Item 1

15th November 2016

Glasgow City Council

Local Taxes Working Group

Report by Acting Executive Director of Financial Services

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Local Taxes Working Group

Purpose of Report:

To provide an update on the work of the Local Taxes Working Group.

Recommendations:

The Committee is asked to note the contents of the report and that further work will be undertaken on the tourist tax as outlined in the report.

Ward No(s):	Citywide: ✓
Local member(s) advised: Yes ☐ No ☐	consulted: Yes ☐ No ☐

Local Taxes

1. Executive Summary

1.1 Council agreed a motion on the 18th February 2016 that a report on the potential for a Transient Visitor Levy (tourist tax) and other local taxes to raise additional revenue be submitted to the Regeneration and the Economy Policy Development Committee.

1.2 A cross-party Working Group was formed to consider the various options that were open to the Council and to agree the content of the report to the Regeneration and the Economy Policy Development Committee. The City Treasurer Bailie Braat chaired the group that also included Bailie Dr Baker, Councillor Burke and Councillor Hunter. Between April and August 2016, the group gathered a range of views and opinions on the tourist and other local taxes.

1.3 The group agreed the scope of the taxes to be examined and a set of criteria to be used to evaluate each. The taxes scrutinised were:

- The Transient Visitor Levy (Tourist Tax)
- Local Sales Tax
- Congestion Charging
- Landfill Tax
- Vacant and Derelict Land

The discussions led on to consideration of a number of other options including Low Emission Zones, Work Place Parking Levy, Night-time Levy and Community Infrastructure Levy.

1.4 The working Group agreed a set of principles by which each of the options would be tested. Namely:

Fairness

Reflects ability to pay and includes consideration of wealth and income.

Efficiency

Prevents unintended/adverse socio-economic impact and negative externalities, minimises tax avoidance and cost of collection and is easy to understand and administer, and is transparent.

Predictability

Reflects economic trends and is relatively buoyant and balances this with certainty, predictability and stability.

Local Democratic Accountability

Set, collected and administered locally and maintains or enhances local accountability.

Local Taxes

1.5 Oral evidence was provided by a number of individuals and organisations. Written evidence was also provided to the group.

1.6 While academic research on the impact of potential local taxes is not readily available a number of official statistical returns were utilised when considering tourist taxes.

1.7 The evidence gathered allowed a number of findings to be made:

Local Taxation

- Local taxation plays an important role in the delivery of local services, however, the proportion of Scottish councils overall budgets raised by locally set and collected taxes has reduced overtime and council tax now makes up only around 12% of funding
- Locally set and raised taxes made up around 50% of budgets in the 1980's and currently typically make up around 30% of budgets in other countries
- As council tax only makes up 12% of funding it would take a disproportionate rise in council tax to make any significant difference to local budgets
- This gearing effect can have an impact on local accountability by limiting the influence of tax decisions taken locally in overall budgets
- A system that allows councils to introduce local taxes could help councils generate more of their income locally and enhance local accountability and democracy, however, councils currently have no authority to raise and collect additional or supplementary local taxes
- The Scottish Government has the authority to empower councils to raise income from a prescribed set of local taxes or allow councils to set and collect taxes based on local requirements but to date has not expressed support for such schemes
- There is a general belief that governmental finance systems founded on a wide 'bundle' or 'basket' of taxes are preferable to those reliant on a narrow set of taxes

Tourist Taxes

- Tourist taxes, most typically levied on accommodation, are prevalent throughout the world and operate with varying degrees of success
- The schemes are most successful where the funds generated are clearly linked to investment in areas that will help protect and enhance the existing tourism offerings
- Tourism contributes significantly to the economy of Scotland and Glasgow in particular
- The tourism industry and businesses argue that introducing a tourist tax will reduce visitor numbers and/or spend thereby adversely impacting the local economy

Local Taxes

- The Scottish Government has not to date expressed support for tourist taxes
- Taxes on the cost of a hotel stay can be introduced at a fixed rate per night of stay or a percentage added to the cost of the accommodation
- A £1 per night levy on a hotel room stay in Glasgow could generate £3 million per annum for the city
- The city could remain a competitive destination even with a tourist tax in place and funds raised could be used to enhance the tourist offering further

Local Sales Taxes

- There are examples of Local Sales Tax (LST) working in other areas, most particularly in the United States where they can be introduced by state, city and district administrations
- LST influences shopper behaviour and can lead to consumers utilising cheaper locations and businesses relocating
- The interaction with the existing system of Value Added Tax in the United Kingdom may prove complex

Congestion Charging (Environmental Taxes)

- Charging users of public roads which are subject to congestion as a result of excess demand is both a means of raising revenues and managing demand (with consequent further intended benefits such as improved road safety or air quality)
- There are examples of successful schemes in operation, most notably in London
- Greater Manchester and Edinburgh put forward proposals for congestion charging systems. In both cities a local consultative referendum was held on the matter which expressed public disapproval for the schemes and the councils decided to take things no further
- The Scottish Government has not expressed any support for congestion charging or the introduction of new road tolls or charges more generally

Landfill and Waste Taxes (Environmental Taxes)

- Landfill taxes are largely national taxes and further devolution of powers to councils would be required to deliver a local scheme
- The Council itself pays around £18 million per year in landfill taxes but this is set to change radically with the commissioning of the new Glasgow Recycling & Renewable Energy Centre

Local Taxes

Vacant and Derelict Land

- Despite improvements in recent years there remains a significant issue with vacant and derelict land in the city, almost half of which is owned by the Council
- Funding is available to tackle the issue via the Vacant and Derelict Land Fund (VDLF)
- The Scottish Government is already planning a consultation on taxing these sites

Additional items considered

- The Council has been an active participant in work of the Clean Air for Scotland and Council officers are in discussion with the Scottish Government and Transport Scotland about the potential for a city centre low emission zone (LEZ)
- A number of UK cities are considering a Work Place Parking levy similar to a scheme adopted in Nottingham where a charge is levied on employers which provide workplace parking spaces
- A night-time levy has been introduced by some English and Welsh councils to meet the cost of waste generated by the night-time economy. There is currently no authority to implement such a scheme in Scotland
- English and Welsh authorities can implement a Community Infrastructure Levy that places a responsibility on developers to help fund infrastructure projects. A system of planning agreements exist in Scotland but tend to be limited to specific types of work. Concerns have been expressed that such a levy would deter development activity

1.8 After deliberation the Working Group concluded:

- Local taxes could afford the council an opportunity to generate funds to reinvest in local priorities while enhancing local accountability and democracy

- This view was echoed by academics and professionals who gave evidence to the group

- Of the options considered by the Working Group, a tourist tax is the most capable of being implemented. Further work, in consultation with the tourist industry and local business community, other local authorities and Scottish Government would be required to establish how a scheme could operate, if pursued - but, of the taxes reviewed, the tourist tax option appears to offer an efficient way of generating additional revenue that would also allow investment to enhance the existing tourism offering

Local Taxes

- The Congestion Charging, Environmental and other taxes reviewed could also generate income for the Council while meeting wider policy aims

- However, as Vacant and Derelict Land taxes will be the subject of a consultation exercise by the Scottish Government in the coming months and that process should be allowed to complete before further activity takes place

- The Council currently has no authority to introduce local taxes and legislative change would be required to facilitate any of the schemes discussed

- The Scottish Government's Commission on Local Taxation found no reason why in principle local taxation options to supplement and complement the existing local taxation regime should not be identified, developed and, if found to be workable, made available to Local Government

Recommendation

1.9 The Committee is asked to note the contents of the report and that further work will be undertaken on the tourist tax as outlined in the report.

Local Taxes

2. Introduction

2.1 On the 18th February 2016 Bailie Dr Baker, seconded by Bailie Braat, moved that:

"Glasgow City Council recognises the current funding crisis in local government and the limits, such as Council Tax Freeze, on the Council's ability to raise revenue. Council appreciates the contribution of tourism to our local economy and notes that major city tourism destinations such as Vancouver, New York and Venice, as well as many other cities in the United States and Europe, place a small levy on visitors.

Glasgow notes the potential of a relatively small levy of around £1-2 per night stayed to generate at least £2 - 4 million per annum and that this scale of levy is unlikely to discourage visitors or affect the hotel trade.

Council welcomes the support from the Commission on Local Tax Reform including the introduction of local taxes such as a Transient Visitor Levy; commits to examining the options for local taxation which could become available to local authorities following legislative change; and therefore agrees to a report to examine a Transient Visitor Levy and other local taxes to be presented to the Regeneration and the Economy Policy Development Committee. "

The motion was agreed unanimously.

2.2 A cross-party Working Group was formed to consider the various options that were open to the Council and to agree the content of the report to the Regeneration and the Economy Policy Development Committee. The City Treasurer Bailie Braat chaired the group that also included Bailie Dr Baker, Councillor Burke and Councillor Hunter. Between April and August, the group gathered a range of views and opinions on the tourist and other local taxes.

2.3 It was confirmed that local authorities only have the power to charge or raise income from sources specifically allowed by regulation. Therefore any local taxes being considered would need to be founded on existing regulation or specifically allowed by new legislation or amended regulations from the Scottish Government.

2.4 The group went on to agree the scope of the taxes to be examined and a set of criteria to be used to evaluate each. In response to the Commission findings the Scottish Government announced proposals to reform council tax and also the intention to consult with local authorities on the ability to retain an element of income tax. As such, the working group agreed that both council tax and income tax were outwith the scope of the working group remit.

Local Taxes

The Scottish Government proposals also referenced the intention to consult on enabling councils to levy a tax on development and vacant and derelict land to reduce land banking and increase supply of homes. It was therefore considered appropriate to review vacant and derelict land in preparation for that consultation as part of the work of the group.

As a result the taxes examined were:

- The Transient Visitor Levy (Tourist Tax)
- Local Sales Tax
- Congestion Charging
- Landfill Tax
- Vacant and Derelict Land

The discussions led on to consideration of a number of other options including Low Emission Zones, Work Place Parking Levy, Night-time Levy and Community Infrastructure Levy being considered.

2.5 Throughout the discussions the Working Group agreed a set of principles by which each of the options would be tested.

Fairness

Reflects ability to pay and includes consideration of wealth and income.

Efficiency

Prevents unintended/adverse socio-economic impact and negative externalities, minimises tax avoidance and cost of collection and is easy to understand and administer, and is transparent.

Predictability

Reflects economic trends and is relatively buoyant and balances this with certainty, predictability and stability.

Local Democratic Accountability

Set, collected and administered locally and maintains or enhances local accountability.

2.6 To assist with group's deliberations evidence was gathered from a number of individuals and organisations. Written evidence was also provided to the group.

2.7 As a number of the taxes being considered impacted local businesses the Working Group was keen to gather the views of the local business community as part of the exercise. The Group is grateful to the

Federation of Small Businesses and the Greater Glasgow Hotels Association for the information provided. Unfortunately, as the Glasgow Chamber of Commerce was already carrying out detailed survey work on the impact of the EU referendum outcome it concluded this was not the right time to consult members on Local Taxes. However, it has expressed a willingness to engage with the Council on any future discussions in this area.

2.8 While academic research on the impact of potential local taxes is not readily available a number of official statistical returns were utilised when considering the tourist taxes.

3. Local Taxation

3.1 Council tax is the system of local taxation used to part fund services provided by local authorities. Introduced in 1993, the rate of tax payable is based on the value of residential property, it raises around £2 billion every year across Scotland[1].

3.2 Councils are obliged to levy, bill and collect council tax from any properties entered onto the Valuation List by the local Assessor. Properties classed by the Assessor as 'domestic dwellings' are placed into one of 8 valuation bands, A – H, based on the relative value of the property as at 1st April 1991.

3.3 Non-Domestic Rates (NDR) is a commercial property-based tax charged to businesses, individuals and organisations based on a property's Rateable Value (RV) as set by the local Assessor. The rateable value is then multiplied by the rate poundage set by the Scottish Government to derive the amount payable which is collected from businesses by local authorities. While funds are technically retained by councils the quantum collected impacts overall revenue grant funding in order to ensure NDR receipts are effectively 'pooled' across Scotland.

3.4 The size of contribution that locally set taxes make towards Local Government funding, often referred to as the balance of funding, has varied over the years with 50% of funding being generated locally as recently as the 1980s. Council tax currently contributes around 12% of Local Government funding in the UK. This is low compared to other Organisation for Economic Co-operation and Development (OECD) countries that typically see around 30% of revenue collected and managed locally although this can be more than 50% in some countries countries[2].

3.5 Council tax is the source of tax revenue with the most local control. While the council tax freeze policy of the Scottish Government has limited that control in recent years with a proposed cap on increases expected from April 2017, in principle councils are able to vary the rate up or down based on its own choices.

3.6 As noted council tax only makes up around 12% of council funding in the UK. It would therefore take a disproportionate rise in council tax to make any significant difference to local budgets. This is often referred to as the gearing effect.

3.7 It is considered by many that the relatively low proportion of funding generated locally and the impact of the gearing effect limits local accountability by restricting the fiscal autonomy of local authorities[3].

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[1] Just Change: A New Approach To Local Taxation Report Of The Commission On Local Tax Reform
[2] Just Change: A New Approach To Local Taxation Report Of The Commission On Local Tax Reform
[3] Evidence provided to The Commission On Local Tax Reform

Local Taxes

3.8 In response to growing calls to review the system of local taxation the Scottish Government and the Convention of Scottish Local Authorities (COSLA) set up a commission in February 2015. Membership of the commission was drawn from across the political spectrum although the Scottish Conservatives declined to take part. The Commission was tasked with examining alternatives that would "deliver a fairer system of local taxation".

3.9 The Commission on Local Tax Reform reported in December 2015. While no recommendations were made on which particular form of local taxation should be taken forward, the report concluded the case for change was unarguable.

3.10 The Scottish Government's response to the work of the Commission was to put forward plans to amend the existing council tax scheme to generate more income from higher banded properties for reinvestment in education. A commitment was also given to work with local authorities to understand the scope for an element of general taxation receipts to be allocated locally and changes around 2nd home discounts and taxation on vacant land. The freeze on council tax increases was removed but rises were capped at 3%.

3.11 The option of empowering individual local authorities, subject to them securing a local democratic mandate, to have the discretion to apply an additional local tax within the local authority area, or on people who are visitors to it, was also raised with the Commission, who concluded 'We see no reason in principle why such options should not be identified, developed, and, if found to be workable, made available'.

3.12 This was a theme echoed by academics and professionals who gave evidence to the Working Group.

3.13 However no proposals to allow such schemes have been brought forward at this time. As a result there is currently no legislative or regulatory basis for councils to introduce any additional local tax to support local priorities.

3.14 In June 2016 the Scottish Cities Alliance report Empowering Scottish Cities concluded 'The cities wish to redefine the relationship between the cities, Scottish and UK Governments over setting and using fiscal levers. The cities request greater consultation and representation over the setting of local taxes. They also want the power to adopt appropriate local taxes and levers (including new levers) to help drive their local economies'.

3.15 The recently undertaken household survey asked a number of questions around which type of local taxes residents considered may be appropriate should the Council be given the authority to introduce them. Only a levy on late night businesses to fund street cleaning as a result of litter generated by customers and policing the night-time economy met with any general approval. However it is acknowledged that it is difficult to provide opinions on schemes that are not fully developed and for which the full benefits are not specified.

3.16 It may be argued that the impact of unprecedented budgetary constraints and historically low levels of contribution to budgets from locally raised taxes limit local fiscal autonomy. The introduction of a complimentary local taxes regime, subject to electoral scrutiny, could provide greater flexibility, more accountability and play a key role in delivering local priorities.

4. Tourist Tax

Tourism in Scotland

4.1 Scotland's tourism sector is a diverse industry, with a range of subsectors such as hotels, other provision of short stay accommodation, restaurants, bars, travel agents, museums and other recreational and cultural activities.

4.2 The Sustainable Tourism sector was identified in the Scotland's Economic Strategy as one of the growth sectors in which Scotland can build on existing comparative advantage and increase productivity and growth.

4.3 The Sustainable Tourism growth sector is defined by the Standard Industrialisation Classification (SIC) 2007 codes. The categories highlighted are[4]:

- Hotels and similar accommodation
- Holiday and other short-stay accommodation
- Camping grounds, recreational vehicle parks and trailer parks
- Restaurants and mobile food service activities
- Beverage serving activities
- Tour operator activities
- Other reservation service and related activities
- Museum activities
- Operation of historical sites and buildings and similar visitor attractions
- Botanical and zoological gardens and nature reserve activities
- Operation of sports facilities
- Other sports activities (not including activities of racehorse owners)
- Activities of amusement parks and theme parks
- Other amusement and recreation activities

4.4 In 2013, total turnover in the Sustainable Tourism growth sector in Scotland was £6.7 billion, up 4.7 per cent in nominal terms on 2012. The majority of this turnover was generated by Restaurants and mobile food service activities (31.9 per cent), Hotels and similar accommodation (31.2 per cent), and Beverage serving activities (17.3 per cent), together accounting for 80.4 per cent of total turnover in this growth sector. Gross Value Added (GVA) totalled £3.5 billion in 2013, up 7.5 per cent in nominal terms on 2012[5].

4.5 In March 2015, there were 13,960 registered enterprises operating in the Sustainable Tourism growth sector, representing 8.2 per cent of all registered businesses operating in Scotland. The Scottish Sustainable Tourism growth sector is characterised by small businesses. In 2015,

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[4] Growth Sector Briefing 2016 Office of the Chief Economic Advisor, Scottish Government
[5] Growth Sector Briefing 2016 Office of the Chief Economic Advisor, Scottish Government

96.5 per cent of registered enterprises in the Scottish Sustainable Tourism growth sector were small (0-49 employees), and these accounted for 53.4 per cent of employment in the sector. In contrast, large enterprises (250+ employees) which accounted for just 1.1 per cent of registered enterprises, accounted for 31.0 per cent of employment in the sector[6].

Tourism in Glasgow

4.6 Glasgow is the largest City in Scotland, and the third largest in the UK after London and Birmingham. The City attracts large numbers of visitors for business conferences, events, festivals and sporting events and as such, tourism plays a big part in generating investment and supporting jobs directly in the City region, and indirectly throughout Scotland. Glasgow International Airport is served by 120 destinations, and all major UK cities – making it accessible to foreign as well as domestic visitors. The City has numerous sporting assets such as professional football and rugby teams, and international standard sports stadiums and venues.

4.7 The tourism and events sector now employs almost 32,000 people in Glasgow, and has grown by almost 32% since 2011. Of the five key growth sectors, only the life sciences sector, from a much smaller base, has seen stronger growth. The tourism sector contributed £622m in GVA to the local economy[7].

4.8 Tourism's role in delivering wider sustainable economic growth is also important to recognise, with the city's visitor economy positively impacting on businesses far beyond the perceived traditional tourism sector boundaries. It is estimated that every additional £50k spent by visitors creates a new sustainable job[8].

4.9 Glasgow's Tourism Strategy 2006 to 2016 prioritised securing major events and business tourism, and has delivered at scale:

- Hosting of the Commonwealth Games
- Calendar of major UK, European and global events with cumulative annual economic impact, for example, £43.6 million in the 2015-2016 (EKOS, 2015)
- Infrastructure investment in the Emirates Arena and The SSE Hydro, both world-class venues and assets for the future
- 3,500 conferences with an economic impact of £1.2 billion over the ten year period
- Glasgow has now been named as one of the world's top five sporting cities.

[6] Growth Sector Briefing 2016 Office of the Chief Economic Advisor, Scottish Government
[7] Oxford Economics report Sept 2015, an economic analysis of Glasgow
[8] Visit Scotland Corporate Plan 2013 - 2016

- Re-opening of Kelvingrove Museum and building of Riverside Museum
- 90 million shoppers per year, with turnover of £3.7 billion in 2012, representing 14% of both Scotland's total turnover Increased customer satisfaction, with a net promoter score up from 42% to 55%

Tourist Taxes

4.10 Tourist related taxes have generally been used to deliver government financing models to support the tourism industry of the destination country. Figures from The World Tourism Organisation (WTO) indicate that tax receipts generated by tourism traditionally represent over 10% of the tax revenue collected by some developed countries, but the figure can rise to as much as 50% in small tourist economies.

4.11 Tourist Taxes can fall due as a local sales tax payable on services and goods traditionally associated with tourist activities such as those noted in 3.3, as airport arrival or departure taxes or as a fixed or percentage additional cost added to the price of hotel accommodation.

4.12 There are a number of versions of tourist taxes used throughout the world. Appendix A outlines some of those currently in use.

Other Scottish Councils approach

4.13 In March 2012, the City of Edinburgh Council investigated the legal position of the potential introduction for a voluntary or statutory tourist tax to be introduced. The preliminary view reported to Committee was that there were no existing powers for a local authority to introduce a tourist tax in Scotland, with further agreement that the potential to establish a tourism sector Business Improvement District (BID) be investigated. The Council Report in 2012 noted that within the current legislation the only potential opportunity to achieve the aims of the scheme would be to develop a tourism sector BID. A tourism orientated BID could potentially cover any defined geographic area and include a range of types of businesses, with BID charges based on for example, turnover, number of bookings, number of admissions or rateable value. BIDs require a majority of in scope businesses to vote to set up the BID and agree the levy regime.

4.14 In 2014, Highland Council established the UK's first Loch Ness and Inverness Tourism Business Improvement District. The TBID will fund improvements in infrastructure for tourists by collecting an additional BID levy from the local tourism sector businesses. The amount paid is banded and based on the Rateable Value of the business premises involved.

4.15 The Budget 2016 confirmed that negotiations would begin on the Edinburgh and South East Scotland City Region Deal. It was considered that Scottish Government may be supportive in principal of devolving powers as part of the proposed £1bn City Deal – this included the ability to set and collect a Visitor Levy aimed at raising up to £15m annually. This income would have been invested into supporting culture and city infrastructure. However the scheme has not received governmental support.

4.16 In August 2016 Aberdeen City Council proposed a wide package of local tax reforms including devolving Air Passenger Duty to local authorities, changes to the Non-Domestic Rating arrangements to provide councils greater control over income raised from local businesses and the introduction of a tourist tax scheme. Aberdeen City Council suggest these could contribute to the cost of a multi-million pound rail link to Aberdeen Airport. The proposals have brought a mixed reaction from political groups within the Council, Visit Aberdeenshire and the local trade organisations.

The Glasgow Position

4.17 The motion approved by Glasgow City Council called-out a Transient Visitor Levy (tourist tax) as a way of generating additional revenue by imposing an additional small charge added to the cost of a hotel stay. Appendix A outlines what other core cities are doing in this area.

4.18 Glasgow already has an outstanding tourist offering with many of the city's best attractions freely available to visitors and residents alike. It is not intended this review of local taxes would adversely impact that position.

4.19 There are over 7,000 hotel bedrooms within two miles of Glasgow city centre. There are approximately 10,000 hotel bedrooms within 10 miles of the city centre while the total number of hotel bedrooms for the Greater Glasgow area (within 20 miles of the city centre) is approximately 12,000. Almost 2,000 new hotel bedrooms are planned between now and 2018, all located in the city centre. It is estimated there are more than 200 serviced apartments and almost 800 Bed and Breakfast rooms in the city, in addition to short stay serviced accommodation within existing residential properties, that may be subject to a tourist tax. There is also a significant number of rooms in student accommodation let to visitors during the summer months[9].

4.20 Occupancy rates in hotels have risen steadily from a figure of 65.7% in 2000, peaking at 86% in 2013 and reducing slightly to 83.4% in 2015[10]. Therefore assuming powers to implement a tourist tax were granted to councils and a rate of £1 per night per room then, based on an estimate of 10,000 rooms being occupied 83% of the time, a figure of

[9] Glasgow City Marketing Bureau stock and occupancy data at February 2016
[10] Glasgow City Marketing Bureau stock and occupancy data at February 2016

£3.029 million could be expected to be generated each year from such a scheme.

4.21 The Greater Glasgow Hotels Association pointed out that the additional cost of administration for hotels from such a scheme would likely see the cost to visitors rise by more than the cost of any levy. The alternative to that is a squeeze on costs that would likely impact employment and wage costs. While the Council would incur costs to ensure compliance with the levy across the city, as a point of sale tax the scheme should be reasonably efficient to collect.

4.22 The tourism and hospitality industry has long campaigned for a reduction in VAT on tourism activities and reduction in Air Passenger Duty to promote growth in the sector and against the introduction of taxes that specifically target at the sector[11]. The Working Group received evidence from the Greater Glasgow Hotels Association who raised specific concerns around:

- The timing of consideration of a tourist tax in the current uncertain economic climate post EU referendum
- The negative impact on how the city may be viewed by potential visitors thereby reducing visitor numbers and impacting the positive economic benefits brought by visitor spend, including employment creation
- That hotels already contribute significantly to local taxation via Non-Domestic Rates and creating employment in the city that allows greater council tax receipts
- The impact of external events such as a wider economic downturn can have on the sector and therefore the predictability and buoyancy of a tourist tax
- The cost of administration from hoteliers
- The equity of a scheme that targets hotels when income from tourists is spread over a wide sector including from bars, restaurants, attractions and transport

4.23 Similarly organisations such as the British Hospitality Association and the Scottish Tourism Alliance consider that the introduction of tourist taxes will result in a reduction of visitor numbers restricting the positive economic impact of tourism to the area. It is also noted by Visit Scotland that Tourist Taxes in other countries are often accompanied by a reduction in VAT to support the tourist industry and counter the impact of tourist taxes. As VAT is a national government reserved matter it is unlikely that a scheme flexible enough to take account of local tourist taxes could be developed.

4.24 However, figures reviewed by the Working Group suggested that even with a tourist tax in place Glasgow remained a very competitive

[11] Visit Scotland position statement on tourist taxes 2008, British Hospitality Association Policy Position Paper January 2016

destination, largely due to the low cost and often free access to the some of the city's most notable attractions.

4.25 It can be noted at Appendix A that, while the additional funds raised are utilised for a number of different activities, re-investing some or all of the funds into tourism or infrastructure projects to maintain and enhance the areas attractiveness to visitors is a common theme.

4.26 It may therefore be considered that should such a scheme be introduced it includes a commitment to direct some or all of the funds generated to support infrastructure and cultural development that would help the tourist industry maintain and attract new visitors.

4.27 It also seems appropriate that any scheme should be developed in consultation with the businesses impacted to understand concerns, discuss outcomes and ensure the most efficient and cost effective administrative processes are adopted.

4.28 It was considered that tourist taxes are a viable option and if made available to councils would promote the generation of additional revenue while enhancing the existing tourism offering. The group went onto test the principles laid out at the start of the process against the tourist tax option. The findings were as follows:

<u>Fairness</u>

Reflects ability to pay and includes consideration of wealth and income.

Unlike other progressive taxes that directly link contribution to income, wealth or assets a tourist tax that places a flat fee on the cost of a hotel room. However there is still a direct link to ability to pay. For example, adding £1 to a hotel stay that already costs anywhere from 50 to several hundred pounds is unlikely to make it any less affordable for the consumer. To make the tax fairer there is also the option to apply a percentage rate to the cost rather than a flat fee as seen in other cities.

<u>Efficiency</u>

Prevents unintended/adverse socio-economic impact and negative externalities, minimises tax avoidance and cost of collection and is easy to understand and administer, and is transparent.

The scheme would be operated at point of sale in the way many other charges, such as VAT, are applied. While there will be costs associated with hotelier's administration, particularly if a percentage rather than flat rate scheme is implemented, and the need for a compliance regime the process is likely to be a reasonably efficient way of collecting taxes in line with other point of sale taxes

Local Taxes

Predictability

Reflects economic trends and is relatively buoyant and balances this with certainty, predictability and stability.

The predictability and buoyancy of such a scheme is largely dependent on attracting visitors to the city. While there are wider economic and political factors that can impact tourist visitor rates the introduction of a tourist tax that helps fund improvements that enhance the visitor experience may help promote sustainable visitor numbers.

Local Democratic Accountability

Set, collected and administered locally and maintains or enhances local accountability

Assuming hotels pass the levy on to customers the majority of those directly impacted by the tax will not be Glasgow residents. However the fact that the charge is set locally by members gives the citizens of Glasgow the opportunity to express a view on the rates of tax, the impact those rates have on the overall economy of the city and how the funds generated are used through the normal democratic process.

Local Taxes

5. Local Sales Tax (LST)

5.1 A sales tax is usually a consumption tax operated by local and/or central government on the sale of goods and services. A conventional sales tax is levied at the point of sale, collected by the retailer and passed on to the government body responsible for managing the funds raised. A business is usually liable for sales taxes in a given jurisdiction if it has a presence there, which can be a brick-and-mortar location, an employee, an affiliate, or some other presence, depending on how the tax is specified.

5.2 Value Added Tax (VAT) is the main form of sales tax currently used in the UK. While the Scotland Act allows a proportion of receipts to be retained by the Scottish Government the regulatory powers to vary rates and make changes is reserved by the UK parliament.

5.3 In 1995, the Joseph Rowntree Foundation published research into the feasibility of a local sales tax, suggesting that a single stage retail sales tax based at county or regional level could significantly increase local authority autonomy in the UK but may raise a number of operational problems.

5.4 The London Finance Committee noted that the idea of a local sales tax (additional to VAT) has not been well documented in previous reviews of local government finance, but concluded it may be an option but questions exist around compatibility with EU regulations (which state that VAT must be set at a national rate) although this may be removed dependant on the outcome of the EU exit negotiations.

5.5 The Metro Dynamics report ‘A call for greater fiscal autonomy for our cities’ commissioned jointly by Greater London Authority and Core Cities, presents a hierarchy of taxes that can potentially be devolved. This includes local fees and charges which could include a local hotel tax, a local sugar tax and greater autonomy over planning and licensing fees but not a local sales tax. However the report suggests that more control over the choice and balance of local taxes would allow cities to support or capitalise on local strengths and combat specific local challenges, while being less likely to lead to detrimental tax competition.

5.6 The United States of America is the only Organisation for Economic Co-operation and Development (OECD) country that employs a retail sales tax as the principal consumption tax which is operated at state and local government levels. So, in addition to state-level sales taxes, consumers face local-level sales taxes in 38 states as well.

5.7 In 2015, the highest average combined state-local sales tax rates were in Tennessee (9.45 percent), Arkansas (9.26 percent), Alabama (8.91 percent), Louisiana (8.91 percent), and Washington (8.89 percent). The lowest average combined rates were in the states of Alaska (1.76

percent), Hawaii (4.35 percent), Wisconsin (5.43 percent), Wyoming (5.47 percent), and Maine (5.50 percent). New York State had a combined rate of 8.48% at that time. A case study from New York is noted at Appendix B.

5.8 Research in the US does indicate that consumers can and do leave high-tax areas to make major purchases in low-tax areas, such as from cities to suburbs.

5.9 It has not been possible to gather enough data to build any models that would estimate the impact of LST on Glasgow or the potential income to be generated.

5.10 It was considered that a LST could generate additional income for the city. However there are a number of additional challenges to be addressed before any formal view on how it might work or be administered could be reached. Largely these are around interaction with the existing VAT and other consumption taxes. With that in mind the group could only consider the principles behind the LST to reach a conclusion on how it met the tests set out at the start of the process. The results were as follows:

<u>Fairness</u>

Reflects ability to pay and includes consideration of wealth and income.

An LST would be tied to the cost of a purchase. This may suggest that there is a link to affordability. However additional costs may make some types of goods unaffordable for some. This could be mitigated by only applying the tax to high-end or 'luxury' purchases.

<u>Efficiency</u>

Prevents unintended/adverse socio-economic impact and negative externalities, minimises tax avoidance and cost of collection and is easy to understand and administer, and is transparent.

The scheme would be operated at point of sale in the way many other charges, such as VAT, are applied. While there will be costs associated with administration for merchants and the need for a compliance regime for the Council the process is likely to be a reasonably efficient way of collecting taxes in line with other point of sale taxes.

The scheme could lead consumers to purchase goods in other locations where the tax does not apply or where the rate is lower damaging local business. Similarly a competitive rate may attract new business to the city.

Predictability

Reflects economic trends and is relatively buoyant and balances this with certainty, predictability and stability.

The predictability and stability of the scheme largely depends on the prevailing economic conditions. An economic downturn could adversely impact receipts particularly if the scheme only targets more expensive items.

Local Democratic Accountability

Set, collected and administered locally and maintains or enhances local accountability

The majority of those impacted by the tax would be local residents who can express their view on the efficacy of the scheme through the normal democratic process.

6. Congestion Charging

6.1 Congestion charging is the title given to any form of surcharging users of public roads which are subject to congestion as a result of excess demand. It is therefore both a means of raising revenues and managing demand (with consequent further intended benefits such as improved road safety or air quality). Such a scheme is operated by using number plate recognition cameras, which are linked to the DVLA database. This allows the operator to send out charge notices, identify exemptions and assess levels of road usage. Durham was the first to introduce such a charge in the UK, which was specifically in order to reduce traffic use on a particular street near its historic buildings. Only London has implemented congestion charging in a comprehensive manner in the UK.

6.2 Greater Manchester and Edinburgh have also put forward proposals for similar systems. In both cases the revenue from such a charge was to have been invested in improving public transport. A local consultative referendum was held on the matter for residents in each area. The voters in each city expressed disapproval for the schemes and the councils decided to take things no further. The Edinburgh referendum cost £600K to hold in 2005 and three-quarters of those voting were against the proposals.

6.3 It may be worth noting that the Scottish Government has not expressed any support for congestion charging or the introduction of new road tolls more generally.

Low Emission Zones (LEZ)

6.4 The Council has been an active participant in work to develop the national low emissions strategy for improved air quality. This is called Clean Air for Scotland and Council officers are in discussion with the Scottish Government and Transport Scotland about the potential for a city centre low emission zone (LEZ). A feasibility study into the potential for establishing a LEZ in the city centre was previously undertaken by consultants for the Council in 2010. London also operates a LEZ alongside its congestion charging zones. The London LEZ operates 24 hours a day and seven days a week, whilst the congestion charge applies between the hours of 07.00 to 18.00 from Monday to Friday. The LEZ applies a daily charge for vehicles which do not meet the required emissions standards set by Transport for London.

6.5 Further development of thinking on the introduction of a city centre LEZ is taking place in the context of national discussions. It is worth considering that because the intention behind such a scheme is to manage vehicle usage of the city centre, with the specific aim of improving air quality, then its success should lead to reduced revenues over time.

Local Taxes

Workplace Parking Levy (WPL)

6.6 WPL was introduced in Nottingham in 2012 and is under consideration by a number of other UK cities. It involves a charge on employers that provide workplace parking spaces. The policy was originally implemented in Australia (Sydney was the first in 1992), where most cities now levy such a charge.

6.7 Nottingham's experience gives an indication of how such a scheme might work in Glasgow. The cost per workplace parking place per year for the licensing period 1 April 2016 to 31 March 2017 is £379 for employers that provide 11 or more liable places. The levy generated £9 million in net revenue last year. Money raised from the WPL is being used to fund extensions to the existing tram system, the redevelopment of Nottingham Railway Station and support for the local bus network. The charge is levied on employers and it is up to them whether they pass the cost on to their employees.

6.8 Nottingham's WPL applies to the whole of the city within the local authority boundaries. An exercise is currently underway to determine how many private workplace parking spaces there are in Glasgow. A preliminary assessment indicates that there are 18,000 such spaces in the main city centre area. Nottingham has 45,000 licensed parking spaces in the city, with 28,000 of these being chargeable (which is also an indication of the level of exemptions applied). Using the figure of 18,000 spaces and a fee similar to that charged in Nottingham it could be expected around £7 million in income could be raised. Even with exemptions at a similar rate as noted in Nottingham around £4 million could be raised from a similar scheme. The cost of administration for the scheme are estimated at around 5%.

6.9 The scope to introduce a WPL scheme is specifically included in the relevant transport legislation for England & Wales. The 2001 Transport (Scotland) Act gives local authorities the power to introduce road user charging, but makes no mention of workplace parking levies.

6.10 Examples of where other core cities have implemented a workplace parking levy are noted at Appendix C.

6.11 The group considered that Congestion charges and in particular the Low Emission Zones and Work Place Parking Levy could be viable opportunities for the Council to generate income and promote a number environmental aims. There were concerns raised around the technology required to implement such schemes and the requirement to ensure the schemes fit with the Council's wider policy objectives in these areas. Any move to such schemes should be based on the Council's plans and policies in this area. The group reviewed the various taxes in line with the principles set out at the start of the process. The results were as follows:

Local Taxes

:

<u>Fairness</u>

Reflects ability to pay and includes consideration of wealth and income.

The taxes are largely based on changing behaviour and therefore the cost is designed to be prevent or reduce certain activities. Affordability is often therefore not the main consideration.

<u>Efficiency</u>

Prevents unintended/adverse socio-economic impact and negative externalities, minimises tax avoidance and cost of collection and is easy to understand and administer, and is transparent.

The scheme would require investment to set up appropriate identification, billing and collection systems. Examples exist where congestion charging simply moves the problem to another location.

<u>Predictability</u>

Reflects economic trends and is relatively buoyant and balances this with certainty, predictability and stability.

As the taxes are set up to change behaviour success would mean reducing receipts over time.

<u>Local Democratic Accountability</u>

Set, collected and administered locally and maintains or enhances local accountability

There will be a number of those impacted by these taxes who are not residents of the city, however the majority of those impacted by the tax would be local residents who can express their view on the efficacy of the scheme through the normal democratic process.

7. Landfill Taxes

7.1 Landfill tax is an environmental tax levied on organisations to compensate for the adverse impacts of unsustainable waste. A Scottish Landfill Tax was devolved from Westminster to the Scottish Government on 1 April 2015. It provides the power to set the rate of this tax, decide on exemptions and judge on which materials might be differentially charged. It currently brings in around £100 million per year and the Scottish Government has clearly stated that it expects to see this amount reduce as more environmentally friendly ways of managing waste are implemented.

7.2 The Council itself pays around £18 million per year in landfill taxes because of the amount of refuse which it has been sending to landfill sites. This is set to change radically with the commissioning of the new Glasgow Recycling & Renewable Energy Centre. It will divert up to 90% of municipal waste from landfill and thereby secure major long term cost avoidance for the Council. It will also reduce carbon emissions, enhance the city's recycling rate and generate renewable energy.

7.3 Where landfill taxes are applied in other parts of the world, they are exclusively subject to national administration. If the Council wished to call for the further devolution of this tax to a local level it would obviously require Scottish Government approval.

Late Night Levy

7.4 There are other approaches to the issue of litter and environmental incivilities which may permit the exercise of local powers. The late night levy, for instance, enables licensing authorities in England and Wales to raise a contribution from late-opening alcohol suppliers towards the costs of policing the night-time economy and cleaning up its impact on town and city centres. The levy is currently in operation in Nottingham, Southampton and two of the London boroughs. Fees are derived from a scale related to the rateable value of the premises, so there is no fixed amount specified for each council area. The London Borough of Islington, for instance, charges between £299 and £4,400 each year through the levy, depending on the premises' rateable value. It estimates annual revenues of £400K. A number of other core city authorities have considered this levy and publicly rejected it, including Liverpool, Leeds and Bristol.

7.5 The night-time levy operates in England as a charge on those premises with late licences (beyond 11.00pm). It therefore relates specifically to one aspect of the night-time economy and does not affect pubs and restaurants with standard closing times. This need not necessarily be the principal application of such a levy for Glasgow. There is room for consideration of its wider applicability to the night-time licensed economy, particularly in the city centre. This could act as a means of recouping the spend on tackling litter and public disorder which services such as the Council and Police Scotland incur.

7.6 The Scottish Government issued a public consultation on the Social Responsibility Levy in November 2010. It currently has no plans to introduce such a levy on a national basis, but that does leave open the potential for the Council to consider its merits on a local basis. In the case of the English councils, revenues from the levy have gone to the local police service as well as towards the costs of cleaning streets. There is likely therefore to be an expectation from Police Scotland that it would take a share of any such revenue.

7.7 Examples of where other core cities have implemented a night-time levy are noted at Appendix C.

7.8 The group considered taxes designed to reduce waste such as Landfill taxes and the late-night levy could be viable opportunities for the Council to generate income and promote a number of wider aims around waste management. There were concerns raised around how nationally operated schemes would transfer to local control. Any move to such schemes should be based on the Council's plans and policies in this area. The group reviewed both taxes in line with the principles set out at the start of the process. The results were as follows:

<u>Fairness</u>

Reflects ability to pay and includes consideration of wealth and income.

The taxes are largely based on changing behaviour and therefore the cost is designed to prevent or reduce certain activities. Affordability is often therefore not the main consideration.

<u>Efficiency</u>

Prevents unintended/adverse socio-economic impact and negative externalities, minimises tax avoidance and cost of collection and is easy to understand and administer, and is transparent.

A method of calculating the amount due and a process for billing and collection would need to be established.

<u>Predictability</u>

Reflects economic trends and is relatively buoyant and balances this with certainty, predictability and stability.

As the taxes are set up to change behaviour success would mean reducing receipts over time.

Local Taxes

Local Democratic Accountability

Set, collected and administered locally and maintains or enhances local accountability

There will be a number of those impacted by these taxes who are not residents of the city, local residents can express their view on the efficacy of the scheme through the normal democratic process.

8. Vacant and derelict land

8.1 In general terms vacant land is previously developed land, without physical constraint, which the Planning Authority has indicated is currently available for redevelopment. A site is ordinarily categorised as Vacant Land, and placed on the Scottish Vacant and Derelict Land Survey (SVDLS), if it satisfies all the conditions below:

- It must be at least 0.1 hectares in size;
- It must be located within a settlement (as defined in the Development Plan);
- It must have previously been developed (this includes sites that have only had basic ground preparatory works to create a development platform);
- It must not be in use (except as temporary open space) or include a useable building and it must have a new use intended for it in the Plan (or via Planning Permission).
- It must be ready for new development (i.e. there are no physical impediments caused by a previous development which would prevent new development).
- It must have a new use intended for it in the Plan (or via Planning Permission).

8.2 In general a site can be classed as derelict, and placed on the Scottish Vacant and Derelict Land Survey (SVDLS), if it is on previously developed land, which has a physical constraint caused by its previous use, which hampers its redevelopment or naturalisation but must satisfy all of the conditions below:

- It must be at least 0.1 hectares in size.
- It must have previously been developed (this includes sites that have only had basic ground preparatory works to create a development platform).
- It must not be ready for new development without rehabilitation (i.e. there must be an impediment, caused by a previous development, which would prevent new development).
- It must not be in use (except as a temporary open space).
- It must not be a Scheduled Ancient Monument or Cemetery.
- It must not have useable building(s) on it.

8.3 Land where planning permission has previously been granted but for economic or other reasons work has not commenced on schedule is still considered vacant and derelict land. As a result the ‘parking’ or ‘banking’ of vacant and derelict land, even where planning permission is in place, would still attract any proposed tax or levy rate.

8.4 Glasgow has consistently had the highest concentration of vacant and derelict land of any authority in Scotland. The issues relating to vacant and derelict land are well documented but key for Glasgow are:

- the complex mix of poor ground conditions, fragmented ownership and inadequate infrastructure relating to many sites, that restricts the availability of land ready for development and acts as a brake on the economic potential of the City; and,
- the blighting impact of derelict land on local communities, most disproportionately those already suffering from effects of multiple deprivation.

8.5 In the last 5 years there has been a year on year reduction in the level of vacant and derelict land across the city. This result is encouraging. Much of this reduction can be attributed to Council and other public sector led regeneration projects.

8.6 The Scottish Vacant and Derelict Land Survey (SVDLS) survey is undertaken annually to establish the extent and state of vacant and derelict land in Scotland. Managed by the Scottish Government Planning Statistics Branch it suggests the following for Glasgow improvement in Glasgow between 2014 and 2015:

	No of Sites	Area (ha)
Level of vacant and derelict land in the City in 2013	**837**	**1171**
Level of vacant and derelict land in the City in 2014	**810**	**1145**
Net Change in Area across the City	**-27**	**-26**

This equates to a reduction of 3.1% in the number of sites, and 2.2% in the amount of land, between 2014 and 2015.

8.7 Overall, the Council owns a total of 367 sites amounting to 518 hectares (or 45% by area) of all vacant and derelict land in the City. This represents a significant opportunity for the Council to take a pro-active approach in reuse of land for development or other beneficial uses, such as the temporary greening and growing spaces currently being instigated under the Stalled Spaces scheme.

8.8 However it also means that almost half of any local levy or tax on vacant and derelict land would be due directly from the Council.

8.9 The Vacant and Derelict Land Fund (VDLF) aims to tackle long-term vacant and derelict land in Scotland and is one of the few remaining ring-fenced funds in the local government settlement. A one year allocation of Vacant and Derelict Land funding for Glasgow for 2016/17 was £2,575,000. This is the eighth Scottish Government allocation of VDLF to the City of Glasgow, bringing the total to £53.57m since 2004.

Local Taxes

8.10 The Council has taken account of the requirement for projects to meet Scottish Government's stated criteria when developing the programme of activities to tackle the issues. The 15/16 programme covered 12 projects, both internal and external, ranging from site investigations, remediation and feasibility studies to environmental improvement projects, involving partners such as Scottish Canals, Clyde Gateway, ISIS Waterside Regeneration and Urban Union and contributing to both Clyde Regeneration Area and Central Govan Action Plan. In March 2016, Council submitted nine proposed projects to Scottish Government, amounting to the 2016/17 allocation of £2.575m; we are expecting ministerial approval shortly.

8.11 Any vacant and derelict land taxation scheme would need to consider the relationship with the VDLF and have a view on whether the income generated augmented the fund or was used to deliver wider Council goals that may help bring land back into use.

8.12 In March 2016 the Scottish Government announced there would be consultation on enabling councils to levy a tax on development, and vacant and derelict, land to reduce land banking and increase supply of homes.

8.13 It is likely land remains vacant and derelict in Glasgow because the cost of bringing the land back into use would be prohibitive. The Vacant and Derelict Land Fund plays a significant role in addressing these issues; however, given the scale of the industrial legacy in the city, including derelict buildings, mine workings, and ground conditions, improvements through the VDLF are incremental rather than transformative.

8.14 It is also likely that administration of such schemes would be complex. Robust definition would be required, registers of vacant land (and potentially the value thereof) as well as establishing liability and ownership in the initial period may prove problematic. Billing and collection would be reasonably straightforward assuming the basis of liability was strong, however recovery of unpaid amounts could be problematic.

8.15 International examples of where vacant and derelict land taxation have been utilised successfully are limited and exclusively found as part of a wider land value tax (LVT) taxation scheme that either replaces or complements a property/buildings based tax system. Similarly while reducing vacant and derelict land formed part of a proposal for an LVT in London it was seen as a bi-product of wider land taxation.

8.16 It has been suggested that successful LVT schemes operating in Australia and the United States have also managed to significantly reduce the amount of vacant and derelict land spaces by mitigating the advantages of land banking and introducing a cost associated with failure to bring the land back into use.

Local Taxes

8.17 It was agreed that as the Scottish Government intends to consult on the issue of Vacant and Derelict Land further in the near future it would be prudent to await the outcome of these discussions before proceeding further in this area. No test against the principles set-out at the start of the process was therefore made.

Community Infrastructure Levy

8.18 The Community Infrastructure Levy came into force in April 2010, allowing local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed as a result of development - this includes new or safer road schemes, flood defences, schools, hospitals and other health and social care facilities, park improvements, green spaces and leisure centres.

8.19 The UK Government decided that this tariff-based approach provides the best framework to fund new infrastructure to unlock land for growth - the Community Infrastructure Levy is fairer, faster and more transparent than the system of planning obligations.

8.20 Levy rates are set in consultation with local communities and developers and provide developers with more certainty ‘up front’ about how much money they will be expected to contribute. Local Authorities are required to spend the levy’s funds on the infrastructure needed to support the development of their area and they will decide what infrastructure is needed. The Localism Act, requires charging authorities to allocate a meaningful proportion of levy revenues raised in each neighbourhood back to that neighbourhood.

8.21 Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy. Charging authorities are able to use funds from the levy to recover the costs of administering the levy, with the regulations permitting them to use up to 5 per cent of their total receipts.

8.22 In London, the Mayor’s Community Infrastructure Levy aims to raise up to £600 million to help finance the Crossrail project. It intends to achieve this through contributions from developers based on the amount of floorspace created, the location and how the development is to be used.

8.23 The Community Infrastructure Levy is not available in Scotland, however what are referred to as Section 75 planning obligations (formerly planning agreements) are available. These obligations must relate to a council’s planning policy. Glasgow’s approach to development contributions is included in the City Plan and are applicable to developments which support the open space and Fastlink initiatives.

Local Taxes

8.24 A common view expressed to the group was that, given the more challenging economic environment, policies requiring development contributions should be included in development plans only where necessary to allow the development to go forward, and that care should be taken to ensure that their impact on the cash flow of the development was carefully considered.

8.25 Examples of where other core cities have implemented a Community Infrastructure Levy are noted at Appendix C.

8.26 It was considered that the Community Infrastructure Levy could be a viable scheme that could generate income to support infrastructure projects if made available. There are concerns around the impact on development in the city and any move to such a scheme should be reached based on the Council's plans and policies in this area. The group reviewed the levy in line with the principles set out at the start of the process. The results were as follows:

Fairness

Reflects ability to pay and includes consideration of wealth and income.

The levy is based on the development being undertaken and therefore the scale of the project and the budget associated with the work may suggest there is a link to affordability.

Efficiency

Prevents unintended/adverse socio-economic impact and negative externalities, minimises tax avoidance and cost of collection and is easy to understand and administer, and is transparent.

The scheme may be complex to administer and will involve expert resource to work with developers to understand the nature and cost of the infrastructure required to support it. There is potential that the additional costs involved in a project to fund the scheme would deter development or scale back the scope of many projects.

Predictability

Reflects economic trends and is relatively buoyant and balances this with certainty, predictability and stability.

The predictability and buoyancy of such a scheme is largely dependent on attracting development to the city. Wider economic and political factors will also impact development activity. However the scheme would ensure the infrastructure required to make development viable will be guaranteed potentially encouraging development in the city.

Local Taxes

Local Democratic Accountability

Set, collected and administered locally and maintains or enhances local accountability

The levy would fall on businesses developing in the city. Assuming the rates are set locally citizens have the opportunity to express a view on the level of the levy and the success of ant scheme through the democratic process.

9. Conclusions

9.1 Local taxes could afford the Council an opportunity to generate funds to reinvest in local priorities while enhancing local accountability and democracy.

9.2 This view was echoed by academics and professionals who gave evidence to the group.

9.3 Of the options considered by the Working Group, a tourist tax is the most capable of being implemented. Further work, in consultation with the tourist industry and local business community, other local authorities and Scottish Government would be required to establish how a scheme could operate, if pursued - but, of the taxes reviewed, the tourist tax option appears to offer an efficient way of generating additional revenue that would also allow investment to enhance the existing tourism offering.

9.4 Similarly the Congestion Charging and Environmental and other taxes reviewed could also generate income for the Council while meeting wider policy aims.

9.5 However, as Vacant and Derelict Land taxes will be the subject of a consultation exercise by the Scottish Government in the coming months and that process should be allowed to complete before further activity takes place.

9.6 The Council currently has no authority to introduce local taxes and legislative change would be required to facilitate any of the schemes discussed.

9.7 The Scottish Government's Commission on Local Taxation found no reason why in principle local taxation options to supplement and complement the existing local taxation regime should not be identified, developed and, if found to be workable, made available to Local Government.

Recommendation

9.8 The Committee is asked to note the contents of the report and that further work will be undertaken on the tourist tax as outlined in the report.

10. **Policy & Resource Implications**

Resource Implications:

Financial:	None.
Legal:	None.
Personnel:	None.
Procurement:	None.

Council Strategic Plan:

Equality Impacts:

EQIA carried out:	No
Outcome:	Not applicable

Sustainability Impacts:

Environmental:	None.

Acknowledgements

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- attending and giving evidence in person, or
- agreeing to be interviewed as part of the evidence gathering process
- submitting written documentation to support deliberations

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- Denis McCann, chair of the Greater Glasgow Hotels Association
- Janice Fisher, Greater Glasgow Hotels Association
- Majdi Orifij, Greater Glasgow Hotels Association

Local Taxes

Appendix A

City	Tourism Tax	Purpose/Investment Priority
Austria		
Salzburg	€0.55 to €2pppn based on type of accommodation and season	Tourism promotion and tourism infrastructure (96% to tourism association and 4% for local administration costs)
Vienna	3.2% of net price of accommodation	Introduced January 2015 to finance the Vienna Tourist Board
Belgium		
Bruges	€2.00pppn charge	
Brussels	€2.15 to €8.75pppn based on hotel size and classification (tax liability calculated by hotel per year)	
Czech Republic		
Prague	€0.85 to €3.00pppn	Municipalities funding
France		
Lyon	€0.22 to €1.65pppn	Promotion of destination, to develop tourism, and improve the reception of tourists
Nice	€0.15 to €1.07pppn	
Paris	City Tax: €0.20 to €4.00pppn based on hotel star rating and location	Allocated to the development and promotion of tourism (Transition from a flat rate charge during 2015)
Germany		
Berlin	City Tax: 5% of net price of accommodation	Tourism promotion
Cologne		Promotion and advancement of culture
Hamburg	Culture and Tourism Tax: €0.50 to €4.00pppn based on cost of stay	Introduced January 2013. Revenue invested in tourist, culture and sporting projects to enhance the image of Hamburg
Munich	No hotel tax	
Italy		
Bergamo	City Tax: €0.50 to €4.00pppn based on hotel star rating and accommodation pricing	Introduced January 2012 for the improvement of services and infrastructure for tourists. Aimed at the maintenance, fruition and restoration of the historical, artistic and environmental heritage and of public services.
Florence	City Tax: €1.50 to €5.00pppn based on hotel star rating	Introduced July 2011 to generate additional revenue for the improvement of services and infrastructure offered to tourists. City Council estimates revenue of €18m per year
Milan	€2.00 to €5.00pppn based on type, class and number of stars of accommodation	Introduced September 2012, revenues finance the preservation of the city's artistic heritage and the improvement of services for all tourists.
Pisa	€1.00 to €2.00pppn based on hotel star rating	From March 2012 to generate additional revenue for tourism services and infrastructure

Local Taxes

Rome	€2.00 to €7.00pppn	Introduced January 2011 to fund municipal services (maintenance of the city and monuments). Estimated revenue of €80m per year
Venice	€1.00 to €5.00pppn based on hotel star rating and season	Introduced August 2011 to fund public services and maintain cultural heritage sites (public campaign to become an individual sponsor of the city)
Netherlands		
Amsterdam	5% of net price of accommodation	Transferred to Public Funds Estimated income generation of €46.4m in 2016
Rotterdam	4.5% of net price of accommodation	Transferred to Public Funds Estimated income generation of €3.6m in 2016
The Hague	€2 to €3.30 based on type of accommodation	Transferred to Public Funds Estimated income generation of €6.2m in 2016
Portugal		
Lisbon	City Tax: €1.00pppn	Investment in Lisbon's Strategic Plan for Tourism Temporary until 2019 Estimated income generation of €15.7m
Spain		
Barcelona	Hotel Tax: €0.75 to €2.50pppn based on hotel star rating	Tourism Promotion Catalan Government aimed to raise €60m in 2013
Madrid	No hotel tax	
USA		
New York	Hotel Room Occupancy Tax: 5.875% charge on price of accommodation	Introduced December 2013

Core City	**Tourism Tax Position**
Birmingham	Birmingham and Solihull proposal for a tourism business improvement districts (TBID) prepared in 2014 with a ballot undertaken between February and May 2014. The plans were drafted by private sector representatives and Marketing Birmingham. The proposed Birmingham and Solihull TBID would focus on increasing the number of overnight guests in local hotels, raising the value of daily room rates in line with demand and boosting the value of the area's visitor economy overall. The TBID would also work to raise awareness of the area as a tourist destination in key markets.
Bristol	Destination Bristol proposed plans for a Tourism Improvement District in 2011 which would have included a tourist tax levied on tourism related businesses. The levy was estimated to raise £3m for investment to improve tourism in Bristol.
Cardiff	No tourism tax considered
Leeds	Leeds City Centre BID established in 2015 to improve and promote Leeds City Centre as a major source of jobs and economic growth to encompass retail, offices, leisure/tourism and universities and colleges. The BID4Leed Business Plan aims to improve the welcome and brand of Leeds City Centre

	to attract visitors. The levy applied is 1.25% of rateable value, with small businesses (under £60,000 rateable value) exempt from paying the levy.
Liverpool	Tourism Tax discussed by City Treasury in 2016 – no appetite for Tourism Tax proposal. Estimated that a Liverpool Visitor Contribution Levy could generate £4m per annum (based on £1.50pppn)
Manchester	The 2015 Spending Review devolved further powers to the Greater Manchester Combined Authority. Under the wider fiscal reforms submitted by the Greater Manchester Combined Authority, the Government has committed to continuing discussions on the potential benefits of a Hotel Bed Tax. The GMCA aimed to develop a Hotel Bed Tax proposal for discussion with the industry by February 2016 - consideration would be given to taking forward this work with London and Edinburgh. Under development by Marketing Manchester.
Newcastle	No tourism tax/levy considered. Previous discussions on a Tourism Business Improvement District but not fully developed.
Sheffield	No tourism tax considered

Appendix B

Case Study: New York City

The State and City charge sales tax on many services and on retail sales for most goods – the total sales and use tax rate in New York City is 8.875%. This includes: New York City local sales and use tax rate of 4.5%; New York State sales and use tax rate of 4%; and a Metropolitan Commuter Transportation District surcharge of 0.375%.

Background
In 1965, the New York State operated a state-wide general sales tax and replaced all locally administered sales taxes with a local option sales tax that is administered by the New York State Department of Taxation and Finance. All cities and counties in the State (with the exception of New York City) can apply local sales tax at a maximum of 3% - in 2015, 20 cities (including New York City) had a local sales tax.

The New York State Tax Law allows a county or city to apply local sales taxes of up to 3% by adopting a local law, ordinance or resolution. New York City is a special case and applies its own sales tax at a rate of 4.5%.

Sales Tax Base
With a few minor exceptions, the State and local sales tax bases in New York are the same. The State Tax Law describes the goods and services which are subject to the sales tax, including sales of:

- tangible personal property (furniture, appliances, clothing and footwear, computers and software, motor vehicles, fuels, tobacco products, and cosmetics);
- consumer utility services;
- other selected services (information services, rental of safe deposit, vaults and storage facilities, provision of parking, interior design, protective or detective services, and entertainment or information services by telephone);
- food and drink (prepared meals and beverages sold in restaurants, pubs or similar establishments);
- hotel room occupancy; and
- certain admission charges and club dues (admission charges to athletic contests, shows and entertainment events, cabarets and clubs and on dues for social and athletic clubs).

The following purchases are exempt from the sales tax: purchases for resale; sales to or by federal and state governments, charitable organisations and certain other exempt organisations; food for consumption at home; prescription and non-prescription medications; services such as medical care, transportation, education and personal and professional services; and fuels and utility services used in manufacturing.

Administration
The New York State Department of Taxation and Finance is responsible for the administration and collection of sales tax proceeds. In New York State most taxable sales are made by retail stores, with vendors responsible for collecting the tax at the point of sale and retaining a small portion of the sales they collect to compensate for the administrative costs of collecting and remitting the tax. All vendors are required to submit sales tax returns on a quarterly basis. In 2014, there were over 558,000 active registered vendors in New York State. Depending on how much sales tax they collect, vendors must remit revenues either annually, quarterly or monthly. Vendors collecting the largest amounts of revenue are required to remit monthly, this accounts for 8% of vendors collecting 87% of all sales tax revenue in New York.

Income Generation
The sales tax is an important source of revenue for local government throughout New York State. In 2013, local government sales tax was $13.8bn (8.2% of all local government revenue). New York City received 8.6% of its revenues from sales tax.

Local Taxes

Appendix C

Core City	Taxes and Levies considered/introduced
Birmingham	**Late Night Levy**: The Council's Licensing Policy 2015 states that the Council has no plan to implement a Late Night Levy at this time. **Workplace Parking Levy**: Informal evidence gathering in April 2016 to understand the impact of the Nottingham levy. **Community Infrastructure Levy**: Council approved the CIL in September 2015 and charging started in January 2016.
Bristol	**Late Night Levy**: Licensing Policy Scrutiny Board considered a Late Night Levy in May 2013. The Board's recommendation to Council was that any consultation on a Late Night Levy be postponed to allow the development of a Bristol Business Improvement District (BID). **Local Environmental and Development Taxes**: City efforts to increase recycling and public transport use/walking has focussed on making it easier for customers to switch rather than on local taxes. **Community Infrastructure Levy**: CIL applied to all developments granted planning permission after January 2013. Bristol City Council uses CIL revenue for; infrastructure (80%), Neighbourhoods to spend on local schemes (15%), and administration costs (5%). The total CIL income in 2014/15 was £2,768,571.50. CIL income in the range of £3,500,000 to £4,000,000 was anticipated for the 2015/16 financial year.
Cardiff	**Late Night Levy**: Currently considering the introduction of a Late Night Levy. **Community Infrastructure Levy**: Currently considering the introduction of a Community Infrastructure Levy. **Welsh Assembly**: The Tax Collection and Management (Wales) Bill is currently progressing through the Welsh Assembly. This Bill would introduce two new devolved taxes; Land Transaction Tax (to replace Stamp Duty), and Landfill Disposals Tax (to replace UK Landfill Tax).
Leeds	**Late Night Levy**: Licensing Committee considered a Late Night Levy in November 2013 and the Executive Board decided not to introduce as plans were proceeding to create a BID in Leeds City Centre. The potential revenue generation was £675,000 per annum. The challenges were considered to be; applied to the metropolitan area with no flexibility to target areas such as the City Centre, no consideration of risk of the venue, and premises could pay into levy and not see any benefit. The Levy was considered not to be proportionate and failed to make economic sense. **Community Infrastructure Levy**: Council approved the CIL in November 2014, with charges implemented in April 2015. Leeds City Council have agreed programmes for CIL which include; sustainable transport schemes, Leeds Flood Alleviation Scheme, green infrastructure and public green space, and education. **Local Environmental and Development Taxes**: Not considered or introduced.
Liverpool	**Late Night Levy**: Licensing and Gambling Committee considered a proposal to introduce a Late Night Levy in March 2016. The estimated potential maximum gross income from the levy on licensing records at that time was £902,694 per annum. The recommendation to be submitted to Council in July 2016, is not to proceed with the Late Night Levy as the net levy income is unlikely to produce any significant

	improvements in policing the late night economy across the whole of the Council area.
Manchester	**Workplace Parking Levy**: Rejected by Association of Greater Manchester Authorities in April 2010. It was estimated the workplace parking levy, if introduced in Manchester City Centre, would have raised around £4.4m a year. **Community Infrastructure Levy**: No decision made on bringing forward a CIL proposal for Manchester.
Newcastle	**Late Night Levy**: Introduced in November 2013 – the first in the UK. A requirement that licensed premises supplying alcohol between midnight and 6am pay an annual levy of between £299 and £4,400 depending on rateable value and if the premises primarily or exclusively sell alcohol on the premises. Administrative expenses are deducted, then revenue is split between Northumbria Police and Crime Commissioner (70%) and Newcastle City Council (30%). In 2014/15, the aggregate amount of payment in respect of the levy was £271,499, with expenses of £18,000. Government regulations state levy must be used to address crime and disorder, public safety, public nuisance, and street cleansing in connection with the supply of alcohol between midnight and 6am. **Community Infrastructure Levy**: On 8 February 2016 Newcastle City Council submitted Newcastle's Community Infrastructure Levy (CIL) Draft Charging Schedule (DCS) and related evidence to an independent examiner for examination.
Nottingham	**Workplace Parking Levy**: Introduced in 2012/13, the workplace parking levy is payable by all employers providing 10 or more car parking spaces for their employees. In the first 3 years (2012/13 to 2014/15), the levy raised £25.3m and is anticipated to generate £9.2m in 2015/16. The revenue is ring fenced by the Transport Act 2000 to fund initiatives contained in the Council's Local Transport Plan. The majority has been used to fund the extension of the tram system in Nottingham – also the redevelopment and restoration of Nottingham Railway Station into a 21st Century Transport Hub and continued subsidisation of the link bus network. **Late Night Levy**: Nottingham approved a Late Night Levy in July 2014, which is payable by most businesses in the City which have a license to sell alcohol between midnight and 6am. In 2015/16, the levy generated £221,100 with approximate running costs of £21,000. This revenue was split between Nottinghamshire Police (70%) and Nottingham City Council (30%) – the Councils' revenue was used to fund two additional Community Protection Officers.
Sheffield	**Community Infrastructure Levy**: adopted a Community Infrastructure Levy in July 2015 to provide infrastructure to support new development in an efficient and strategic way.