Taxing times?

Philip Cooke says it's time to re-think the tourist tax

As public sector budget cuts slice deeply into UK tourism, perhaps it's time to look again at the Tourist Tax, which, for decades, has provided American and European cities with huge marketing budgets and the ability to invest heavily in new conference centres and other large scale tourism projects?

The Tourist Tax, also known as the Bed Tax, the Resort Tax, the Transient Occupancy Tax, among others. originated in North America, where hotel guests pay, perhaps $200, for a room plus, for example, a six per cent 'Tourist Tax', making the total bill $212. The hotel passes the $12 to the local authority which then transfers it to their Visitor and Convention Bureau (VCB) or Destination Marketing Organisation (DMO); or uses it to finance new tourism infrastructure. Thus, the Tourist Tax is used to attract more business, especially conference business, and to finance large-scale tourism projects, creating a virtuous economic circle.

This 'hypothecated' form of taxation is common in the USA, Europe and many parts of the world, but virtually unknown in the UK where HM Treasury keeps a firm central grip on all fiscal matters.

I first became interested in the Tourism Tax in the 1990s and went to America to find out more. My journey began in Miami, which then imposed four different tourism taxes, generating a massive marketing and investment budget of $40m pa, as follows:

- a 3% Tourist Tax, providing $17m for the Miami Visitor and Convention Bureau to promote Miami across the globe
- a 2% Miami Convention Centre Development Tax, providing $12m to subsidise the Miami Beach Convention Centre
- a 3% Food and Beverage Tax and a 1% Sports Facilities Tax, providing $11m for the staging of the 1995 Super Bowl and the Miami Street Circuit Grand Prix.

I then travelled up to Hampton, Virginia (pop. c. 150,000) where the local Tourist Tax provided $700,000 pa for the Hampton Visitor and Convention Bureau and supported the cost of enhanced street cleaning and a weekly Farmers' Market. In Albany, the wealthy state capital of New York, a modest three per cent Tourist Tax was used to subsidise the operation of the VCB (1%) and to repay the capital cost of the Albany Convention Centre (2%).

This all took place some 20 years ago, but little has changed. For instance, in Hamilton County Ohio, a 6.5 per cent Hotel Tax currently raises $10m pa for tourism marketing and to help pay for the new $200m Duke Convention Center. In Seattle, a flat $2 per night hotel levy has just been proposed and, if agreed, will raise some $6m pa that will be used to promote Seattle during the slow winter season, protecting thousands of jobs. In Europe, Venice is introducing a 'One Euro per Night per Star per Person' Tourist Tax, positioning it as a 'cultural donation' used not to attract more visitors but to protect the fabric of this 'unique, precious and fragile city'.

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Meanwhile, here in the UK, most tourist industry players object to the very suggestion of a Tourist Tax, arguing that it will drive business away. Even now, I'm not sure that the financial benefits that such a tax delivers are fully understood, or, perhaps it's just assumed that the government will take all the money?

Nevertheless, interest is growing. Cornwall County Council is currently exploring a flat '£1 a night' charge which could raise up to £25m to fund tourism infrastructure improvements and resolve some of the maintenance problems generated by the 4.5m tourists who visit each year. Similarly, the London Borough of Westminster is considering a form of Tourist Tax to help pay for the £50m of environmental wear and tear generated by 30m visitors each year.

But, despite the fact that locally determined tourism-related initiatives such as Business Improvement Districts and Community Interest Companies are making an impact, it remains to be seen whether the Tourism Tax will ever come to this country.