Downtown In Business

POLICY BRIEFING

The Overnight Visitor Levy

Supporting devolution, protecting hospitality and safeguarding regional competitiveness

November 2026

EXECUTIVE SUMMARY

Downtown in Business (DIB) has been at the forefront of the campaign for greater devolution in England for more than two decades. Few, if any, private sector organisations have done more to champion the transfer of powers and resources from Whitehall to our cities and regions, or to promote the role of directly elected mayors.

We remain enthusiastic advocates of fiscal devolution. However, our support for greater regional autonomy does not mean that we will uncritically endorse every additional power afforded to mayoral authorities.

The government's decision to press ahead with legislation enabling mayors to introduce an Overnight Visitor Levy - commonly referred to as a tourist tax - raises considerable concerns for DIB and the businesses we represent.

Our principal objection is that the proposed approach hands significant taxation powers and responsibilities to political leaders without guaranteeing meaningful collaboration with the hospitality and visitor economy sectors.

It also risks undermining successful, established, private sector-led accommodation levy models, exacerbating regional economic inequalities, creating additional administrative burdens and imposing further costs on an industry already facing significant financial pressures.

DIB believes that the government should reconsider key elements of its approach before implementing the legislation.

Devolution should be a vehicle for economic growth, not simply a mechanism for devolving taxation.

THE GOVERNMENT'S PROPOSALS

The Visitor Levy (England) Bill was introduced in Parliament on 4 November 2026 and passed its Second Reading on 16 November.

The legislation provides for:

- Mayors and eligible strategic authorities to introduce a levy on overnight accommodation.
- A percentage-based charge rather than a flat-rate levy.
- Local discretion over rates, certain exemptions and expenditure priorities.
- Accommodation providers being responsible for accounting for and paying the levy.
- Statutory consultation with businesses and local communities.
- Annual reporting on revenue collected and expenditure.

Although ten mayors have committed to a maximum rate of 5%, this is not equivalent to a universal statutory cap.

Whilst the government has recognised the need for business consultation, there is a fundamental difference between consulting businesses and empowering them to participate in decision-making.

Furthermore, in a parliamentary answer published on 24 November, the government indicated that it intends impact assessments to be undertaken at a local level. DIB believes a comprehensive national economic impact assessment is also essential.

WHY REINVENT THE WHEEL? THE ACCOMODATION BID MODEL

The government appears determined to impose a new legislative framework when successful, industry-led models already exist.

Liverpool and Manchester have pioneered Accommodation Business Improvement Districts (ABIDs), demonstrating that the private sector is prepared to support additional charges when there is a transparent and compelling business case for doing so.

Manchester introduced its £1-per-room-per-night charge in 2023, with Liverpool subsequently introducing a £2 charge. Manchester's initiative raised £2.8 million in its first year.

The fundamental strengths of the ABID model are that it is:

- Private sector-led and democratically endorsed by participating businesses.
- Relatively straightforward to administer through a flat-rate charge.
- Focused on investment that benefits the visitor economy.
- Accountable to the businesses that generate the revenue.
- Designed to attract additional visitors, conferences, sporting occasions and cultural events.

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WHY REINVENT THE WHEEL? THE ACCOMODATION BID MODEL

These initiatives represent precisely the sort of local innovation, entrepreneurial leadership and public-private sector collaboration that the government's devolution agenda should encourage.

Rather than potentially undermining these arrangements, government should use them as a blueprint for other destinations where accommodation providers support the introduction of a levy.

Where successful ABIDs already exist, there should be statutory protection against duplication and double taxation.

EDINBURGH: A WARNING FOR ENGLISH POLICYMAKERS

The experience of Edinburgh should serve as a warning to ministers and mayors.

The Scottish capital introduced a 5% visitor levy for qualifying stays from 24 July 2026, applicable to the first five nights. Scotland has subsequently provided local authorities with the flexibility to adopt either a percentage-based or fixed-rate model.

The controversy surrounding Edinburgh's approach, particularly concerns about implementation and administration, highlights the risks of developing a taxation model without sufficient regard for the operational realities of the hospitality industry.

Percentage-based charges introduce complications around advance bookings, refunds, commissions, third-party booking platforms, discounted accommodation, package deals and VAT treatment.

For smaller independent accommodation providers, these challenges can be particularly onerous. DIB believes that England should learn from the difficulties experienced in Scotland rather than risk replicating them.

The successful implementation of relatively simple flat-rate charges in English cities offers an alternative approach that ministers should be willing to accommodate.

LONDON VERSUS THE REST: EXACERBATING REGIONAL INEQUALITIES

One of the most significant shortcomings of the government's proposals is the apparent absence of a mechanism to address the enormous disparity in revenue-raising potential between London and other English destinations.

The capital enjoys significantly higher international visitor numbers, a substantial concentration of luxury accommodation and higher average room rates.

A percentage-based levy will amplify these advantages.

London could potentially generate a substantial war chest, enabling it to outbid regional cities for major conferences, sporting events, cultural festivals, exhibitions and entertainment opportunities.

The House of Commons Library has previously cited an estimate that even a £1-per-night charge in London could generate £91 million annually. Although differing methodologies make comparisons with regional estimates difficult, the scale of London's potential advantage is clear.

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LONDON VERSUS THE REST: EXACERBATING REGIONAL INEQUALITIES

Illustrative revenue: 1 million occupied room nights at a 5% levy

Destination	Assumed room rate	Revenue
Regional destination	£80	£4m
Major regional city	£120	£6m
London destination	£200	£10m

Illustrative assumptions, not actual room rates or revenue forecasts. London's greater volume of visitors could widen the disparity further.

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LONDON VERSUS THE REST: EXACERBATING REGIONAL INEQUALITIES

For decades, successive governments have talked about addressing the economic imbalance between London and the rest of the country.

It would be remarkably counterproductive if legislation introduced under the banner of devolution resulted in further entrenching the capital's dominance.

Regional cities already face considerable challenges competing with London for cultural investment, international events and government funding.

Giving the capital access to substantially greater resources for event subvention and cultural programming could make that competition even more unequal.

DIB is calling for a national assessment of the regional economic consequences of the proposed levy, alongside safeguards to ensure that fiscal devolution does not undermine the government's wider regional growth ambitions.

RING-FENCE THE REVENUE: TOURISM TAXATION FOR TOURISM INVESTMENT

DIB has considerable concerns about the breadth of expenditure potentially permitted under the proposed legislation.

Revenue generated by the visitor economy should be invested in growing the visitor economy. Priority expenditure should include:

- Arts, culture and heritage.
- Major sporting and cultural events.
- Conference and exhibition subvention.
- Destination marketing and international promotion.
- Visitor attractions and improvements to the visitor experience.
- Directly related visitor economy infrastructure.

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RING-FENCE THE REVENUE: TOURISM TAXATION FOR TOURISM INVESTMENT

Without robust statutory ring-fencing, there is a danger that the levy gradually becomes a supplementary source of general public sector funding.

Mayors and local authorities face numerous legitimate financial pressures, but the hospitality industry should not become the default source of funding for unrelated political priorities or gaps in council budgets.

Annual reporting, whilst welcome, is not sufficient protection against the diversion of resources away from their original purpose.

A tourism tax must not become a general-purpose mayoral spending pot.

NO SAY, NO PAY

Perhaps the most significant principle for DIB is that businesses expected to administer and collect the levy must have a meaningful role in determining how the revenue is invested.

The government's commitment to consultation falls well short of that objective.

Consultation is not partnership. Equally, consultation does not confer any meaningful decision-making power.

Hotels and accommodation providers will be asked to assume additional administrative responsibilities, potentially absorb increased operational costs and explain the additional charges to their customers. Yet, under the proposed arrangements, they are not guaranteed a formal role in determining investment priorities.

That is neither fair nor conducive to a successful public-private sector partnership.

DIB proposes that any statutory visitor levy should be overseen by a formal Visitor Economy Investment Board, with substantial representation from accommodation providers, hospitality businesses, destination management organisations and the wider private sector.

Such a board should have a statutory role in developing investment strategies, approving spending priorities, monitoring expenditure and evaluating economic returns.

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NO SAY, NO PAY

DIB's principle is straightforward:

No say, no pay.

This is a demand for meaningful business participation to be enshrined in legislation, not a call for businesses to disregard their legal obligations.

The hospitality sector should be treated as an investment partner, not as an unpaid tax collection agency.

A BACKDOOR REDUCTION IN TREASURY SUPPORT?

DIB is also concerned that the introduction of new local revenue-raising powers could, over time, provide the Treasury with an opportunity to reduce government financial support for local authorities and strategic authorities.

If visitor levy income is subsequently factored into wider funding settlements, the consequence could be that additional taxation on the hospitality sector simply replaces existing national government expenditure.

That would undermine the economic rationale for the levy.

Instead of generating additional investment in culture, tourism and place promotion, the money could effectively be used to compensate for reductions in government grants.

DIB is seeking an explicit commitment from the Treasury that visitor levy revenues will be additional to existing government funding arrangements.

Fiscal devolution must deliver additional investment capacity, rather than become a means of transferring financial pressures from Whitehall to local businesses.

BEYOND THE CITIES: WHAT ABOUT BRITAIN'S SEASIDE RESORTS?

The debate has understandably focused on major cities, but the implications for coastal resorts and traditional holiday destinations require far greater consideration.

Blackpool, Southport, Scarborough, Bournemouth and other seaside destinations operate in a different market from London and the major regional cities.

Many depend on price-sensitive domestic visitors, family holidays and seasonal trade.

A family booking a seven-night holiday may face a significantly greater cumulative charge than a business traveller attending an overnight conference.

Coastal destinations could also find themselves competing against resorts in neighbouring authority areas that have chosen not to introduce a levy, or that have introduced substantially different rates.

The government would argue that a percentage-based model protects cheaper accommodation. However, affordability is about the total cost of a holiday, not simply the nightly room rate.

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BEYOND THE CITIES: WHAT ABOUT BRITAIN'S SEASIDE RESORTS?

There are also questions about the distribution of revenue within geographically large strategic authority areas.

How can a coastal resort be assured that revenue generated by its hospitality businesses will be reinvested in its own visitor economy rather than concentrated in a nearby metropolitan centre?

DIB believes that specific safeguards are needed for coastal, rural and seasonal destinations, with a transparent connection between where revenue is generated and where it is spent.

ANOTHER TAX ON AN ALREADY PRESSURED INDUSTRY

The hospitality sector has faced an extraordinary series of economic challenges in recent years. These include increased employer National Insurance contributions, rising employment costs, energy prices, food inflation, business rates pressures and changing consumer spending patterns.

Many businesses are already operating on extremely tight margins.

Although proponents of a visitor levy argue that the charge will be paid by visitors, the economic reality is more complicated.

Accommodation providers may have to absorb some of the additional cost to remain competitive, particularly during quieter periods or when negotiating corporate and conference rates.

A visitor levy therefore has the potential to affect hotel profitability, occupancy, employment and investment.

Furthermore, the absence of a sufficiently standardised national approach could create a complicated patchwork of arrangements across England.

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ANOTHER TAX ON AN ALREADY PRESSURED INDUSTRY

Hotel operators working across multiple destinations could face different rates, exemptions, registration arrangements, reporting requirements and enforcement regimes.

Visitors could face considerable confusion, whilst neighbouring destinations could find themselves competing on increasingly unequal terms.
Devolution should not become an excuse for unnecessary regulatory complexity.

DIB advocates local flexibility within a consistent national framework that protects businesses and visitors alike.

POLITICAL CONSENSUS CANNOT BE TAKEN FOR GRANTED

The government should not assume that support for devolution automatically translates into support for a tourist tax.

Reservations expressed by politicians from within the Labour movement, including at mayoral level, underline the fact that this is not simply a party-political argument.

Mayors should be judged on their ability to attract investment, create employment, support businesses and grow their regional economies.

Introducing a new tax is not, in itself, evidence of successful mayoral leadership.

In some destinations, the most economically responsible decision may be not to introduce a levy at all.

DIB would encourage mayors and prospective mayoral candidates of all political parties to engage directly with their hospitality sectors before making commitments on this issue.

INTERNATIONAL EXPERIENCE: LESSONS FROM THE FINANCIAL TIMES

The Financial Times' recent Big Read, Tourist taxes on the march, reinforces a number of DIB's concerns. Its examination of international visitor levies highlights the attraction of tourism taxation to politicians seeking to generate additional revenue without directly taxing their electorate.

However, it also identifies concerns regarding administrative costs, destination competitiveness, the escalation of initially modest charges and the extent to which accommodation providers may ultimately absorb some of the additional taxation.

There is a fundamental difference between destinations such as Barcelona, Venice and Amsterdam, which are seeking to manage overtourism, and English regional cities and coastal resorts that are actively seeking to attract more visitors.

It would be a serious mistake to adopt taxation policies designed to discourage excessive visitor numbers in destinations where the principal economic objective is to increase them.

The Edinburgh experience provides further evidence of the practical difficulties. In August 2026, the Scottish Tourism Alliance reported significant problems with the percentage-based model, including inaccurate calculations by booking platforms and additional administrative costs potentially running into millions of pounds across businesses.

England has an opportunity to learn from these experiences before implementing its own legislation.

DOWNTOWN IN BUSINESS: TEN RECOMMENDATIONS TO GOVERNMENT

DIB is calling on ministers to consider the following amendments and commitments during the parliamentary passage of the Visitor Levy Bill.

1. **Protect existing Accommodation BIDs.** Provide statutory safeguards against double taxation and protect successful private sector-led arrangements.
2. **Permit flat-rate levies.** Give destinations the flexibility to adopt the simpler ABID model where there is demonstrable industry support.
3. **Guarantee meaningful business participation.** Establish statutory public-private sector investment boards with genuine influence over expenditure.
4. **Ring-fence expenditure.** Ensure revenues are invested in culture, heritage, events, destination promotion and the visitor economy.
5. **Introduce a statutory national cap.** Protect the industry and consumers against excessive taxation and future rate increases.

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DOWNTOWN IN BUSINESS: TEN RECOMMENDATIONS TO GOVERNMENT

6. **Address London's disproportionate advantage.** Undertake a comprehensive assessment of the potential impact on regional competitiveness and event subvention.
7. **Guarantee additionality.** Secure a Treasury commitment that visitor levy revenues will not be used to justify reductions in existing government financial support.
8. **Protect coastal and seasonal destinations.** Recognise their distinctive markets, economic challenges and dependence on domestic tourism.
9. **Standardise administration.** Establish consistent national collection, reporting and compliance arrangements, with reasonable reimbursement of business administration costs.
10. **Publish a national economic impact assessment.** Evaluate the cumulative tax burden on hospitality, alongside potential consequences for employment, investment, visitor numbers and regional economic growth.

CONCLUSION

Downtown in Business remains an enthusiastic supporter of devolution and the directly elected mayoral model.

We want our mayors to have greater powers, greater resources and greater freedom to develop ambitious economic growth strategies for their cities and regions.

However, with greater power comes greater responsibility.

The government's current approach to visitor levies risks placing additional taxation and administrative responsibilities on businesses without providing them with a corresponding role in decision-making.

It risks undermining successful private sector initiatives, widening regional economic disparities and creating further challenges for an already pressured hospitality industry.

Liverpool Manchester and, more recently, Birmingham, have demonstrated that there is an appetite within the business community to support visitor levies when they are straightforward, proportionate, transparent and industry-led.

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CONCLUSION

Government should build on that success.

The emergence of Accommodation BID initiatives in other cities demonstrates that there is an alternative to a politically controlled taxation model.

DIB is not opposed to innovation in local government finance. Nor are we opposed in principle to modest, business-supported visitor levies.

We are opposed to unnecessary taxation, excessive bureaucracy, the marginalisation of the private sector and policies that could undermine the competitiveness of our regional economies.

The government's growth agenda and its commitment to devolution must be complementary. This legislation, in its current form, risks putting those two ambitions in conflict.

The visitor economy should be seen as an engine of economic growth, not a cash machine for local government. No say. No pay.

Downtown In Business

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