

Sir Michael Lyons
The Lyons Inquiry

18 April 2005

our ref: A4907208/tourism

Dear Sir Michael,

TOURISM TAX

The Country Land and Business Association (CLA), which represents 40,000 landowners in England and Wales, a great many of whom have diversified into on farm and rural bed and breakfast, welcomes this opportunity to submit its views to the Lyons Inquiry on the proposal to consider a tourism tax.

The whole concept of seeking to introduce a tourism tax, which we believe would in fact equate to a "bed tax" for guest accommodation, flies in the face of the need to ensure that rural tourist accommodation in this country is economically viable. Rural tourism contributes some £16 billion per year to the national economy and, as such, provides essential income for our members. Introducing such a tax would risk not only taking out of business many tourist accommodation providers but also reducing the availability of accommodation for those who wish to holiday in the countryside.

Introducing a "bed tax" solely for serviced? accommodation is inequitable given the large number of types of accommodation within the tourism sector. We would support the British Hospitality Association's point that "to impose a bed tax on the less than 40 per cent of overnight accommodation stays which are in hotels, motels, guesthouses and bed and breakfast, and not on the greater number of stays in rented houses, second homes, timeshare, camping and towed caravans and stays with friends and relatives" promotes clear economic discrimination.

We would also make the valid point that introducing a bed tax is introducing double taxation. Many B&B operators in rural areas already have to apply VAT at 17.5% - a bed tax further exacerbates the levels of taxation imposed. In fact, it is a "double whammy".

There is already a price competitiveness problem over the level of taxation for tourist accommodation. The UK has the second highest rate of VAT imposed on tourist accommodation in the EU. Imposing yet a further tax would simply make rural businesses uncompetitive. Moreover, we would be matching the highest level of VAT imposed in the EU, that of Denmark at 25%.

According to the LGA which has itself noted research at Nottingham University a 1% increase in prices relative to other countries leads to a 1% decrease in international tourism, possibly more for domestic tourists. Research for the British Tourist Authority gave a higher (1.4:1) loss ratio for international tourism. The LGA's own research condemns this proposal. Surely the idea must be to encourage business rather than penalise it particularly as, in rural areas, such business has a positive 'knock-on' effect which is increasingly important with the reduction in traditional agricultural incomes.

In addition, with taxation at around 40 per cent of GDP, a £550 million annual loss of tourism revenues would cost the Exchequer over £200 million in lost taxation, with close to £100 million of this lost on international tourism and therefore totally irrecoverable.

If the imposition of a bed tax was to be decided by each local authority, over which hotel businesses had no democratic influence, there would be both confusion and huge disparities across the country. When adding the issue about the cost of collection, which would rise very sharply in smaller establishments, we see a situation where rural businesses, which are essentially SMEs, are drastically affected by prescriptive regulation. The goal of Government, both centrally and in the regions is to reduce regulation. We do not believe that local authorities want to overturn this fundamental objective.

We very much hope that, given the impact a bed tax will have on the rural tourist economy, these proposals will be resisted.

I can confirm that we have no objection to this submission being made publicly available.

Yours sincerely,



David Fursdon
Deputy President