



**HOLBA Visitor Levy
Consultation Response
February 2026**

This submission is made by Heart of London Business Alliance (HOLBA), a membership organisation which represents over 500 businesses across Piccadilly, Piccadilly Circus, Haymarket, Leicester Square, St Martin's Lane and Jermyn Street – the 'Heart of London' area, forming the commercial and cultural core of London's West End. This area plays a central role in London's experience economy, creative industries, visitor economy, retail, hospitality and night-time economy, and is a nationally significant driver of employment, tourism, business rate income and economic growth.

In January 2026, HOLBA convened a roundtable discussion with 10 senior representatives from the hotel sector to discuss the proposed visitor levy which has helped to inform the content of this submission. The roundtable demonstrated that the hotel sector in central London are very concerned about the introduction of an overnight visitor levy, warning that it risks undermining competitiveness, will be complex to administer, and will intensify financial pressures at a time when the sector is already strained.

While levies can support destination management when well designed, the industry argues that current economic conditions make implementation high-risk unless alternative tax arrangements for VAT, business rates and reinstatement of VAT-free shopping are put in place in tandem with this proposal.

HOLBA's Broad Principles to the Proposed Visitor Levy

- **No visitor levy without tax reform** - Any visitor levy must be considered alongside reform of VAT on tourism, business rates and reinstatement of VAT-free shopping to avoid further weakening London's international competitiveness.
- **Simplicity and fairness** - If introduced, the levy should be a **fixed rate as a percentage or a flat fee per night**, to minimise administrative complexity and to ensure a level playing field for accommodation providers within a region.
- **National safeguards** - Government should set a **national cap on levy rates**, limit charges to a **maximum of five consecutive nights**, and prevent unreasonable local variation.

- **Lead-in time** – Hotels commonly operate with contractual advance bookings, especially within the corporate events sector, therefore forward notice of these charges must be given at least two years ahead to prevent significant financial obligations on the hotel that cannot be reclaimed from a customer.
- **A level playing field** - All commercially let accommodation, including short-term lets, must be in scope to avoid market distortion and unfair competition.
- **Standardised administration** - Collection, reporting, exemptions, and audits must operate under a **single nationally prescribed system** to reduce burden and compliance risk.
- **Exemptions handled centrally** - Any exemptions should be processed by the collecting authority, not at point of sale, to avoid operational complexity and handling of sensitive personal data by hotels.
- **Recognition of hotel costs** - A **standard administrative fee for hotels** must be built into the model, reflecting evidence that up to 70% of a £5 levy could otherwise be absorbed by hotel compliance costs.
- **Platform accountability** - Online travel agents and booking platforms should be legally required to adopt **standardised levy collection and reporting processes**.
- **Hypothecation of revenues** - Levy income must be **ringfenced for visitor economy investment** with a prescribed list of permitted spend and not used to offset wider public sector funding gaps.
- **Strong governance with business involvement** - Business Improvement Districts should be formally recognised as key consultees, ongoing governance partners and delivery bodies to ensure levy funds are well targeted and effective.

Economic Challenges on the Hotel Sector

The hotel sector has expressed significant concern about the introduction of an overnight visitor levy in central London, highlighting the risk of further weakening an already pressured and strategically important industry.

London is already perceived as a high-cost destination, and comparisons with European cities that operate tourist taxes are not directly applicable due to lower VAT rates and

long-established levy systems abroad. The UK remains the country with the highest VAT burden across Europe.

VAT on Tourism Services: UK vs Competitor Destinations ¹

Country	Standard VAT rate	Hotel/ Accommodation VAT	Restaurants/ Catering VAT	Visitor Attractions / Cultural Admissions	Position vs UK
UK	20%	20%	20%	20%	Highest
France	20%	10%	10%	5.5% - 10%	Lower
Germany	19%	7%	7%	7%	Much lower
Netherlands	21%	21%	9%	9%	Lower
Spain	21%	10%	10%	10%	Lower
Italy	22%	10%	10%	10%	Lower
Ireland	23%	13.5%	13.5%	9% - 13.5%	Lower
Greece	24%	13%	13%	6.5% - 13%	Lower

To summarise, the UK has higher punitive VAT rates in related activities compared to other competitor countries²

Sector	UK	Typical Competitor Approach
Reduced VAT for tourism	No	Yes
VAT on accommodation	20%	Typically 6% to 13%
VAT on restaurants	20%	Typically 6% to 13%
VAT on attractions	20%	Often reduced

This data reinforces the position that the UK is an outlier in applying the full standard VAT rate to almost all tourism services. Most competitor destinations use targeted reduced VAT rates to support visitor demand, seasonality, and international competitiveness. UK tourism businesses therefore operate with a material tax disadvantage, particularly in accommodation, food and beverage, and paid attractions.

Introducing a levy now could impact the demand for London as a domestic and global tourism destination and potentially distort the market by pushing visitors to stay outside levy zones, particularly if rates are inconsistent across England.

¹ Sources: 2026 Tourism Tax Report, January 2026, The Tourism Alliance; Promoting the tourism industry in Northern Ireland through the tax system, Appendix 1: Rates of VAT in the Tourism Sector in EU Countries; Written evidence submitted by VisitBritain to Parliament, March 2022; NorthStar: Tourism Tax, Focus on Scotland: A Proposed Tourism Levy for Scotland.

² Ibid



The levy would also sit alongside other visitor-related costs, including the Electronic Travel Authorisation and some of the world's highest airport taxes.

The data shows that UK passengers pay materially more in departure taxes than those flying from almost any major competitor hub.³ Air Passenger Duty is the differentiating factor, accounting for the majority of the gap. For long-haul economy, UK departure taxes are typically two to four times higher than Paris, Amsterdam, Frankfurt, or Dublin.⁴ Competing hubs in Europe, the Middle East, and Asia rely primarily on airport service charges rather than punitive passenger taxation. This evidence further demonstrates the existing challenges on global competitiveness.

In terms of operating costs, hotels are facing sustained financial strain, with sharp increases in business rates, National Insurance, minimum wages, and financing costs.

Business rate increases based on the 2026 values are showing increases for hotels at 115%⁵ and hotels report since 2017 that payroll costs are estimated to have risen by 35% to 40%.

Although footfall and revenues have broadly reached pre-pandemic levels (but this doesn't take into account indexation), profitability has not recovered. Additional pressures include rising supplier costs and a predicted increase of supply of an estimated 1,000 hotel rooms entering the London market in 2026, intensifying competition.

Demand conditions remain fragile. International travel—especially from the US - has not fully rebounded, and RevPAR is declining despite stronger domestic trade. Margins are under pressure, raising concerns about investment, job security, and long-term viability.

There is also widespread uncertainty and concern about how a levy would be administered. Hotels anticipate significant operational complexity, including changes to digital systems, pricing structures, and package offers. Smaller operators are particularly exposed, and online travel agents would also need to adapt their platforms.

Workforce challenges compound the issue. The sector continues to struggle with recruitment, particularly since access to overseas labour has reduced post-Brexit. Discretionary service charges, which support staff pay, could be displaced by a levy, adding further pressure in a sector that has already lost over 100,000 jobs since April 2025.

Evidence shows that many central London hotels operate a discretionary accommodation service charge, similar to food and beverage service charges, which is distributed 100% to

³ Travel Weekly, July 2024, 'UK air passengers pay at least three times more tax', Phil Davies

⁴ Source: Airlines UK

⁵ Source: UKHospitality 2025



hotel teams under TRONC arrangements. While most guests currently choose to pay this discretionary charge, the introduction of a mandatory visitor levy risks unintended consequences including the likelihood of guests prioritising payment of the mandatory levy and declining the discretionary service charge. This would directly reduce earnings for frontline staff and hotels would become less competitive in an already tight labour market. The discretionary accommodation service charge was introduced in response to reduced cash tipping and is now a vital component of staff remuneration. Undermining this income stream risks worsening recruitment and retention challenges across the sector.

Stakeholders also raised concerns about the scope of the levy, including administering any exemptions at point of sale being considered unworkable, and the need to include serviced accommodation such as AirBnB to avoid further market distortion.

Governance also emerged as a critical issue: concerns focused on levy revenues being diverted to non-tourism uses, prompting calls for transparent oversight, safeguards, and industry representation within the governance of the fund. The government consultation is remiss in failing to acknowledge BIDs within the list of consultees and stakeholders affecting within section 6.1.

Overall, while visitor levies can support destination management when well designed, the sector believes that introducing one in London now whilst the tax burden is being further increased would risk competitiveness, investment, and employment. Any proposal must be evidence-based, internationally competitive, administratively workable, and governed transparently, with meaningful industry involvement.



Consultation Questions

Chapter 2: The case for a local overnight visitor levy in England

Question 1: Should this power to raise a visitor levy also be granted to Foundation Strategic Authorities?

No specific comment.

Chapter 3: Use of revenues

Question 2: Do you agree that Mayors should be able to invest the revenues from a levy in interventions to support economic growth, including the visitor economy?

Yes. It is essential that there are clear guidance and control measures in place around the spend of levy funds to ensure hypothecation. These funds should not be seen as general funds to cover other public sector funding gaps.

Question 3: Should a share of revenues for local authorities be allocated on the basis of the proportion of overnight stays in the authority or some other centrally defined metric, or should the distribution within the area be determined entirely by Mayors and other local leaders?

A share of revenues if allocated to local authorities should be calculated on the basis of proportion of overnight stays. These funds should not be seen as a route to redistribution of income to other areas.

Chapter 4: Scope of the levy

Question 4: Do you agree that all overnight stays in commercially let visitor accommodation should be within scope of a levy, unless otherwise exempted (see sections 4.3-4.5)?

Yes. All commercially let visitor accommodation should be treated the same otherwise a competitive advantage is provided to those that are excluded.

Question 5: Should the government introduce a threshold below which providers are not liable for a levy? If so, what form should this take? Please provide evidence for why any suggestions should be considered.

There may be a requirement for a threshold if the administrative burden outweighs the income generated. In the case of BIDs, a threshold is regularly applied to ensure the net income gained is cost effective.

Question 6: Do you agree that the following exemptions should apply at a national level? Please provide details for why any additional exemptions should be considered. Exemptions could include:

a) Stays in registered Gypsy and Traveller sites where the accommodation is a primary residence.

b) Stays in charitable or non-profit accommodation provided for shelter, respite, or refuge, where the accommodation is not commercially operated.

c) Other types of accommodation, such as for statutory Temporary Accommodation arranged by local authorities (please provide details for why any additional exemptions should be considered).

No specific comment on exemptions listed but it is imperative that any exemptions are clear and transparent and easy to administer. Any claims for exemption should be processed via the collecting authority not at the point of sale by the hotel due to potential disclosure of sensitive or personal information.

Question 7: Do you think that Mayors and other local leaders should have the power to introduce additional local exemptions to those outlined nationally? Please provide examples of specific exemptions, and evidence for these.

No specific comment but see comments above on administration of exemptions should be the responsibility of the collecting authority not the hotel.

Chapter 5: Levy rates

Question 8: Do you agree that a levy should be set as a percentage of accommodation costs?

There are concerns about a percentage being too punitive at the higher priced hotels, whilst concerns for a flat fee relate to its regressive nature and therefore disproportionate impact on the lower price hotels. A reasonable compromise is to run a flat fee banded across the various priced hotels. This charging approach exists in various places including Paris.

Question 9: How should a percentage-based levy be applied to inclusive packages where accommodation is only part of the total cost (for example, packages that include meals, entertainment, or transport)?

The levy should only be applicable to the charge relating to the stay.

Question 10: Do you agree that Mayors and other local leaders should have the flexibility to set levy rates locally? Please describe any factors that should be considered in setting a rate.

Geographical variations may dictate the need for differing levy rates, but this should be fixed within a region. Any rate must be contained within a national cap applied within the legislation.



Question 11: Should the government put in place a cap on the maximum tax rate? If so, at what level should a cap be set? Please provide evidence in support of your views.

Yes a maximum cap should be applied by government to safeguard against implementation of unreasonable levy rates. Evidence directly from hotels shines a light on the likely costs associated with collecting the levy. Based on a £5 per night levy, evidence suggests the administrative burden on the hotel could be as much as 70% (£3.50).

Question 12: Should the government put in place a limit on the maximum number of consecutive nights to which a levy applies? If so, at what level should that limit be set? Please provide evidence in support of your views.

Yes a limit on the maximum number of consecutive nights should be applied. The limit should be 5 consecutive nights.

Question 13: Are there any other flexibilities or safeguards that should be built into the rate-setting framework?

No specific comment.

Question 14: Should Mayors and other local leaders have powers to vary the rate for different types of accommodation, including short term lets?

A clear approach that applies a fixed fee to all accommodation providers is the fairest and most straight forward approach. Adding varied rates creates distortion in the market and is anti-competitive.

Question 15: Do you agree that Mayors should have the flexibility to decide whether the levy applies to different constituent authorities within their region?

Yes based on clear and transparent consultation.

Question 16: Should Mayors and other local leaders be able to vary levy rates in their areas based on, for example, seasonality? Please provide details of any other flexibilities that should be considered.

No. Whilst it may appear beneficial to enable varied rates, any flexibilities will add further unreasonable complexity and therefore administrative burden on hotels. Evidence of varied rates would also prove more complex when reporting to the collection authority. When a visitor levy/tax is being used to manage demand due to overtourism in areas such as Venice, it is reasonable to consider seasonal variations, but this would not prove to be relevant or valid in London.

Chapter 6: Transparency and accountability

Question 17: Do you agree that a formal consultation process conducted by Mayors and, if powers are extended to them, Foundation Strategic Authorities should be required before a

levy is introduced and that this approach is proportionate?

Yes a formal and transparent consultation is essential. Further detail will be required on how this consultation is carried out and verified to ensure it has a meaningful impact on decisions made.

Question 18: Do you agree with the proposed components of the prospectus?

Yes.

Question 19: Do you think that the proposed length of the notice period of 12 months is appropriate?

Yes

Question 20: Do you agree that introduction of a levy, and any subsequent changes to the core elements of a levy, should be subject to the relevant statutory Mayoral budget voting process in MSAs?

Yes

Question 21: If Foundation Strategic Authorities have powers to introduce a visitor levy, do you agree that a simple majority council vote should be required ahead of consultation on a levy, ahead of implementation and this be repeated ahead of any changes to the core elements of a levy? Is this approach fair and proportionate?

No specific comment.

Question 22: If Foundation Strategic Authorities have powers to introduce a visitor levy, what are your views on the consent mechanism in Foundation Strategic Authorities where a levy is applied to a smaller area within the Foundation Strategic Authorities' geography?

No specific comment.

Question 23: What further or different governance and accountability mechanisms are needed in Foundation Strategic Authorities, Mayoral Strategic Authorities or the Greater London Authority?

Business Improvement Districts (BIDs) should be acknowledged as a critical consultee and ongoing partner in determining design/redesign of a scheme, ongoing governance to safeguard spend decisions as well as their role as a delivery partner for local implementation of levy-funded projects. BIDs have a unique position within the local place landscape as the voice of business, custodian of knowledge of 24hr needs, issues and opportunities and are an onsite delivery partner. The risk of excluding the BIDs in a governance framework would be poorly targeted investment and potential duplication/overlap of provision.

Question 24: Do you agree with the proposed approach to reporting, and should any further accountability mechanisms be considered?

The simple reporting provisions seem appropriate at collecting authority level and are akin to the annual billing reporting for BID levies. This presumes that appropriate transparent and accountable governance arrangements have been established.

Chapter 7: Liability and assessment model

Question 25: Do you agree that it should be the visitor accommodation provider that is ultimately liable?

This presents a significant burden to the hotel sector and represents a one-way transfer of risk and cost from the public sector to private businesses.

The hotel booking arrangements are a complex picture where levies are often treated as commissionable revenue, inconsistent OTA treatment of exemptions and reporting, guest disputes are handled by hotel staff, not platforms, and hotels remain legally liable for errors they do not control. Advance purchase bookings and all-inclusive travel packages create additional problems including payment is often retained by the OTA, any amendment to the stay may require recalculating the levy, hotels may have no practical way to recover additional levy amounts. This shifts operational risk entirely onto hotels, despite limited control over the booking process

The compliance risk is asymmetric and unfair. Hotels face a burden to audit collection, retrospective audits, and no margin for error in complex scenarios (children, long stays, relocations, cancellations, exceptions). Meanwhile, the bodies receiving the levy bear no transaction or processing costs, assume no operational risk, and do not compensate hotels for the compliance burden.

As an absolute minimum, a standard administrative fee must be factored into the levy assessment model to compensate hotels.

In simple terms the guest sees a visitor levy of say £5, and the perception will be a £5 levy charged by the council and borne by the visitor. In reality, the hotel will actually bear a significant cost including

Credit card fees	£0.07–£0.13	Levy increases total transaction value
OTA commission	£0.75–£1.25	Levy often treated as commissionable revenue
Front desk administration	£0.50–£1.00	Additional handling, exemptions, guest queries
Systems & reporting	£0.30–£0.60	PMS, CRS, accounting and reconciliation



Compliance & audit risk £0.30–£0.50 Staff time and professional support

Total cost per stay £1.90–£3.50 Unrecoverable

This represents up to 70% of a £5 levy lost to administrative friction and borne by the hotel.

Question 26: How could digital booking platforms or intermediaries best be integrated to streamline levy assessment, collection and tax returns?

Provisions should be built into the legislation to ensure booking platforms and intermediaries approaches are standardised.

Question 27: Do you agree that a self-assessed model is the most appropriate approach for administering a visitor levy?

Yes but provisions for spot checking and auditing should be built into the legislation to ensure a standardised approach. This is particularly important for hotels operating across multiple jurisdictions.

Question 28: Do you agree that the tax point of a levy should be the point of arrival?

Yes

Chapter 8: Administration

Question 29: In your view, should levies be administered locally by relevant authorities, through a centralised approach, or a combination of local and central authorities?

As long as administration is entirely standardised across all jurisdictions it shouldn't matter whether this is at local or central level. It is critical that one standard method is prescribed.

Question 30: Do you agree a portion of levy revenues should be retained by the relevant authorities to fund administration costs, if levies are administered locally?

Yes, a reasonable administration charge could be applied at the collecting authority level but only in addition to an agreed administration charge at the hotel level prior to pass through of funds.

Question 31: Should the registration process for accommodation providers to support the administration of the visitor levy be operated locally or nationally alongside the registration scheme for short-term lets in England?

Robust provisions must be in place to ensure avoidance of free riders. All commercial accommodation providers should be treated equally and therefore if registration is required to ensure this, this must be aligned.



Question 32: What processes or solutions for collecting revenues could be introduced to minimise the burden on businesses?

Standardised methods are critical to smooth implementation.

Question 33: What further support could reduce the administrative burden on businesses in collecting and remitting a levy?

A standard administrative fee for hotels to ensure net pass through of funds is less than 100% of levy collection.

Chapter 9: Compliance and enforcement

Question 34: Tax authorities will require enforcement powers to ensure compliance with a levy. Do you agree with the powers listed?

- Civil information and inspection powers, including those to enquire into tax returns, audit records retained by visitor accommodation providers, and inspect premises.
- Civil powers to charge interest and penalties, and to recover unpaid tax, where a visitor accommodation provider fails to undertake their statutory obligations relating to the visitor levy.
- Discretionary debt relief powers, for example the ability to reduce a debt to nil or to not issue a penalty in certain circumstances.

Yes

Question 35: Do you agree that an appeals process should enable providers to appeal on the basis of liability, classification or enforcement action? Please provide details of any additional areas which should be considered.

Yes

Chapter 10: Equalities impacts

Question 36: Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

No