboration.

3.5 The Welsh Government commissioned consumer research to obtain the views of Welsh residents and UK domestic holiday makers on the potential visitor levy. The majority (58%) of respondents agreed that tourists should contribute towards the costs of maintaining and investing in the destinations they stay in, rising further amongst people with lots of tourism in their area – in Wales (66%) and the UK (72%). 13% disagreed (**Visitor levy research: views of consumers and residents**).

3.6 The benefits and costs of hosting visitors will vary across Wales. Some areas of Wales experience large volumes of visitors at peak times (i.e. during the summer period) which strain local services and infrastructure. It is those areas which stand to benefit the most from a levy.

3.7 The levy will be discretionary in nature, enabling the 22 principal authorities (county and county borough councils) in Wales to exercise their own judgement about whether to apply it. We are looking to empower local authorities to make decisions in line with needs of their communities. This is in line the wider policy approach which the Welsh Government takes on local taxes.

II. Potential negative impacts

3.8 Discussions with the sector have highlighted the disproportionate impacts of inflation on rural business' costs (**The cost-of-living squeeze: Distributional implications of rising inflation**). Visitor accommodation providers in rural areas may face higher costs due to the unique location of their offerings. These may include higher energy and transport costs. Additionally, they may have further challenges related to recruitment due to a smaller pool of available labour in rural areas.

3.9 It is recognised that visitor accommodation providers are more likely to be small, or micro-businesses (**Wales tourism accommodation occupancy surveys: January to March 2023**) and therefore, the associated administration of the levy may be more burdensome for these businesses, especially those with less sophisticated accounting systems. Businesses will need to update their digital systems and factor in new processes for filing and submitting returns to effectively administer a visitor levy. This presents additional administrative burden to these businesses; this burden is increased for those businesses who are less digitally enabled. However, the levy is simple in design and the burden will likely be minimal as those collecting less than £1000 in levy can remit the levy less frequently (yearly rather than quarterly) to the Welsh Revenue Authority (WRA). Through the Welsh way of doing tax (**Welsh Revenue Authority Corporate Plan 2022 to 2025**), the WRA will test, learn and measure the impact of this through their data and recommend changes to this if necessary to ensure that the administrative burden on small businesses is low. There may be some additional effort required to confirm visitor numbers to establish the correct charge to apply, however this information is already routinely collected by most providers.

3.10 Although not the aim of the visitor levy, it is estimated there could be a behavioural response (we have assumed businesses would pass on the costs in full to visitors rather than absorb these). It is not possible to discern with accuracy what the wider economic conditions will be when a levy is introduced, as it will take time for local authorities to decide whether to adopt a visitor levy in consultation with their communities. If a local authority opted to use a visitor levy it may cause an adverse behavioural reaction from visitors leading to a loss of demand.

3.11 Our economic impact assessment estimates any changes in employment as a result of the visitor levy based on three scenarios ranging from a weak, medium and strong behavioural response to the levy. The estimates range from a net gain of 100 FTE jobs in a weak scenario to around 390 net FTE job losses in strong scenario. For example, a downturn in demand could lead through to employers reducing hours, recruitment, investment plans, salaries or in the extreme making redundancies. This may ultimately impact on employees. These results are inevitably uncertain and are based on an overall net impact as there is a resultant increase in FTE’s due to expenditure of visitor levy revenues that offsets losses. Evidence from other destinations suggests this is unlikely and if they do occur, they may only occur in the short-term, with the longer-term revenue generation from a levy outweighing any short-term impacts.

3.12 Ultimately, wider factors will influence both visitor and employer behaviour including the macro-economic context, therefore delineating any precise economic impact of a visitor levy would be unfeasible. Factors such as the weather, the time of year, levels of disposable income, what other destinations are doing, the state of the economy and other factors will all impact on visitor behaviour.

3.13 Additionally, should the additional revenue raised stimulate improvements to the local infrastructure and services, this could see an increase in visitors to the area, spurring more employment opportunities in the tourism sector.

III. Summary of potential impacts

3.14 As discussed in our assessment of potential impacts on rural areas published alongside the visitor levy consultation (**Discretionary visitor levy for local authorities**) in September 2022, the introduction of the levy may have adverse impacts on more rural areas of Wales. Tourism represents an important diversification sector for the farming industry and represents a significant contribution to the economies of rural areas.

3.15 In summary, should fewer visitors come to Wales (or a specific local authority within Wales), due to increased costs for staying overnight, then this may reduce occupancy rates, negatively affecting the viability of the smallest businesses. As highlighted above, there are also positive impacts expected across the Welsh economy as the tax revenue is re-spent by local authorities across Wales. Where the revenue is deployed will be a local authority decision, and the Bill proposes that the revenue is spent on projects related to destination management and improvement.

3.16 If some rural areas are more reliant on income derived from tourism, then the positive or negative impacts of a levy could be felt more acutely in these areas. The levy could increase demand for tourism if the revenues are spent strategically or it could lead to a decline if the revenues are not deployed effectively. It will be for local authorities to make those judgements both to adopting a levy and how those revenues are allocated.

4. Will access be an issue for rural people? If yes, what will be done to overcome barriers to access?

1. N/A

5. How has the proposal taken account of the needs of rural people e.g. older population, lack of affordable housing, language requirements?

5.1 In terms of visitors, trips to Wales are spread across different age groups, but those in the age range 25 to 34 years old generated the highest volume of trips taken in Wales in 2022 at 27% (**Domestic GB tourism statistics, Wales overnight tourism: annual report: 2022**). Visitors from the age group 55 years or older made up a higher proportion of visitors to GB than to Wales. There was an increase in the proportion of younger visitors (under 16-34) in 2022 comprising 50% of all trips taken in Wales compared to 44% in 2021. Visitors to Wales had a slightly larger average travel party size of 3.0 visitors compared to 2.7 visitors for GB, and 36% of trips taken in Wales included children in the travel party compared to 32% in GB as a whole,

5.2 The proposal provides a mechanism for local authorities to raise a levy on overnight stays within visitor accommodation in their areas. The needs of local communities are varied across Wales and local authorities would be required to consult with their populations to inform their decision making when considering introducing a visitor levy.

5.3 The introduction of a visitor levy for Wales provides Welsh local authorities with the opportunity to support and enhance Wales' world-class visitor destinations through additional funding and investment. This would help promote the ongoing sustainability of visitor destinations across Wales, as well as the services much depended on by residents in rural areas.

5.4 We recognise that some farming families conduct their business and daily lives through the medium of Welsh. As part of the design and creation of the visitor levy service, the Welsh Revenue Authority (WRA) will have the Welsh language at the heart of its development. They offer all their services bilingually and adhere to the Welsh language standards. They will be developing systems and content in both languages simultaneously, tested with users, to make sure the services are fit for purpose. The WRA operates their customer facing services such as, calls centre functions, correspondence, guidance, and events bilingually to allow people to use their services in their preferred language. The Welsh Government and the WRA will work together to make sure that existing and future services are promoted bilingually.

5.5 Any displacement impacts of the levy refer to potential demand loss for tourism. It would likely not impact use of Welsh Language, although there could be less opportunities to use Welsh if there was a loss in demand, noting that there is likely to be a smaller proportion of Welsh speaking visitors out of the total visiting population. We have no evidence showing that people would leave their communities because of a visitor levy specifically – although we do note that there may be a range of factors that drives such behaviour such as declining government financial support, increased costs of doing business (of which a levy may be a factor), loss of employment prospects, and poor economic conditions.

5.6 Globally, visitor levies provide funds that support green spaces, clean streets, visitor facilities, local communities, preservation of monuments, and public transport. These are integral elements to a visitor's experience and residents' amenities.

6. Will the proposal lead to new services being opened or existing services being closed? How will you maximise positive impacts and mitigate negative impacts?

N/A

7. Does the policy require the purchase or use of land? Have you considered rural factors such as land value, availability or restrictive designations?

N/A

8. Will the proposal work in difficult terrain e.g. narrow roads and steep mountains? If no, how will you overcome barriers?

N/A

9. Is the proposal relevant to SMEs or micro-enterprises? If yes, how have you taken their situation into account? Does the proposal expect businesses to be able to access support? (This may be in the form of advice, training, finance etc.) If yes, what b

I. Size of sector

9.1 The impacts of the visitor levy will vary across visitor accommodation providers based on their size. The tourism sector is characterised by many small and micro-sized businesses. These smaller businesses tend to operate at low profit margins and often lack significant capital buffers, meaning small changes in the tax system can mean that they may be less able to absorb the impact of any price changes and additional administrative costs.

9.2 Should fewer visitors come to Wales (or a specific local authority within Wales), due to the increased costs for staying overnight, then this could reduce occupancy rates, negatively affecting the viability of the smallest businesses. Although evidence suggests that this is unlikely to occur and if so at a marginal level and in the short term (**Evidence review of elasticities relevant to a visitor levy in Wales**).

9.3 In recognition that a lot of visitor accommodation providers in Wales are small to medium size businesses in coastal and rural areas, the WRA undertook user research with a variety of accommodation providers across Wales. The WRA will continue to do this as they develop the visitor levy service and engage with professional bodies in both the tourist and farming communities to help engage with and learn from hard-to-reach groups.

II. Training and guidance

9.4 To mitigate this impact, we have worked with stakeholders, alongside the WRA, to understand potential impacts and will develop guidance and training sessions to support visitor accommodation providers to administer the levy. There will guidance developed by both the Welsh Government and the WRA. The Welsh Government will provide guidance to help local authorities and the public interpret the legislation and policy. The WRA will provide operational guidance for liable persons to support them with their obligations relating to the collection and remittance of the levy.

9.5 The guidance developed will stipulate the importance of seeking rural stakeholders views to understand rural based issues in more detail. The guidance developed will align with existing statutory obligations for a local authority "give due consideration to its statutory duties to carry out equality impact assessments under the Equality Act 2010" and the Welsh public sector equality duty which came into force in 2011. This will include consideration of how its policy meets the requirements of the Well-being of Future Generations (Wales) Act 2015 and contribute specifically to the objectives of a prosperous Wales; a more equal Wales; and a Wales of cohesive communities."

III. Design of the levy

9.6 The levy has been designed with simplicity at its heart, to minimise any administrative burden and ensure efficiency of tax collection. The Welsh Government is taking a cautious approach to setting the initial rates of the levy and monitoring its impact over time. This approach provides a balance of generating sufficient revenue without representing an excessive increase to the cost of a trip to Wales. This approach will also provide opportunity for the policy to bed in and for visitors to become accustomed to paying a levy in Wales.

9.7 Additionally, the levy has been designed to mitigate impacts on smaller providers through less frequent filing requirements. For example, based on data and reasonable expectations, if a visitor accommodation provider is expected to collect less than £1000 per annum in levy payments, they may choose to file to file annually, whereas those collecting more than this will be required to file returns quarterly.

IV. Local authority processes

9.8 Should a local authority decide to introduce a levy in their area, they will first be required to consult with their communities. This will involve indicating the intended implementation dates as part of the consultation process. Following consultation and an assessment of the potential impact of the levy in their area, local authorities have to give a 12 month notification period before introducing the levy to enable time for visitor accommodation providers and visitors to be notified of the introduction.

V. Use of revenue

9.9 It is recognised that public spending on tourism related activity has been in decline over the past decade due to wider pressures on local authority budgets, which has impacted on the availability, access and quality of public infrastructure and services such as public toilets, information centres, bus routes. Depending on how revenues are used by local authorities, there may be wider benefits from improvements to the local tourism offer, in using the revenue to help sustain and revitalise the local area.

9.10 For example, in giving a local authority the power to introduce a visitor levy, the levy will be giving local authorities a tool they can use to develop, support and sustain facilities and services which are substantially for, or used by, those visiting a local authority's area for leisure purposes. This may be particularly relevant in the context of pressures on such facilities and services that may arise or be exacerbated by high numbers of visitors, because currently these visitors will generally not directly contribute to the revenues of local authorities. The discretionary nature of the power will equip local authorities with a new fiscal power to raise revenues to support the local visitor economy.

9.11 The nature and specificity of the benefits will of course depend on how the revenue is spent i.e. which specific projects the revenue is deployed.

VI. Data capture and monitoring impact

9.12 Data from the visitor levy will identify the number of visitors staying overnight in each local authority area that has opted into the levy. This data is particularly pertinent when considering impacts and spread of tourism across Wales and will be of interest to bodies in the tourism sector.

9.13 The visitor levy is a discretionary tax, therefore setting out a timeline for formal post implementation review is difficult as it may take several years for local authorities to sign up for the scheme. Therefore, evaluating the efficacy of the scheme will evolve over time.

9.14 The Bill sets out a requirement for local authorities to prepare and publish a report on the amount of revenue generated from the levy and information on how the levy has been used towards destination management purposes on an annual basis.

9.15 Officials will develop guidance for local authorities setting out advice and best practice for monitoring and evaluating the impact of the levy.

9.16 The outcome of the legislation will be monitored on an ongoing basis, with a combination of methods, including monitoring the Welsh economy and supply/demand indicators. Use of existing data gathered from the relevant Visit Wales surveys, Tourism Barometer and additional engagement with local authorities and the tourism sector to understand the effectiveness of the legislation. Welsh Ministers have the ability to revise the rates should adverse impacts materialise.

9.17 It is anticipated that the Welsh Revenue Authority will continually monitor and review the effectiveness of the levy administration through regular engagement with local authorities and tourism businesses. Alongside this, they will consider what data to report on, such as the amount of revenues collected.

10. Does the proposal depend on infrastructure such as good road/rail connections or fast broadband or good mobile connectivity? If yes, what provision will be made for communities/ businesses in more isolated rural areas?

10.1 The implementation of a visitor levy does not depend on infrastructure such as good rail or road connections. There could be impacts on businesses in relation to digital connectivity as a result of the levy. However, the WRA will provide some form of assistance for those who have limited digital access and skills. The WRA will consider non-digital alternatives when necessary (such as manual registration, paper return, letters rather than email, and drop in hubs) should this be proportionate to do so.

11. How does your proposal help to tackle poverty in rural areas?

11.1 Although the root causes of poverty in rural areas are the same as in urban areas, the experience of deprivation may be different in rural areas. Some of the main issues contributing to poverty in rural areas are fuel poverty (including both heating and transport fuel), in-work poverty, access to services and digital exclusion.

11.2 The visitor levy will not directly address rural poverty in rural areas. However, the revenues generated by a visitor levy may be used to support the local visitor economy. This may provide employment opportunities and inwards investment which could aid efforts in reducing poverty.

12. What contact have you had with rural stakeholders? Did any other issues come up because of the engagement with stakeholders or any consultation around this proposal?

If yes, what were they and how have you modified your proposal to take them into account?

12.1 In the run up to the consultation, officials have engaged extensively with local authorities, hospitality and accommodation providers via a Business Reference Group, tourism industry representative groups via Regional Tourism Fora and the Visitor Economy Forum. Officials have met with online booking platforms, Children in Wales, National Parks, third-sector organisations, and administrations in other countries who have established visitor levies.

12.2 In addition to 4 in-person consultation events across Wales and a virtual event, an awareness campaign was launched with the public consultation to share information and encourage involvement. Activity included sharing content via the corporate Welsh Government, Welsh Treasury and Visit Wales social media channels, a WG Blog and two digital films with one targeting young people. Articles were published in local media, and a call to action was shared via Welsh Government and stakeholders' newsletters to maximise responses.

12.3 The WRA has also conducted user research on behalf of Welsh Ministers to understand how accommodation providers currently operate and inform how a visitor levy would work in practice. Workshops have been held with a number of accommodation providers across Wales, including those that are small to medium size businesses in coastal and rural areas. The WRA has raised awareness through social media channels and their own website and will continue to do this and through in person engagement as they develop the visitor levy service and engage with professional bodies in both the tourist and farming communities to help engage with and learn from hard-to-reach groups.

12.4 A Visitor Levy Working Group has been established to understand potential challenges arising from the operationalising of the levy and how these may be mitigated. A mixture of stakeholders has been invited to this group including representatives from the tourism industry, local authorities, and other organisations. The purpose of this group was to consider potential impacts and mitigation options where possible and provide scrutiny and challenge when considering impacts and evidence around these.

12.5 We also consulted and engaged directly with rural representative organisations, including the Country and Land Association, National Farmers Union and Farmers Union Wales in the lead up to the consultation and pre introduction of the Bill into the Senedd.

Targeted engagement

The Country and Land Association

12.6 One of the key observations provided by the Country and Land Association was that profit margins are small, and as a result absorbing any extra costs will be challenging, especially those smaller businesses in more rural areas. The group also noted that around 10 years ago, farmers or rural businesses were encouraged to diversify, and they shared concerns that the visitor levy (amongst other policies directed at visitor accommodation) could make running their visitor accommodation properties more complicated and expensive, however there was support for ringfencing the revenue from the levy for sustainable tourism purposes.

12.7 Additionally, they supported including exemptions for specific groups of vulnerable people, with flexibility to add or remove exemptions should evidence support this. They also highlighted the issues with connectivity in rural areas and sought a service that provides the option for submitting paper levy returns. They suggested that training and guidance is provided via a range of platforms to give flexibility to businesses and that any training should be offered in person at venues across Wales, as well as virtually.

12.8 They supported a transparent and accessible approach to engagement with local authorities on how the revenue from the levy will be spent. They suggested forums be created for each local authority area, and each forum should have rural representation. In terms of where the revenue could be spent, they suggested that a portion is made available as a capital grant scheme for businesses to apply. They proposed that a de minimis threshold be introduced, so that the micro businesses are exempt from collecting the levy.

The National Farmers Union

12.9 Key concerns raised by the National Farmers Union were about the administrative burden, the cost and time of administering the levy, the risk of losing visitors, and the lack of support for small businesses. Some key observations and suggestions were to ensure the levy was simple in design, including by aligning the payment of the levy with the tax year, providing clear guidance and training, and having a stakeholder group to inform spending decisions. It is important that Wales' footing in the tourism industry was not damaged by the introduction of a levy and that the revenue from the levy could offset any reputational damage through more marketing for Wales as a tourism destination, and in other ways like more investment in maintenance and signage. They also suggested that there was flexibility built into the legislation to "turn off" the levy should any evaluation determine it was not achieving its aims and even having a detrimental effect.

The Farmers Union of Wales

12.10 The Farmers Union of Wales expressed concerns about the impact of the levy on smaller businesses. They also raised issues such as the cumulative effect of other policies, the potential loss of competitiveness (to other countries and across local authorities if not all of them adopt a levy) and the need for stakeholder involvement in spending decisions.

12.11 They also raised concerns with digital connectivity for smaller businesses in rural areas, noting that some businesses only operate via paper. They asked that the processes established for businesses in the filing and submitting returns is proportional i.e., the time to do this should correlate with the size of the business. They highlighted the need for discussing the local authority priority spending needs, and that a specific group is needed for deciding on the areas needs before the revenue is spent.

12.12 In terms of guidance, Farming Connect receives guidance on behalf of the farming community and distributes, this could provide an option for raising awareness of the levy and its guidance. In terms of data, they would like the data to be readily available, transparent, and simple to break down from a national level to local authority level.

12.13. As a result of these meetings, the guidance developed for local authorities will stipulate the importance of seeking rural stakeholders input to understand rural based issues in more detail.

12.14 The Bill also includes provision for local authorities to “switch off” of the levy. Just as there is provision around the appropriate timescales for notifying local populations of the introduction of a visitor levy i.e. a minimum notice of 12 months for introduction of a visitor levy.

12.15 As stated earlier, the levy has been designed to minimise administrative burden and ensure efficiency of tax collection. The Welsh Government is taking a cautious approach to setting the initial rates of the levy and monitoring its impact over time. This approach provides a balance of generating sufficient revenue without representing an excessive increase to the cost of a trip to Wales.

13. What evidence have you used to inform your assessment, including evidence from rural people or their representatives?

13.1 An essential part of building a comprehensive and balanced case for policy and legislation is appraising the impact it is likely to have – both positive and negative. Rural areas face challenges and many of these challenges such as geographic isolation, an aging population and an economy based on micro enterprises and SMEs are found across Wales. In rural areas, these may be more severe or combine to form a set of circumstances that may hinder the effective implementation of policy and legislation.

13.2 To ensure a robust analysis of the estimated impact of the needs of the people who live, work, socialise, and do business in rural areas is provided, this assessment has considered the outputs from:

- Independent research provided by Bangor University on the potential non-economic impacts of a visitor levy in Wales,
- Independent research by Bangor University on **Comparative Analysis of the Tax system Faced by the Visitor Economies in selected Countries**
- Independent research provided by Cardiff University on the potential

economic impacts of a visitor levy in Wales,
- Independent research provided by Alma Economics on **review of elasticities relevant to a visitor levy in Wales**
- Feedback received as part of the consultation held from September to December 2022
- Targeted engagement with key stakeholders and stakeholder groups in Wales by Welsh Government and the WRA.

What other evidence would inform the assessment?

13.3 The **compendium** published alongside the regulatory impact assessment and the draft Bill provides data on visitor numbers, nights stayed, visitor spend, and accommodation supply figures for types of establishments (Serviced, Self Catering, Camping/Caravan, Hostels, and Alternative), number of establishments, and total bedspaces. While this data is quality checked, it should not be used as an official count of properties and is included to highlight the potential size of this sector that may not currently be captured by the sources used in the document.