TAXING TOURISTS

A NEW INCOME SOURCE FOR LOCAL AUTHORITIES?

Dr Gerard Turley and Stephen McNena
J.E. Cairnes School of Business and Economics, University of Galway

As readers of *Local Authority Times* know, the traditional revenue sources for the local authorities are local taxes (commercial rates and the local property tax (LPT)), fees/charges on goods and services, and central government grants. A potential new source of revenue is a visitor levy. This article outlines its purpose, arguments for and against, design features and options available, possible impact and potential revenue, examples from other countries, and the likely next steps.

A specific charge on visitors per occupied bed or room is common in other jurisdictions, but the name applied to it varies. Aside from 'visitor levy', the other names used are tourist tax, occupancy tax, accommodation tax, bed tax, overnight levy and city tax. Whatever the name, the definition is more or less the same, namely a levy on stays, usually overnight (i.e. excluding day-trippers), in paid accommodation. The accommodation operators typically covered are hotels, hostels, B&B, guesthouses, caravan and camping sites, holiday rentals and short-term lets.

Purpose

The main purpose of a visitor levy is as a general revenue source for government. Another purpose related to revenue mobilisation is to raise revenue to pay for a specific regional or city event; for example, hosting a major sporting event. The other main reason cited is in relation to the regulation of visitor flows and tackling overtourism.

By charging visitors, government gets them to pay a contribution towards their use of public services (parks, museums, arts programmes, for example) and the societal costs imposed by tourists (traffic congestion, carbon emissions, extra policing, for example). Making tourists contribute to the ongoing costs of providing goods and services is an application of the 'user pays' principle and the more general 'polluter pays' principle.

Both the 2022 Commission on Taxation and Welfare and the 2024 Dublin City Taskforce recommended the introduction of a visitor levy (what they called an accommodation or tourist tax) as a means to widen the tax base and to raise additional revenue for government, whether central/national or local, as in the case of Dublin.

Arguments for and against

The arguments in favour of a visitor levy are, unsurprisingly, related to its purpose. It is a new source of revenue and is intended to tackle the environmental and social costs of tourism (and especially mass tourism), while at the same time, if imposed locally, it strengthens local fiscal decision-making powers.

As with any tax, there are considerable arguments against a visitor levy. It increases the tax burden on the tourist sector, leading to a possible loss of competitiveness and a reduction in visitor numbers and tourist activities. It is discriminatory, as it falls on only one segment of the tourist sector i.e. accommodation services. As the tax incidence falls primarily on non-residents, it is a form of tax exporting, weakening accountability as it severs the desirable link between local residents paying local taxes for local services provided by local authorities. Finally, it generally raises a relatively small amount of revenue.

Tourist attractions pictured from left to right: Glendalough, Co Wicklow and Clonmacnoise, Co. Offaly

Design features

Features to be considered in respect of a visitor levy include the base and liability, exemptions and discounts, rate and collection, hypothecation, and tier of government. Beginning with the last of these, although it can be imposed by central, regional or local government, in unitary countries it is usually legislated for by central government, which, in turn, grants taxing powers to local authorities if they choose to use these.

The coverage applies to accommodation providers, per room or per person, with possible exemptions for student accommodation and timeshares. While the tax is imposed on the visitor, discounts or waivers can be granted to certain categories of visitors, such as children, the elderly, the disabled, regular commuters for work, and those relying on emergency accommodation. The rate can be a fixed/flat charge, or a percentage of the price of the accommodation, incorporated upfront (at time of sale) or paid on arrival/departure (time of check-in/check-out), and can vary by location and season. Collection is normally by the accommodation provider, and remitted to government with a possible percentage share retained to cover administration expenses.

The other main design feature is the hypothecation nature of the tax, i.e. the revenue can be earmarked or ring-fenced for tourist services and/or tourist infrastructure. This often helps to make the levy/tax more palatable to taxpayers.

When designing the levy there are other features to be determined. These include a possible cap based on the length of stay, whether the levy is subject to VAT, the treatment of self-catering/non-serviced accommodation and online booking platforms (e.g. Airbnb), and whether the levy should vary by accommodation type and quality.

Possible impacts

The possible impact depends on the price sensitivity of visitor demand, and in turn, the level and visibility of the tax, purpose of visit (for example, holidaymakers versus business travellers), uniqueness of the location, and the existing VAT rate on accommodation services. Although it is difficult to measure the price elasticity of visitor demand, the tourist industry claims, unsurprisingly, that visitor demand *is* price-sensitive and that a visitor tax would damage competitiveness and jeopardise the viability of some accommodation providers, and, indirectly, other businesses in the tourist sector such as restaurants and operators of visitor attractions.

Potential revenue

How much revenue could be raised by a visitor levy annually? As with any tax, it depends on the tax base and the tax rate. We can use the number of beds provided by accommodation operators as a proxy for the tax base. Fáilte Ireland (FI) provides data on types of accommodation, bedspaces and occupancy rates.[1] It is important to note that some accommodation providers may not be registered with FI.

As for the tax rate, we can apply hypothetical flat rates, from a minimum charge of, for example, €1 per person per night (pppn) to a maximum charge of, say, €3 pppn.

Accordingly, Table 1 reports the estimated revenues at the county level from a visitor levy, based on accommodation data on bedspaces in Q1 2025 and an overall bed occupancy rate of 55% (with no exemptions/discounts, or caps on duration).[2] The total estimated revenue nationwide ranges from a low of €32m (minimum charge of €1 pppn, on FI-approved hotels

[1] From its National Quality Assurance Framework (NQAF) dataset, FI accommodation types are hotels, hostels, guesthouses, B&B, caravan and camping sites, holiday camps, and self-catering. Marinas and campus accommodation are excluded. Pending the introduction of the Short-Term Letting (STL) Register, an estimate of short-term lets was acquired from data provided by Lighthouse Intelligence Inc. to FI. It is based on information from property listings published on the four major booking platforms. For more details, see https://www.failteireland.ie/Research-Insights/Accommodation.aspx

Table 1. Estimated revenue from a visitor levy (per annum), in euro

	Visitor levy, pppn					
	€1	€3	€1	€3	€1	€3
	(FI approved hotels only)		(FI approved accommodation)		(FI approved accommodation and estimated short-term lettings)	
Carlow	259,570	778,709	351,313	1,053,938	451,688	1,355,063
Cavan	379,618	1,138,855	531,988	1,595,963	752,813	2,258,438
Clare	1,228,791	3,686,372	1,917,163	5,751,488	3,503,088	10,509,263
Cork	2,463,002	7,389,005	4,055,150	12,165,450	6,223,250	18,669,750
Donegal	1,516,867	4,550,601	2,248,400	6,745,200	5,279,725	15,839,175
Dublin	11,632,860	34,898,581	13,028,675	39,086,025	17,314,688	51,944,063
Galway	2,393,342	7,180,025	3,432,825	10,298,475	6,233,288	18,699,863
Kerry	2,779,986	8,339,958	4,587,138	13,761,413	7,758,988	23,276,963
Kildare	704,432	2,113,295	823,075	2,469,225	1,084,050	3,252,150
Kilkenny	662,475	1,987,425	833,113	2,499,338	1,254,688	3,764,063
Laois	283,459	850,377	331,238	993,713	501,875	1,505,625
Leitrim	122,458	367,373	491,838	1,475,513	652,438	1,957,313
Limerick	1,122,594	3,367,782	1,234,613	3,703,838	1,656,188	4,968,563
Longford	64,240	192,720	582,175	1,746,525	662,475	1,987,425
Louth	395,277	1,185,830	572,138	1,716,413	973,638	2,920,913
Mayo	1,147,487	3,442,461	1,997,463	5,992,388	3,794,175	11,382,525
Meath	582,175	1,746,525	923,450	2,770,350	1,234,613	3,703,838
Monaghan	137,715	413,144	200,750	602,250	311,163	933,488
Offaly	184,289	552,866	281,050	843,150	351,313	1,053,938
Roscommon	136,912	410,735	291,088	873,263	572,138	1,716,413
Sligo	607,670	1,823,011	963,600	2,890,800	1,555,813	4,667,438
Tipperary	416,958	1,250,873	792,963	2,378,888	1,254,688	3,764,063
Waterford	710,053	2,130,158	1,555,813	4,667,438	2,158,063	6,474,188
Westmeath	541,423	1,624,268	652,438	1,957,313	863,225	2,589,675
Wexford	869,850	2,609,549	1,495,588	4,486,763	2,489,300	7,467,900
Wicklow	743,779	2,231,336	1,475,513	4,426,538	2,037,613	6,112,838
National	**32,087,278**	**96,261,833**	**45,650,550**	**136,951,650**	**70,924,975**	**212,774,925**

Note: Estimated receipts based on a 55% occupancy rate and excludes any exemptions/discounts (e.g. for children) or caps based on the length of stay (e.g. first five nights' stay).
Source: FI data on bedspaces, Q1 2025; authors.

[2] Occupancy rates vary by room/bed, accommodation type, season and location, with actual rates available from FI accommodation surveys. For example, on type, the simple monthly average bedspace occupancy rate for FI-approved hotels in 2024 was 58%. Occupancy rates for B&B and self-catering tend to be lower. On season, again for FI-approved hotels in 2024, the bedspace occupancy rate ranged from a low in January of 38.4% to a high of 72.6% in August. As for location, with the exception of Dublin, which has the highest occupancy rate, the regional and county variation is not as pronounced as the variation by accommodation type or season. Hence, our figure of 55% is not meant to cover all scenarios. Revenue estimates based on different bedspace occupancy rates (both standard and differentiated by accommodation type) are available from the authors on request. Our blogs on this and other topics are at www.localauthorityfinances.com/blog-posts/

Table 2 Examples of visitor levies, internationally

Features	Toronto, Canada	Vancouver, Canada	Amsterdam, Netherlands	Berlin, Germany	Paris, France	Lisbon, Portugal	Porto, Portugal
Name	Municipal Accommodation Tax	Municipal and Regional District Tax (MRDT)	Tourist Tax	Overnight Tax	Taxe de Séjour	Municipal Tourist Tax	Municipal Tourist Tax
Coverage and base	Stays of 4 hrs to 30 days in hotels, motels, hostels, clubs and short-term rentals. Levied on room cost less itemised charges	Stays of less than 27 days in a wide range of accommodations, including residential dwellings	Hotels, campsites, B&B, holiday rentals, short-stay accommodations	Net room rate, in hotels, hostels, guesthouses	Hotels, aparthotels, B&B, hostels, holiday villages, camp-sites, furnished short-term rentals	Hotels, resorts, local accommodation establishments, hotel boats, etc.	Hotels, B&B, campsites, short-term rentals
Exemptions	Tents or trailer sites in campgrounds	Overnight campsites	Local residents		Children <18 yrs	Children <13 yrs	Children <12yrs, religious pilgrims, etc.
Rate	6%	Up to 3% maximum	12.5% of the rate excl. VAT	7.5%	Tax rates depend on the quality and type of accommodation, ranging from €0.20 to €4.80 per person basic rate. With surcharges included, the range is €0.65 to €15.60 per person	€4 pppn, to a max. of €28 per person	€3 per night, to a max. of €21
Surcharge/ extra rate	From June 2025 to July 2026: temporary increase from 6% to 8.5%	The Major Events MRDT is an additional 2.5% temporary tax on accommodation to help finance major interna-tional events. Effective February 2023 until January 2030			Basic rate plus 10% for depart-ment plus 15% for region plus 200% for regional public transit		
Recent changes to the rate				1-January 2025: changed to 7.5% for professional and business purposes	From 2024, 200% surcharge to finance the regional public transit organisation	September 2024: doubled from €2 to €4 pppn	December 2024: increased from €2 to €3 pppn
Receipts	14 months of 2.5% increase estimated to deliver an extra $56.6m		€245m	2023 = €58.7m, 2024 = €89.6m, growth due to removal of exemption for business travellers. 2025 estimate = €137m	2022 = €113m		

Source: Various.

Rock of Cashel, Co. Tipperary

only) to a high of €213m (maximum charge of €3 pppn, on all FI registered/approved accommodation and an estimate of short-term lets).

To put this into perspective, the 2024 Exchequer tax take from, for example, Deposit Interest Retention Tax (DIRT) and the environmental levy on plastic bags was €193m and €6m respectively, while at the local government level, LPT raised €529m and €28m was raised by planning fees.

As for location, whereas a visitor levy of €1 pppn on all paid accommodation could potentially raise €7.8m for Kerry, the same visitor levy would raise only €2m for Wicklow, a local authority with a similar population to Kerry but an economic profile less dependent on tourism and visitor numbers. Again, these estimates are in the context of an annual budget in 2025 for Kerry County Council of €227m as against Wicklow County Council's annual budget of €168m. For the city councils in Cork, Dublin and Galway, a €1 visitor levy pppn in FI-approved hotels would raise €1.3m, €7.7m and €1.5m respectively.[3]

Examples internationally

Many governments worldwide impose a visitor levy. Municipalities in the US, Canada and throughout the EU levy such a tax, usually at the city level. Some examples and their design features are given in Table 2.

The differences in the design details reflect the fact that the visitor levy in most countries is a *local* tax, based on local decision-making tailored to local priorities, choices and circumstances. A recent example is Scotland and its Visitor Levy (Scotland) Act 2024, which gives local authorities the choice to impose such a levy, and to decide the rate charged. Edinburgh City Council is one of the first local authorities to do so, with its visitor levy due in July 2026. At a rate of 5% of the cost of paid overnight accommodation, Edinburgh City Council estimates that the levy will raise £45–50m a year by 2028/29. Equal to 3–4% of its annual budget, this is not an insignificant amount.

Next steps

If something similar is to happen in Ireland, the next steps would involve some commissioned research (including the impact of such a tax on tourist numbers and the tourist industry), a process of public consultation with all stakeholders, followed by enabling legislation, and an implementation phase.

Although unlikely to happen very soon, it is possible that a visitor levy of some sort imposed at the local authority level could be in place before the next local elections in 2029. While local government might welcome such a tax, voters in the form of domestic visitors may oppose its imposition. As tourist numbers fluctuate in the current volatile international tourist market while, at home, government seeks to widen the tax base due to an overreliance on corporation tax in an already high cost-of-doing-business environment, expect to hear more in the future about a visitor levy, and the associated arguments for and against. Watch this space.

[3] In 2023 Dublin City Council (DCC) estimated that an accommodation tax of 1% on the cost of hotel accommodation would raise €12.2m for DCC, based on 2022 room and average daily rate (of €171.21) data and an occupancy rate of 78.5%. More recently, it was reported that a 2% per room tourist tax would raise €2m per annum for Galway City Council.