



British Holiday & Home Parks Association

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Submission to the Lyons Inquiry **Consideration of Tourist (Bed) Tax**

The British Holiday & Home Parks Association (BH&HPA) is the representative trade body of the parks industry and represents 2,119 individual members, owning and managing 2,804 parks. Members provide accommodation for tourists in caravan holiday-homes, chalets and cottages as well as pitches for the customer's own touring caravan, motor home or tent.

We write with regard to the consideration of the introduction of a tourism (bed) tax as part of the wider review of funding to local government in England.

BH&HPA opposes the introduction of a tourist (bed) tax as follows:

- A Tourist Bed Tax would inevitably create an administrative burden on accommodation providers. Italy withdrew its Tourist Tax in the early 1990s when research showed that it cost more in terms of administration for its collection than it raised in tax revenue.

The overwhelming majority of businesses providing tourist accommodation are SMEs with many micro businesses managed by a husband and wife team. We would resist the introduction of any further tax administration by these small businesses who already work under an excessive burden of red tape. Central Government has recognised the impact of this on UK competitiveness leading to the de-regulation measures which were announced by the Chancellor in the last Budget.

- A Tourist Bed Tax would inevitably fall upon tourism accommodation business since market forces are the most important determinant of price. If Local Authority discretion were used as to whether or not the tax should be levied, this would create a distortion of competition between such businesses across local authority boundaries. In Germany, the situation has arisen where some local authorities feel obliged to justify their tourist tax charge in tourist promotions whilst other local authorities use their abolition of or lower rate of tourist tax as a form of tourist promotion – this is surely not a model we would wish to follow in the UK.
- Whilst it is accommodation providers upon whom the tax would be levied, the benefits derived from tourist spend are derived across the entire economy – all retail, food and drink and leisure businesses benefit directly from the tourism economy, with indirect benefit to those business which supply them. It is therefore illogical and unjust that tourist accommodation business should be singled out for increased taxation by local authorities.
- Numerous studies in France and Germany have demonstrated the tourist's deep resentment of the tax, particularly amongst younger customers (less than 30 years) with fraud by consumers in response being well documented. (E.g. In the German commune of Norderney, up to 50 % of holidaymakers would not pay the tax, and in Saxony, at least one tourist in six sought avoid it.)

- With VAT at 17.5%, UK tourist accommodation is already amongst the most highly taxed in the EU, the imposition of a tourist bed tax could further undermine the competitiveness of English providers of holiday accommodation leading to a loss of revenue overseas. Income spent in taxation could not be invested in the quality of the tourist product or skills of the workforce thereby further undermining competitiveness over time.
- A fixed-rate bed tax such as has been seen on the Continent would be akin to a Poll Tax in that would take no account of the taxpayer's ability to pay. It would be illogical and unjust for a family including, say four adults on holiday in self-catering accommodation for a fortnight to pay 56 (14x4) times more tax than say, a businessman staying overnight in a hotel (whose expenses would no doubt be met by his employer).
- A bed tax based on % accommodation prices would lead to further complications particularly where a package is purchased including accommodation in addition to services and/or food and drink.

Therefore BH&HPA opposes the introduction of a tourist (bed) tax on grounds of principle and impracticability.

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BH&HPA Director General

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