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Dear Scottish Government and HMRC VAT policy,

Scottish Visitor Levy – VAT Position and GOV.UK Guidance

The Chartered Institute of Taxation (CIOT) and the Institute of Chartered Accountants Scotland (ICAS), “we”, are pleased to have had the opportunity to work with the Scottish Government over the last few years to feed into tax policy and technical discussions around the development of the Scottish Visitor Levy (SVL).

Based on this foundation of collaborative working, we write to suggest a discussion on the pros and cons of the proposed VAT treatment of the SVL, and to explore whether an alternative solution might better mitigate several concerns and queries which have been raised by our members on how the collection of the levy interacts with the UK reserved VAT.

ICAS and CIOT met with the HMRC VAT policy team on 12 May 2025 to have an initial discussion on the need for GOV.UK guidance. We thank HMRC for their time and agreement to consider GOV.UK guidance further as well as HMRC’s offer to organise a round table meeting.

As you will appreciate, the development of guidance is inextricably linked to the position set out in the SVL primary legislation. Given the impending start date of the SVL, we are writing to the Scottish Government and HMRC together to welcome an overall discussion on the below points to determine the route forward – ideally before the end of June, ahead of the summer holidays.

Background

We understand that the current position in Scotland will be that UK VAT will be due on the SVL for VAT registered accommodation providers – essentially a UK tax applied to a Scottish local tax.

This approach is based on the exchange of letters between Tom Arthur MSP and Victoria Atkins MP, where Ms Atkins obtained guidance from HMRC VAT policy colleagues, replied to Mr Arthur in July 2023, who in turn shared this with the Scottish Government.

The [Visit Scotland guidance](#), which was published in October 2024, provides explanatory notes for accommodation suppliers as to how they should operate the scheme, should their local authority choose to implement it.



The Visit Scotland guidance provides that:

- The SVL will be included in turnover, when determining whether an accommodation provider needs to register for VAT.
- It is at the discretion of the local authority to include or exclude businesses from SVL obligations if they are below the VAT registration threshold¹
- When an accommodation provider includes the SVL inbuilt into the cost of accommodation, this will form part of the contract for the supply of accommodation, and this portion will be subject to VAT where the accommodation provider is registered for VAT.

Table 3 and Table 4 of the Visit Scotland guidance provide example computations where the levy is included in the accommodation charge, and subject to VAT.

The VAT guidance section from the Visit Scotland guidance appears to have been replicated on the [Edinburgh Council website](#).

Should a UK tax be charged on the devolved SVL?

Currently the Scottish legislation for SVL places the liability for SVL on the accommodation provider (AP) rather than the visitor.

Whilst we understand that there are legislative provisions, and precedent, for charging VAT on a local levy, it is not clear whether this was the intention during the planning of the devolved SVL. There is also a lack of transparency over the detailed discussion of the pros and cons which determined that this approach was the least burdensome on accommodation providers and its fit with Scotland's Approach to Taxation, which embeds the Adam Smith principles of taxation.

Small businesses who are sitting below the threshold and currently have no need - or desire - to become embroiled in VAT-related administration and costs are at risk of being adversely affected should the SVL result in the registration threshold being breached and consequently, are making significant numbers of representations to their MSPs, regional Chambers of Commerce and other forums such as the [ASSC](#). The complexities of applying VAT to the SVL may also increase the risk of VAT errors. Furthermore, we are concerned that the tacit acceptance of the VAT position on the SVL may set a precedent for future local taxes in Scotland and beyond.

An alternative approach may have been to legislate for the liability for the SVL to be placed on the visitor rather than the AP – with the SVL outside the scope of VAT as a statutory charge levied by the local authority- and the collection by the AP treated as a disbursement. However, we recognise that there are also commercial and compliance complexities with this approach, in addition a change to the liability is likely to require primary legislation by the Scottish Government. However, we feel that it would be beneficial for key stakeholders to fully explore and be aware of the advantages and challenges of the options.

We appreciate that there are inherent complexities with all options given the interaction between devolved powers, devolved legislation and UK legislation however, given the concern and queries being

¹ As detailed in Section 14(2) of the Visitor Levy (Scotland) Act 2024 – "For the purposes of subsection (1)(h), the VL scheme must specify whether the levy is not payable in relation to accommodation which has an annual turnover below the VAT threshold." With VAT threshold defined by Section 14(10) – "In this section, "the VAT threshold" means the amount for the time being specified in paragraph 1(1)(a) of schedule 1 of the Value Added Tax Act 1994."



raised by Scottish businesses, we feel it is important to have a transparent discussion on the proposed VAT treatment.

Can GOV.UK guidance on the VAT treatment of the SVL be developed and published?

In addition to, and regardless of, the outcome of the above discussions, we see it is as essential to the successful implementation of the policy that HMRC set out official guidance on GOV.UK on the VAT treatment of visitor levies (both 'tourist' and 'business improvement district') applicable across the UK and thus including the SVL, ideally before it is due to commence in Scotland. Although the SVL itself will be a devolved tax, the VAT, if charged on the SVL, is retained by the UK government and it is important there is an official source of guidance from the UK Government on this subject upon which customers can [rely](#). It is also important for members of the public to be able to access this information freely to aid public understanding.

Next Steps

For the reasons outlined within this letter, we would welcome collaborative transparent discussion on the pros and cons of charging VAT on the SVL, including careful consideration of which method helps to simplify tax administration for Scottish accommodation providers. It may be that the reasonable outcome of that is that the charging of VAT is the least burdensome option, however this must be clearly communicated to Scottish accommodation providers so they can understand the decision taken by the Scottish Government. This is important to build trust in the Scottish tax system.

Regardless of the outcome of this discussion, we would certainly welcome the publication of VAT guidance on GOV.UK to help provide much-needed clarity to Scottish accommodation providers which would come with the benefit of reliance.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Justine Riccomini'.

Justine Riccomini, Head of Employment & Devolved Taxes, ICAS

A handwritten signature in black ink, appearing to read 'E Milner'.

Ellen Milner, Director of Public Policy, The Chartered Institute of Taxation