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CULTURAL
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UNIT

DATE:
March 2025

A City Tourism Charge

The Case for a Progressive Levy on Overnight Visitor Accommodation

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BACKGROUND

In our Fabian Society pamphlet, *Arts for Us All*, we proposed a "progressive city tourism charge", a levy on overnight tourist accommodation that would funnel revenue into a central funding pot dedicated to supporting cultural infrastructure across England.[1] To ensure that the tourism tax benefits every part of the country, a borough-based distribution model – driven by Metro Mayors and combined/local authorities – is recommended. This model draws inspiration from other countries that have successfully implemented tourism levies via legislation to bolster local economies and cultural offerings, such as France, Germany, and the US.

The funds generated from an English charge would be **ring-fenced specifically for cultural infrastructure and placemaking,** including major free cultural attractions that drive tourism. By targeting a percentage-based levy – proposed at 3 per cent to 5 per cent – the policy ensures that higher-end accommodations contribute more, making the system progressive and equitable. For example, a charge of 3 per cent on the average room rate would generate substantial revenue of over £1 billion annually (See page 16), which could significantly enhance and grow the UK's cultural infrastructure, supporting both tourism and local communities. The legislation should be designed in close consultation with the hospitality sector, to develop a model that strengthens the tourism offer overall.

A progressive approach is vital for ensuring that the visitor economy is not adversely impacted, while also directly benefitting the cultural fabric of local communities. Culture is not just about established organisations. It is often the glue that brings communities together, regenerating high streets, fostering new commercial ecosystems, and stimulating local community networks and grassroots arts initiatives. A new theatre, gallery or creative business makes the high street experiential and can become the core of new commerce for retail and hospitality. Investing in cultural infrastructure plants the seeds that enable a regional economy to grow and thrive.

This model emphasises that ‘circular economy’ approach, where the funds raised are reinvested back into the cultural and tourism sectors that generate them, fostering sustainable growth. Additionally, through a redistribution element (See pages 21-22), the policy can help address regional inequalities, ensuring that areas outside London also benefit from increased investment. This progressive, percentage-based model promotes an equitable distribution of cultural funding according to level of accommodation and visitor footfall, while also addressing regions with less tourist activity and fragile cultural infrastructure, to encourage cultural activity at a community level.

DEFINING CULTURAL INFRASTRUCTURE

Defining what we mean by ‘cultural infrastructure’ is paramount to ensuring the policy’s successful delivery and that the result is transformative. We define it as the physical and social spaces that facilitate the creation, exchange, and consumption of culture within communities. While often discussed alongside social infrastructure, cultural infrastructure specifically includes venues and institutions such as museums, galleries, theatres, and libraries, as well as informal spaces like pubs, music venues, and community centres. These spaces are integral to both the social and cultural fabric of a place, providing environments where individuals can connect, share experiences, and help forge a collective identity. The distinction between social and cultural infrastructure is subtle, as both types of spaces share a common purpose: to foster connection and a sense of belonging. As the Bennett Institute notes, these infrastructures "are those assets whose primary function is to connect us to each other and enable citizens to consume and produce culture,"[2] ultimately supporting wellbeing, creativity, education and self-expression, as well as driving local regeneration and contributing to local and national economies.

The spaces specifically defined as cultural infrastructure are typically long-lived and accessible. The value of such spaces, however, cannot be measured solely by their physical presence. Equally important is their social role in creating a sense of place and attachment, offering venues for collective memory and identity. Cultural infrastructure plays a foundational role in supporting both social cohesion and local economic development, as these spaces often become hubs for creativity, education, and cultural exchange. As such, measuring cultural infrastructure requires not only an assessment of physical assets but also an understanding of their social impact - how they animate public life, support local creativity, and foster a shared sense of community.

Our definition encompasses, but is not exclusive to, the following infrastructure, ensuring that the funds remain ring-fenced while building in some flexibility depending on local needs:

Cultural Venues and Facilities: These are the physical spaces where cultural activities take place. They include:

- **Theatres** and **performance spaces** (e.g. opera houses, theatres – from London's West End to the local playhouse, concert halls, and dance studios)
- **Museums** and **galleries** (e.g. art museums, history museums, exhibition halls)
- **Cultural centres** (e.g. community arts centres, multi-use venues)
- **Libraries** and **archives** (public libraries, national archives, and research collections)
- **Cinemas** and **cinema complexes** (for film screenings, festivals, and events)

- **Cultural heritage sites** (historical landmarks, monuments, and archaeological sites)
- **Grassroots venues** (pub theatres, reclaimed arts spaces and imaginative, atypical places with cultural activity)

Cultural Assets and Resources: These are the **artistic** and **cultural products** that enrich the cultural landscape of a region, such as:

- **Art collections** and **heritage objects** (including collections in museums and galleries)
- **Performing arts productions** (plays, music concerts, ballet performances)
- **Cultural festivals** and **events** (e.g. literary festivals, music festivals, traditional celebrations)
- **Creative industries** (e.g. film production, design, publishing, fashion)

Creative Spaces and Studios: These are facilities where artists, performers, and creators work and produce cultural content. They include:

- **Artist studios** (for visual artists, sculptors, etc.)
- **Rehearsal spaces** (for musicians, actors, dancers)
- **Workshops** and **maker spaces** (for writing, crafts, design, and innovation)
- **Film and media studios** (for film and video production, animation, etc.)

Public Art and Outdoor Cultural Infrastructure: This includes artistic installations and projects that are integrated into public spaces and contribute to the cultural landscape of a community, such as:

- **Public sculptures**, **murals**, and **street art**
- **Outdoor performance spaces** (e.g. public stages for music or theatre in parks)

- **Cultural trails and heritage walks** (e.g. historical walking tours, art trails)
- **Interactive digital art** and **temporary art installations** in public spaces

Cultural Institutions and Organisations: These are the organisations that manage, operate, and fund cultural initiatives, including:

- **Cultural councils** or **cultural ministries** (public sector bodies that support cultural policy and funding)
- **Non-profit arts organisations** (e.g. theatre companies, orchestras, dance troupes)
- **Cultural foundations** and **charities** (that fund cultural programmes or preservation initiatives)
- **Cultural education institutions** (e.g. conservatories, art schools, schools that provide cultural school trips, universities with creative career programmes)

Tourism and Visitor Infrastructure for Culture: This includes the facilities and services that enhance the **visitor experience** in cultural destinations, such as:

- **Tourist information centres**
- **Cultural guides and interpretation services**
- **Transport links** to cultural sites (e.g. bus routes to museums, heritage sites)
- **Environment and sustainability** ensuring safe and attractive surroundings
- **Accommodation** near cultural districts or heritage sites

SMEs and London's Creative Enterprise Zone

London's Creative Enterprise Zones (CEZs) are pivotal to the city's cultural infrastructure, serving as key environments for small and medium-sized enterprises (SMEs) in the creative industries. These areas - such as Hackney, Brixton, and Deptford - are designed to offer affordable workspaces, business support, and networking opportunities to creative businesses. As hubs for artists, designers, filmmakers, and other cultural entrepreneurs, CEZs help sustain London's global cultural relevance while contributing to local economic growth.

SMEs within CEZs are central to the city's identity as a cultural powerhouse, providing both artistic and economic value. The **Creative Enterprise Zone Impact Report 2018-2021** highlights the success of these zones, noting that "Creative Enterprise Zones lost fewer jobs and businesses between 2019 and 2021 than comparator areas or London overall."[3] This underlines the resilience of CEZs in nurturing small creative businesses, which often face difficulties in securing affordable space and funding in the capital.

It's feasible that the tourism charge could provide a steady revenue stream to improve the infrastructure of these zones, support local talent, and make creative workspaces more accessible. It could also help fund educational programmes, mentorship, and collaborations between creative SMEs and larger cultural institutions in the city.

By linking tourism revenue to the growth of creative businesses, a national tourism charge could contribute to a more sustainable and equitable cultural ecosystem. Not only would it help ensure that CEZs continue to flourish, but it would also help solidify London's position as a global hub for creativity, benefiting both residents and visitors alike.

MANCHESTER AND LIVERPOOL BIDS

A key workaround that exists, based on existing law and forged in the absence of a national legislative approach, is the **Business Improvement Districts (BIDS) levy,** which are notably active in Manchester and

Liverpool. BIDs are voluntary, business-led initiatives where businesses operating within a specified geographical area agree to pool funds through an additional business rate payment, which is then reinvested into projects that improve the area. These BIDs are intended to improve local environments, enhance infrastructure, promote tourism, and increase business activity.

BIDs are established by local business groups, following a referendum of businesses in the area concerned.

Unlike a tourist tax, a BID levy falls on business ratepayers and is not directly passed on to visitors.

Manchester

Manchester introduced an "accommodation BID" on April 1, 2023, following a ballot held on November 7, 2022. This BID levy applies to hotels and serviced apartments with a rateable value of £75,000 or more, covering an area within Manchester city centre and a small adjacent section of Salford. Similar to a traditional tourist tax, the levy amount for each property is linked to its occupancy levels. Referred to as the "City Visitor Charge," businesses taking part are encouraged to list it separately on guests' bills.

According to Manchester BID's business plan, the levy is projected to generate between £3.5 million and £3.8 million annually from 2023 to 2028. In April 2024, the BBC reported that the levy had raised £2.8 million in the first year.[4]

Liverpool

Liverpool also introduced an accommodation BID on April 1, 2023. The BID levy applies to commercial accommodation properties with a rateable value of £45,000 or more, though it is capped at £50,000 per property. Unlike Manchester's scheme, this BID covers the entire city of Liverpool.

The levy is set at 1.6 per cent of a property's rateable value initially, increasing to 4.5 per cent for the 2024/25 and 2025/26 financial years. It is expected to generate £939,000 annually in those two years. The Liverpool BID Company is responsible for administering the levy.

Other tourism BIDs in the UK

Other examples of tourism BIDs exist in Blackpool, Great Yarmouth, Tweed Valley, Moray & Speyside, and Loch Ness. The Scottish BIDs cover types of business such as accommodation and self-catering holiday lets. The amount of BID levy paid is based on the rateable value of a business's property.

As of 2024, London was looking into the feasibility of a voluntary tourism charge through the same BID workaround as Manchester and Liverpool, following cross-party consensus on the issue within the capital. London Mayor, Sadiq Khan, said "I'm happy to look into where it's worked, what the issues are in relation to that particular policy… we'll be looking at what cities are doing not just across Europe, but in the UK as well."[5]

A BID must hold a fresh referendum at least every five years to renew its existence. BIDs are managed, and BID levy rates set, by a management board consisting of local business stakeholders, not by the local authority.

- **Manchester** has several BIDs, including the city centre and specific districts like the Northern Quarter, where funds are used to improve security, cleanliness, marketing, and events.

- **Liverpool**'s BIDs operate in similar ways, with a focus on revitalising certain commercial areas, enhancing the visitor experience, and providing services like extra street cleaning, events, and safety programmes.

Pros: **BIDs** require no further legislative intervention. The schemes raise a specific sum from businesses, typically ranging from a few hundred thousand to a few million pounds annually, depending on the size of the BID area and the levy set. For instance, in 2023, the Manchester City Centre BID raised around £6.5 million. However, this sum can be limited by the number of businesses involved and the amount of the levy, making it difficult to raise funds on a large scale.

Cons: The major downsides of BIDs in the context of our proposed progressive city tourism charge are that they are voluntary. Not all businesses contribute, and this leads to underfunding and fragmented delivery where there are fewer businesses or resistance to participation. There can also be a reduced focus on initiatives for the public good as BIDs prioritise commercial interests and there's a potential lack of transparency as they are managed by a small group of business leaders.

A legislative compulsory scheme (such as a tourism tax or a broader tourism levy) would generate considerably more revenue, as it would apply to a larger pool of contributors, including tourists and visitors, not just businesses. The potential for such a scheme to have significant and long-term impact could be far greater, especially if it is a mandatory contribution, potentially generating tens of millions of pounds annually across larger metropolitan regions and hundreds of millions nationally. *There is also potential for strategic interventions, in the form of a redistribution mechanism.* *(See page 21)*

Why would Metro Mayors prefer a legislative approach?

- **Control and flexibility**: Metro Mayors might prefer a legislative approach because it allows them to control the revenue stream, setting rates and strategic priorities, rather than relying on the voluntary contributions of businesses. With a legislative charge, the mayoral office can ensure more equitable distribution of funds across various projects, including infrastructure, culture, and services.

- **Economic drivers**: A compulsory scheme could help create a more stable and predictable revenue stream, rather than the variable and sometimes insufficient funds raised by voluntary BIDs.
- **Political leverage**: Metro Mayors can use a legislative tourism charge to promote their regional agenda, attracting more investment and elevating their profile as a regional leader.

SCOTTISH GOVERNMENT PLAN

There has been progress with introducing a tourism levy in Scotland, where the Scottish Parliament passed the Visitor Levy (Scotland) Act 2024 earlier last year. Scottish local authorities now have the legislative power to introduce a tourist levy. A decision to do so must include an 18-month implementation period, meaning that the earliest that any Scottish local authority could introduce a tourist levy would be the 2026/27 financial year. The focus of this charge will be to improve infrastructure, fund cultural initiatives, and support the sustainable growth of tourism. City of Edinburgh council leader, Cammy Day, said: "A small overnight charge is common practice in other major cities and destinations, so why not here? The introduction of a levy will provide a funding stream that would be reinvested in the city and our infrastructure, to the benefit of our visitors and, crucially, the people who live here in our great Capital city all year round."[6]

The Scottish government has since undertaken consultations with stakeholders in the tourism and hospitality sectors to ensure that the levy is fair and works for the industry.

- **Consultation and Planning**: The idea of a tourism tax in Scotland has been under consideration for several years, with extensive consultations dating back to 2018. The plan is now moving into its final phases ahead of the implementation deadline of 2026.
- **Delivery**: The act contains various additional restrictions: for example, visitors receiving disability benefits are exempted and the Scottish Government can cap the number of nights in any one stay that would be liable for the tourist levy. Edinburgh City Council has begun drafting a scheme for a tourist levy, which it expects will launch from April 2026. Aberdeen City, Argyll and Bute, and Highland councils are also planning to consult on introducing a tourist tax.

- **Pros**: Scotland's approach provides an opportunity for a comprehensive, government-backed, and sustainable system. It ensures the funds raised are centrally allocated to key areas like infrastructure, tourism promotion, and cultural projects, and can help mitigate the negative impacts of over-tourism.
- **Cons**: The key challenges will be around balancing the needs of local communities and businesses with the objectives of sustainable tourism. There is a risk of overburdening local businesses or creating an uncompetitive environment, especially in smaller towns and rural areas.

Principles worth adopting?

- **Ring-fencing**: One essential principle from the Scottish model is the ring-fencing of specific funds raised for tourism-related infrastructure and cultural initiatives. This ensures that the funds directly benefit the areas they are intended to help.
- **Gradual Implementation**: Scotland's careful planning and gradual approach allow for effective consultation and refinement. This model could be worth emulating in terms of involving stakeholders early in the process.

Edinburgh Introduces Scotland's First Visitor Levy

Edinburgh City Council has formally approved the introduction of a Visitor Levy, marking a significant milestone for the city.[7] The scheme, which takes effect from 24 July 2026, will apply a 5 per cent charge on overnight accommodation costs, capped at five consecutive nights. Businesses must begin applying the levy to advance bookings made from 1 October 2025 onwards.

The levy is expected to generate up to £50 million annually, which will be reinvested into city infrastructure, cultural initiatives, and sustainable tourism efforts. The council has extended the preparation period for accommodation providers to ensure a smooth transition.

A Visitor Levy Forum will be established to oversee the scheme's implementation, ensuring that funds are allocated effectively and transparently. The levy applies to all paid accommodation within the City of Edinburgh Council area, with specific exemptions for certain individuals and charitable organisations.

Funds raised will be directed toward city operations, cultural and heritage projects and destination management, supporting both visitors and residents. The scheme will be reviewed every three years to assess its impact and efficacy.

This initiative positions Edinburgh as a leader in responsible tourism, ensuring the city remains an attractive and sustainable destination for years to come.

WELSH GOVERNMENT PROPOSALS

Currently, local authorities in Wales do not have the authority to introduce a tourist charge. However, in May 2024, the Welsh Government announced that a draft bill would be presented to the Senedd by the end of the year.

This decision followed a consultation held by the Welsh Government in September 2022, which closed on 13 December 2022. The consultation outlined several key proposals:

- Visitors would be required to pay a levy, which accommodation providers would collect. While the consultation did not take a firm stance on the best collection method, it preferred a uniform approach across Wales.
- It did not specify a preferred tax rate but leaned towards applying the same rate throughout Wales.
- A limit would be set on the number of nights a visitor levy could be charged.
- Revenue generated from the levy would be under the control of local authorities, with no restrictions on how it could be spent.
- Certain groups, including individuals staying at traveller sites and those fleeing domestic violence, would be exempt from paying the levy.

The Welsh Government has progressed the policy following the consultation, with moves to exclude under-18s from the £1.25 per night charge rejected in favour of a model that encompasses all overnight residents.[8]

COSTINGS

For our proposed English tourism charge, the costings to date indicate that it would yield a substantial return. In 2019, The Institute for Fiscal

Studies estimated that a charge of £1 per person per night would raise approximately **£420 million per year** in England.[9] By comparison, in England, council tax raised **£38.5 billion**[10] in the past year and business rates are forecast to raise **£26 billion**.[11]

Last year, The Northern Powerhouse Partnership published data suggesting **£428 million per year** could be raised with a **£1 levy**.[12]

Region	Estimated annual revenue (*based on a 65% occupancy rate)
North East	£13.8m
North West	£59.8m
Yorkshire and the Humber	£37.9m
East Midlands	£24.9m
West Midlands	£33.9m
East	£28.1m
London	£55.5m
South East	£87.6m
South West	£86.4m

Source: The Northern Powerhouse Partnership, 2023.

If a £1 nightly tourist levy across England could raise £428 million annually, increasing the charge to £3 or £5 per night would proportionally raise significantly more revenue. **A £3 levy would generate approximately £1.284 billion annually**, while a **£5 levy would raise around £2.14 billion**. These calculations assume the same room availability, 65 per cent occupancy rate, and consistent application of the levy across all regions. This approach highlights the substantial potential revenue from even modest increases in nightly tourist charges.

RING-FENCING AND ADDITIONALITY

Ring-fencing ensures that funds raised for specific purposes (like tourism or cultural projects) cannot be diverted to other areas. This is critical because it provides clear accountability, ensuring that resources are directed towards improving infrastructure, placemaking, and tourism services. It allows for greater control and purpose, which the BIDs lacked, and is one of the key factors in making the tourist charge a legislative commitment. There is also the fundamental fact that this is part of the 'virtuous circle' ethic that runs through our self-sustaining finance policies.[13] 73 per cent of tourists cited the UK's cultural offer as a primary reason for visiting the country, with free admission being an integral part of that attraction.[14] It is a classic 'supply and demand' approach that preserves the principle of universal cultural access.

Making the case for ring-fencing more cogent:

- **Economic benefits**: Investments in cultural infrastructure can lead to long-term economic benefits by attracting tourists and improving the local economy. Additionally, well-designed public spaces can improve quality of life, enhance the local community, and regenerate cities and towns.
- **Sustainability**: Ring-fencing guarantees that funds will not be siphoned off for other purposes or projects that are already in receipt of funds from other forms of taxation e.g. Council Tax, ensuring the necessary resources to provide long-term sustainability.

- **Precedent**: There is a clear precedent both internationally and in the Scottish proposals for ring-fencing primarily to cultural infrastructure.
- **Building on the Main Attraction**: Most tourists visit here for our unique cultural offering and the infrastructure that ensures accessibility and viability.

LOCAL AUTHORITIES CUTS TO CULTURE

One of the prime reasons for ring-fencing is that the culture sector is under siege. Over the past decade, local authorities across the UK have also faced significant cuts to their budgets, which has had a profound impact on public services, with the arts, culture, and heritage sectors bearing the brunt. These cuts have disproportionately affected smaller, local, and community-based cultural organisations, as well as key museums, libraries and grassroots venues, which often rely on local authority funding to stay afloat.

Key Statistics in England:

- **Local Authority Funding Cuts**: Since 2010, local authority funding in England has been severely reduced, with a notable decline in cultural services spending, which is often the first area to be squeezed. In 2023/24, local councils in England collectively reduced their expenditure on libraries, culture, heritage, and tourism by £472 million (around 30 per cent) compared to 2010 levels.
- **Impact on Cultural Services**: Cultural services, including museums, theatres and heritage, have borne the brunt of these cuts. According to the County Councils Network (CCN), in 2023/24, funding for arts, culture, and heritage decreased by £166.8 million (a 30 per cent reduction).[15] For local authorities in county areas, the reduction was even more pronounced, with a 34 per cent drop in funding for these services.

- **Loss of Cultural Jobs**: The creative industries and public sector cultural services are important local employers, but have faced significant job losses, although exact data for England specifically is limited. The Creative UK Group reports suggest trends in employment reductions, which have been similarly impactful on regional and civic museums across England.[16]
- **Decline in Local Cultural Offerings**: The reduction in funding for cultural programmes has led to cuts in services such as libraries, local museums, and community arts. For instance, public library services alone saw a quarter of their funding cut, with reductions totalling £232.5 million in the last decade.
- **Cultural Heritage and Placemaking Under Threat**: The decrease in local government funding has also affected the preservation and maintenance of cultural heritage sites and historic venues. As a result, many institutions have relied on private or charitable funding, but such sources are often insufficient to sustain long-term operations.[17]

The tourism charge presents an opportunity to bridge this funding gap by creating a dedicated, ring-fenced revenue stream that could be used to support cultural infrastructure, heritage preservation, creative districts and community-based arts initiatives. Given the financial pressures on local authorities, tourism levies could become an essential tool in ensuring that the UK's rich cultural heritage and vibrant arts scene continue to thrive, even in the face of austerity and budgetary constraints.

SUMMARY: Why the City Tourism Charge is Crucial for Culture

- **Direct Investment in Culture**: The revenue from the tourism charge could be ring-fenced specifically for cultural purposes, including funding for local museums, theatres, galleries, festivals, grassroots music venues and heritage sites. This would ensure that these essential services receive the support they need, without relying solely on government funding or local taxes, which have been severely limited in recent years.

- **A Sustainable Revenue Source**: The £15 billion in local government cuts over the last decade has created a situation where many local authorities are no longer able to support the cultural sector at the level required to keep these services sustainable. By diversifying funding through a tourism levy, local authorities can secure a predictable revenue stream that can be invested directly into placemaking, community arts programmes, and tourism promotion—all of which help boost local economies.
- **Promoting Local Economic Development**: Investing in culture not only helps preserve local heritage and create vibrant communities but also acts as a visitor draw. Well-funded cultural programmes attract tourists, who spend money on accommodations, food, and transport, generating additional revenue for the local economy. In turn, the levy revenue from those visitors can be reinvested into improving the cultural offer further, creating a positive feedback loop – our 'circular economy' approach.

International Comparisons and Success Stories:

- **Berlin**: In Berlin, the **Cultural Infrastructure Development Fund**, which is partly supported by tourism taxes, has allowed the city to reinvest heavily in its arts, cultural, and heritage sectors. Berlin, which has seen substantial cuts to its federal cultural funding, has turned to tourism taxes to support its main attraction - a vibrant cultural scene, with funding allocated specifically to museums, galleries, and live performance venues. The city has been able to increase its cultural funding to €947 million for 2024, up from €934 million in 2023 (more than double that of the entirety of England's culture fund in 2024).[18]
- **Paris**: Paris has used its tourism tax revenue to fund extensive cultural programming, including supporting the restoration of

historic monuments and funding public art projects. This has been part of the city's broader strategy to maintain its status as a cultural hub in Europe.

- **New York City**: NYC's **Hotel Occupancy Tax** generates hundreds of millions of dollars annually, some of which is reinvested into the promotion of the city's arts and cultural offerings. This funding goes to support everything from small community theatres to world-renowned museums, ensuring that New York remains a global cultural powerhouse.

These examples highlight how tourism levies can help safeguard public investment in culture, support local communities, and ensure that cultural heritage is maintained for future generations, even in an era of declining government funding.

BOROUGH-BASED DISTRIBUTION MODEL

We are proposing a borough-based distribution model, driven by Metro Mayors and combined/local authorities, to ensure that the financial benefits of tourism feed back to the appropriate areas, projects and institutions. The funding mechanism would need to be fully explored with all relevant parties. This model would aim to balance the larger financial inflows from cities with significant tourism activity (like London, Manchester, Liverpool, Birmingham, York and others) with the needs of smaller, under-funded areas which could nurture community cultural infrastructure.

***Redistributive Mechanism*:**

While large, tourist-heavy cities would receive significant portions of the revenue, a redistributive element (of perhaps 20 per cent of the overall pot) could be introduced to help develop new cultural hotspots and support cultural grassroots activity outside main cities and towns (for example, reclaimed spaces like Spinners Hall in Leigh). This redistribution element, which could be administered by an existing body like Historic England/Arts Council England, or a 'Newco', would ensure that areas **outside major towns and cities** still receive funding to develop local culture, heritage, and infrastructure projects.

Core Principles:

- **Universal Access to Funds**: Ensure that cultural hotspots and grassroots cultural initiatives receive some level of funding from the charge.
- **Redistribution to Address Inequities**: Redistribute funds raised from more popular tourist areas (such as London, Edinburgh, and Manchester) to boroughs/district councils with fewer tourism-related revenues, which are nevertheless contributing to a growing cultural ecology at a community level.
- **Focus on Local Needs**: Provide some level of strategic discretion over how to allocate the funds to meet the needs of their communities, whether that's for cultural projects, infrastructure improvements, or placemaking.
- **A Commitment that Funds are 'Additional'.**

To ensure the sustainability and transparency of this redistribution system, the following measures could be implemented:

- **Regular audits**: Ensure that the funds are being used effectively and according to agreed-upon priorities, with oversight from an independent arts body – perhaps the single-purpose Newco or ACE/Historic England.
- **Adaptation Mechanism**: The formula and redistribution model could be reviewed periodically (e.g. every 3-5 years) to ensure that the distribution system continues to meet the evolving needs of the boroughs and district councils.

CASE FOR THE HOSPITALITY SECTOR

In light of the hospitality sector's current challenges, particularly following the pandemic and ongoing economic pressures, it's crucial to ensure that the proposed tourism tax is a **strategic tool for sustainable growth**, rather than a deterrent to visitors.

Consultations

Conducting consultations with the hospitality sector in advance of designing and implementing a progressive city tourism charge is critical to ensuring that the scheme is well-informed, well-received, and effective. Engaging with stakeholders early on will help identify potential challenges, address concerns, and fine-tune the details of the proposal. Forming a consortium of allies within the sector will be a strategic necessity for smooth implementation. By building a coalition of supportive stakeholders - ranging from sector bodies to major hotel chains to smaller accommodation providers – a collaborative approach can be fostered that encourages widespread endorsement and enhances the mutual advantages of the charge. This proactive engagement will also ensure that the scheme is designed in a way that supports the long-term sustainability and growth of the hospitality sector while addressing the pressures on tourism in a fair and balanced manner.

Is the charge a deterrent to visitors?

- **International Precedents:** Many cities around the world have successfully implemented tourism levies without negative impacts on visitor numbers. For example, Amsterdam, Paris, and Barcelona all levy taxes on visitors, but these cities continue to see strong tourist inflows. In fact, these taxes have often been framed as part of the "cost of doing business" for travellers and as an investment in the quality of the destination.

- Amsterdam's tourism tax, introduced in 2019, generates approximately €200 million in revenue annually, with funds reinvested into city infrastructure, tourism services, and sustainability programs. This is not seen as a deterrent but as a way to improve the visitor experience.
- In Barcelona, a tourist tax, which is currently at €4.95 per night, has been in place for several years, supporting the maintenance of public spaces, cultural attractions, and tourism infrastructure, ensuring that visitors' experiences are consistently positive. There is little evidence to suggest that this has negatively impacted the number of tourists. In fact, Barcelona has a sustained heavy influx of visitors, although it aims to have more control of visitor numbers and ease pressure points.

- **Tourism Levies and Demand Elasticity:** Research shows that tourist demand is relatively inelastic, meaning that a small charge does not significantly affect the overall number of tourists. While price-sensitive travellers might be impacted by other costs (such as hotel rates), the marginal cost of a tourism levy is typically not a deciding factor for most visitors, particularly when it is framed as part of the overall cost of visiting a destination - and is regularly encountered by British tourists overseas. This would need to be tested in the high-tax context of Britain's tourist economy.
- **Revenue Reinvestment:** By highlighting that the funds raised from the charge will be reinvested in improving the local tourism infrastructure, repairing and maintaining public spaces, and enhancing the overall visitor experience, the sector can be assured that this isn't just an extra cost but an **investment in the destination**. This could translate to better public services, more promotion of the city, more attractive cultural districts, improved transportation options, and enhanced cultural offerings—all of which could **improve visitor satisfaction** and attract **more repeat business**.

The Collection Fee – A Mechanism for Hospitality

A collection fee, a small administrative charge, is often built into the implementation of tourism taxes internationally. This system benefits the hospitality sector by ensuring the charge is collected in a streamlined, cost-effective way, minimising administrative burdens. Many international examples show that the visitor charge can be collected automatically through hotel booking platforms or manually by accommodation providers, who simply add the levy at check-out.

- **Automated Collection Through Platforms**: In countries like Italy, the tourism tax is often automatically included during the online booking process. Online travel agencies (OTAs) integrate the levy into the final price, ensuring transparency for travellers and reducing manual effort for hoteliers.
- **Provider-Based Collection**: Alternatively, in some locations, accommodation providers collect the tax directly from guests at check-out. This manual approach allows for flexibility, particularly for smaller establishments, though it requires a minimal administrative process.
- **Lower Collection Costs**: Regardless of the method, utilising existing infrastructure such as OTAs or providers ensures that administrative costs remain low. This minimises the financial and operational impact on businesses, a key concern for the hospitality industry.
- **Operational Savings and Tourism Benefits**: Revenues from the levy can support more targeted tourism marketing and visitor services, providing direct benefits to accommodation providers through enhanced destination appeal and visitor satisfaction.

By allowing for either manual or automated collection depending on the provider's resources, the mechanism ensures adaptability and simplicity. The goal is to integrate the levy seamlessly into the traveller experience, reducing disruption for both businesses and tourists.

Best International Model as a Comparison

The European and US models offer clear comparisons that demonstrate how tourism charges can be both manageable for the hospitality industry and beneficial for tourism destinations.

- **Barcelona:** As previously mentioned, Barcelona has implemented a tourism tax for over a decade. The tax varies by type of accommodation but typically ranges from **€0.45 to €2.25 per night** per person and €4.95 for higher-star hotels. The city has used the funds to enhance visitor infrastructure, improve sustainable tourism practices, and support cultural initiatives. Collection of the tax is managed by accommodation providers, who add the levy to guests' bills at check-out. This manual system allows for flexibility and ensures transparency, with businesses retaining a small percentage as a collection fee to cover administrative costs. The tax is generally well-accepted by visitors and local businesses alike, with funds earmarked for reinvestment into the tourism experience.
- **Amsterdam:** Amsterdam's tourist tax was raised to 12.5 per cent in 2024, creating a potential €21.80 per night for an average room rate of €175 per person depending on the location and type of accommodation. This revenue supports urban maintenance, cultural events, and the promotion of Amsterdam as a destination. The tax is often automatically integrated into online booking platforms like OTAs, simplifying the process for travellers and businesses alike. Accommodation providers collect the tax seamlessly as part of the overall transaction and collection fees help offset any minor administrative expenses. The Dutch model shows how the tourism charge can be successfully integrated into existing booking platforms, with minimal additional overhead.
- **New York City:** New York's **Hotel Room Occupancy Tax** is levied at a rate of **5.875 per cent** on the room rate. The city has been able to

use this revenue to fund tourism promotion, public infrastructure, and citywide events. The tax is typically collected by accommodation providers at the point of sale, either at booking or check-out. In some cases, platforms like OTAs incorporate the levy directly, reducing manual steps for hoteliers. Like other systems, businesses may retain a small portion of the tax as a collection fee, compensating them for administrative efforts. Visitors generally accept the tax as part of the overall cost of their stay.

Why do these models work?

- **Transparent and Clear Use of Funds**: Transparency about where the tax revenue goes is key. These cities clearly outline the benefits of the tourism tax to both residents and tourists—such as cleaner streets, better tourist services, and improved infrastructure—which helps mitigate negative perceptions. It is a small mandatory payment for the public good, and that is emphasised.
- **Seamless Collection Mechanism**: The use of existing platforms to collect the levy makes it easy for accommodation providers and reduces the burden of administering the tax. This is especially useful for small and medium-sized businesses in the hospitality sector. There is also the option for businesses to be recompensed (a collection fee) for any additional costs incurred.
- **Small Amount, Big Impact**: In all these examples, the charge is relatively small (often less than €2 per night) but contributes significantly to the city's ability to improve tourism-related cultural infrastructure. These amounts are often seen as a minimal burden by visitors, with the benefits of cleaner, safer, and more attractive destinations, while residents can benefit all year round.

EXEMPTIONS?

We are not recommending any exemptions from the tourism charge, as we believe it is essential, in the interests of equity, that all forms of overnight accommodation, including Airbnb, are included from the outset. While there is international precedent for offering exemptions or reductions—such as in France, where city taxes are waived for domestic tourists or short stays, and in Germany, where locals may receive reduced rates or rebates for staying in smaller accommodations—allowing exemptions could undermine its effectiveness and over-complicate the process for hospitality. Once a precedent for exemptions is set, it becomes difficult to maintain consistency and fairness across the board, and the structure of the scheme could unravel.

CONCLUSION

In light of ongoing cuts to local authorities and the current inability for cities and towns to implement a tourist levy without a UK-wide legislative framework, introducing a 'progressive city tourism charge' has become a necessity. Local governments are increasingly strapped for cash, with limited means to raise sustainable funding for vital cultural infrastructure that supports both residents and tourists. A percentage-based tourism levy would provide a reliable, fair, additional and locally controlled funding source, ensuring that the tourism sector both benefits from and contributes to the maintaining and enhancing of the very attractions that drive visitors. Without such a mechanism, cities will continue to struggle to fund essential cultural programmes, exacerbating regional disparities and undermining the UK's global competitiveness in cultural tourism. A distribution element would ensure smaller towns and district boroughs would be able to thrive in providing cultural experiences. This levy is not just a funding solution; it is a tool for safeguarding and growing the cultural and economic health of communities across the country.

APPENDIX

The Role of a New Cultural Infrastructure Map

Labour's sector plan *Creating Growth*[19] advocated a national Cultural Infrastructure Map to be used to give a broader sense of cultural deserts and regions requiring new projects and investment.

The **Cultural Infrastructure Map** is an interactive tool developed by organisations like the Greater London Authority to catalogue and visualise the locations, style and functions of cultural venues and assets across specific regions. Initially implemented in London, the map includes data on museums, galleries, theatres, music venues, libraries, heritage sites, and other cultural spaces. Its purpose is to provide comprehensive insights into the geographic distribution, density, and diversity of cultural assets and enables stakeholders to assess areas of strength and vulnerability in cultural provision.

The map is built on open data, allowing policymakers, researchers, and the public to explore the cultural landscape. It highlights disparities in access to cultural resources, helps to identify areas where cultural assets are at risk, and supports evidence-based decision-making.

If a progressive city tourism charge were introduced, the Cultural Infrastructure Map could serve as a powerful tool for equitable fund distribution. Here's how it could be utilised:

Identifying Underfunded Areas

The map can highlight regions lacking cultural infrastructure or at risk of losing assets due to financial pressures. These insights allow tourist charge revenues to be allocated to areas where the need is greatest, supporting cultural hotspots and grassroots activity.

Prioritising Vulnerable Assets

It can identify venues and organisations under threat due to funding cuts, gentrification, or declining attendance. Tourist charge revenues could prioritise protecting these assets, preserving cultural diversity and heritage.

Promoting Regional Tourism

By using the map to spotlight lesser-known cultural hubs, funds could be allocated to promote tourism in under-visited areas. This would alleviate pressure on oversaturated tourist zones while driving economic benefits to underserved regions.

Supporting Community-Led Initiatives

The map can reveal areas with active community-led cultural projects. Tourist charge funds could support such initiatives, empowering local communities to sustain and expand their cultural offerings.

Enhancing Accessibility

Data from the map can guide investments in accessibility improvements, ensuring cultural assets are inclusive for residents and tourists alike, particularly those with disabilities or from disadvantaged backgrounds.

Monitoring and Evaluation

As funds are distributed, the map can be updated to track improvements in cultural infrastructure, providing a transparent way to evaluate the effectiveness of tourist charge spending.

Broader Benefits of the Approach

Using the Cultural Infrastructure Map as a foundation for the redistributing element of a tourism charge aligns with sustainable tourism goals and the broader agenda of cultural preservation. It ensures that tourism revenues contribute to:

- **Economic Redistribution:** Supporting regions and venues that do not benefit equally from tourism traffic.
- **Cultural Sustainability:** Protecting at-risk heritage and promoting diversity in cultural expressions.
- **Visitor Experience Enhancement:** Expanding the cultural offerings available to tourists across England, fostering deeper engagement with diverse communities.

ENDNOTES

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Key Contacts

Please feel free to Contact Us with any questions

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Alison Cole is Director of The Cultural Policy Unit, having previously established the Arts and Creative Industries Policy Unit, hosted by the Fabian Society. She is the former Editor of The Art Newspaper and has worked as an Executive Director for some of the UK's leading cultural organisations, including Art Fund, where she led the VAT campaign to make all national UK museums free, London's Southbank Centre and Arts Council England. She served as a trustee of the Foundling Museum and is currently adviser to cultural education charity Art UK, originator of 'The Superpower of Looking' visual literacy programme, and a member of the Critics' Circle.

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As a writer, he has also contributed to Labour Together reports and published political commentary in The New European. He was trained as a playwright at the Liverpool Everyman and Playhouse, from which he has maintained a keen interest in policymaking within the arts and cultural sector.

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