

ITEM No ...6.....

REPORT TO: FAIR WORK, ECONOMIC GROWTH AND INFRASTRUCTURE
COMMITTEE – 9 JUNE 2025

REPORT ON: DUNDEE TRANSIENT VISITOR LEVY

REPORT BY: EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 155-2025

1 PURPOSE OF REPORT

- 1.1 This report provides an overview of the powers granted to local authorities by the Visitor Levy (Scotland) Act 2024. It also sets out the process involved in considering whether to implement a visitor levy in Dundee. Approval is sought to commence early engagement on a potential visitor levy scheme, recognising the growing importance of tourism to the local economy and the need for engagement with interested parties.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee:
- a agrees the approach and timeline for early engagement on a potential visitor levy scheme for Dundee; and
 - b remits the Executive Director of City Development and Executive Director of Corporate Services to report back on the results of early engagement and produce a draft Dundee Visitor Levy Scheme for Dundee for a final Committee decision on whether to proceed to formal consultation stage.

3 FINANCIAL IMPLICATIONS

- 3.1 Provision has been made within Dundee's UK Shared Prosperity Fund 2025/26 allocation to support the work involved in the early engagement period, in particular consultation with tourism stakeholders and detailed financial modelling of the Visitor Levy.

4 BACKGROUND

- 4.1 Reference is made to Article II of the meeting of the City Governance Committee on 27 February 2025 which remitted the Chief Executive to undertake a review to consider the implications of the introduction of a new transient visitor tax levy charge for the city and report the outcome of this review to the Council.
- 4.2 The Visitor Levy (Scotland) Act 2024 enables Local Authorities to establish a levy scheme. The money raised should be used for developing, supporting or sustaining facilities or services which are substantially for or used by persons visiting the area.
- 4.3 In October 2024, the Scottish Government approved guidance on the visitor levy for local authorities. In developing a visitor levy scheme, local authorities have the power to determine the percentage rate set, the geographical area where it applies and any local exemptions. The authority can also specify a maximum number of nights to apply the levy and whether this applies to all or parts of its area.
- 4.4 The visitor levy does not apply to:
- a those using overnight accommodation as their only or primary residence;
 - b those staying in dedicated gypsy/traveller sites; and
 - c those in receipt of specified UK disability benefits, payments or allowances.

- 4.5 Currently, the cruise market and motorhomes are not in scope. However, this will be reviewed nationally on an ongoing basis.
- 4.6 Local authorities that wish to introduce a visitor levy must consult local communities, businesses and the wider tourism sector, through early engagement, formal consultation and then an implementation period. Minimum time periods are specified for certain stages meaning that should Dundee City Council decide to introduce a levy, it would likely come into effect in 2028.
- 4.7 For a visitor levy scheme to be successfully implemented, it is important that there is appropriate and effective engagement with a range of interested parties. Based on the visitor levy guidance published by the Scottish Government, the proposed Dundee timeline is outlined below:

Early Engagement Period Incorporating further forecasting research work and development of a draft visitor levy scheme. This will require engagement with local businesses, residents and other relevant parties to inform the draft scheme. Further forecasting work will assess the potential income generated from a levy.	Summer 2025 –Spring 2026 (6 –12 months)
Committee Meeting Consideration of feedback from the consultation and forecast of potential income from scheme. Decision on whether to proceed with statutory consultation. Draft scheme proposal.	Spring 2026
Formal Consultation Period Consult on the proposed visitor levy scheme.	12 weeks
Committee Meeting Consideration of feedback from formal consultation. Decision on implementation of the levy.	Autumn 2026
Implementation Period Following publication of decision to proceed, the implementation period is intended to allow businesses, communities and Local Authorities time for the introduction of the scheme.	18 months
Launch of Visitor Scheme Earliest Date	Spring 2028

- 4.8 This report does not seek a decision on implementation of a visitor levy. It sets out proposals for engagement with stakeholders that will help the Council make an informed decision on whether to introduce a visitor levy scheme.

- 4.9 Early and ongoing engagement with those most likely impacted by the possibility of the introduction of a levy scheme in Dundee is fundamental. The visitor economy in Dundee is continuing to develop. There were 1.35 million visits to Dundee in 2023 with an average length of stay of 2.6 days. The economic impact of the visitor economy is £243 million per annum, with the sector supporting 3500 jobs.
- 4.10 Dundee is identified as an increasingly popular tourist destination in the Council Plan and is a priority area within the Tay Cities Regional Prospectus for Growth. It is a key strand within Dundee's City Centre Strategic Investment Plan. Furthermore, the visitor economy is one of the Scottish Governments six key growth sectors.
- 4.11 The visitor levy provides an opportunity to offset some of the additional costs to the city in supporting visitor experiences and investing in the visitor economy. The guidance on the levy scheme seeks alignment with local or regional tourism strategies. The Dundee Tourism Strategy and Action Plan has recently been updated and approved by the Dundee Partnership Inclusive Economic Growth Strategic Leadership Group. The Strategy is based around four priorities:
- help Dundee's people to prosper from a thriving visitor economy;
 - create and develop a thriving city together;
 - engage visitors with high-quality experiences that play to our strengths as a city; and
 - build business resilience, sustainability and profitability in Dundee's visitor economy.
- 4.12 Demonstrating alignment between the Tourism Strategy objectives and any proposed visitor levy scheme will be a key part the early engagement process.
- 4.13 The visitor levy guidance details several areas local authorities should consider when developing proposals for a local scheme, including:
- a local authorities need to state whether they will exempt businesses below VAT threshold. The make-up of the visitor sector in the city will need to be considered as there is the potential for small businesses to be pushed into a higher tax threshold due to collection of the levy;
 - b the scheme must specify, among other factors, the area of operation, the percentage rate chargeable and the objectives of the scheme;
 - c to forecast potential revenue, an assessment of the visitor accommodation sector in the city should be carried out;
 - d any scheme should consider price competitiveness and the point beyond which visitors may be unwilling to book accommodation; and
 - e whether the local authority should assist liable persons (businesses), in the collection and reporting of this levy. This is being considered in many of the schemes being developed elsewhere in Scotland;
- 4.14 Local authorities that implement a levy scheme are required to maintain separate accounts for any net proceeds from the scheme and funds should not be incorporated into a Council's general fund. However, the levy does generate a revenue income which can be used to finance capital borrowing for relevant capital investment.
- 4.15 While legislation is still relatively new, there are opportunities to learn from early adopter Council areas. The City of Edinburgh Council has been through its formal consultation and a decision

to progress has been taken based on a 5% levy on the first five nights of a stay. Aberdeen City Council is consulting on a 7% rate and Glasgow City Council is consulting on a 5% rate. As every scheme must outline the proposed use of funds, this will provide further insight for the development of any levy scheme in Dundee. In Edinburgh for example, the objectives of the scheme are to sustain, support and develop:

- a public services, programmes and infrastructure that provide an enjoyable and safe visitor and resident experience;
- b culture, heritage and events provision to ensure it remains world-leading and competitively attractive to visitors as well as residents; and
- c the city's visitor economy, by fostering innovation in response to environmental and societal challenges.

4.16 To progress consideration of a visitor levy, it is proposed that a short-life working group be established with representatives from City Development, Corporate Finance, Legal Services and Digital & Customer Services along with external partners from VisitScotland, the Dundee Tourism Leadership Group, Dundee & Angus Chamber of Commerce and other key stakeholders in the sector. This group will engage with local businesses, residents and any other relevant partners to inform the drafting of a potential Dundee visitor levy scheme, in compliance with legislative requirements. It will also lead on forecasting potential income from any visitor levy and report back to Committee in Spring 2026.

4.17 Engagement and communication would continue throughout the process should the Council decide to proceed to implement a scheme. Visitor Levy Forums ("advisory bodies") need to be set up within six months of a formal announcement of a scheme. This should include the local authority, industry and tourism sector representatives. This will be created if the final decision of the Council is to implement a local visitor levy scheme.

5 POLICY IMPLICATIONS

5.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate Senior Manager has reviewed and agreed with this assessment.

6 CONSULTATIONS

6.1 The Council Leadership Team were consulted in the preparation of this report.

7 BACKGROUND PAPERS

7.1 None.

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