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Economic Impact Assessment of the Visitor Levy

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1.2 The Isle of Anglesey County Council is considering introducing a visitor levy – this Economic Assessment seeks to determine the potential economic impact of doing so.

1.3 There have been a number of studies to support the Welsh Government's decision to implement the Act. This report reviews these reports to determine the applicability of applying the same approach at a more local level.

1.4 The evidence base on the economic impact of visitor levies is relatively immature and so even the national assessment is heavily caveated and relies on wide ranges – there are further complications with a local assessment as a result of gaps in data and an even more immature evidence base on the local impact of visitor levies (as opposed to national). The key caveats relevant to the local level assessment are:

- There are significant uncertainties in the elasticities of demand – this is the case at a Welsh level and is even more acute when applied at an Anglesey level.
- At a national level, the majority of visitor spending can reasonably be expected to be captured in Wales. That is not the case at a smaller area – for example, some spending of someone who visits Anglesey may be in Gwynedd (and vice versa).
- Similarly, the spending of the levy will also have a higher level of leakage as some businesses who benefit from contracts through the spending of the levy may not be based in Anglesey.
- The national level assessment (necessarily) assumed that the levy will be imposed across all of Wales – at an Anglesey level, there will be different impacts if one local authority implements the charge, but its neighbouring authorities do not, compared to if all neighbouring authorities implement the charge.

1.5 Therefore, the Anglesey level assessment is appropriately caveated, and should be read in the context of relatively limited evidence base, particularly at the local level.

1.6 Nonetheless, we are confident that the impact on the Anglesey will be relatively small in terms of both the impact on employment and GVA. We have applied a broadly similar approach to the Welsh Government analysis to establish bookends for the likely range of these impacts.

1.7 The analysis is generally conservative (pessimistic) in terms of the approach to assessing the impact on the economy. It assumes the Anglesey suffers all the loss of visitor spending, when in reality some of the spending will be lost from outside of Anglesey. It also assumes that Anglesey businesses gain only half of the spending from the levy (as it assumed that 50% of the visitor levy spending will be spent in businesses outside of Anglesey), while also assuming that Anglesey businesses do not benefit from contracts that result from the spending of visitor levies from other local authorities.

1.8 Even with these conservative assumptions (i.e. assumptions that could overestimate any negative impact) it is estimated that the levy could result in:

- A change in employment of between -31 and +7 FTE jobs. This is between a loss of -0.17% or an increase of 0.04% of employment in Anglesey.
- A change in annual GVA could be between -£2.1m and +£0.09m. This is equivalent to between a loss of -0.14% and an increase of 0.01% of Anglesey's economy.

1.9 This range from a relatively small negative impact to a relatively small positive impact reflect the findings of the Welsh Government Appraisal which also concluded a small negative to small positive impact at a national scale.

2 Introduction

An overview of the Visitor Levy

2.1 The Visitor Accommodation (Register and Levy) Etc. (Wales) Act 2025 (the 'Act') gives councils in Wales the choice to introduce a charge on overnight stays. Known as a 'visitor levy', councils can choose to introduce the levy in their area from April 2027.

2.2 The levy is chargeable at two separate rates:

- Campsite pitches and shared rooms (hostels and dormitories): 75p per person, per night
- All other types of visitor accommodation: £1.30 per person, per night

2.3 There are exemptions[1]; Visitors will not pay the visitor levy if they are:

- under 18 years of age and staying on a campsite pitch or in shared rooms (such as a hostel or a dormitories)
- staying for more than 31 nights in a single booking
- in emergency or temporary housing arranged by the local council

2.4 The funds from the levy will be reinvested for the purposes of destination management and improvement in the area. Section 44 of the Act stipulates that councils must use the proceeds of the levy for:

- mitigating the impact of visitors;
- maintaining and promoting use of the Welsh language;
- promoting and supporting the sustainable economic growth of tourism and other kinds of travel;
- providing, maintaining and improving infrastructure, facilities and services for use by visitors (whether or not they are also for use by local people).

The purpose of this report

2.5 The Isle of Anglesey is seeking to determine the potential economic impact of introducing a visitor levy.

2.6 The starting point is to review the work undertaken by Welsh Government to understand the economic impacts of the Act at a national level, and the extent to which the approach could be applicable at a more local level.

[1] http://gov.wales/visitor-levy-small-contribution-lasting-legacy

2.7 The evidence base on the economic impact of visitor levies is relatively immature and so even the national assessment is heavily caveated and relies on wide ranges.

2.8 These limitations would be even more pronounced at local level. The key caveats relevant to the local level assessment are:

- There is uncertainty over how much of the levy is passed to consumers (modelled only as 0% or 100%)
- There are significant uncertainties in the elasticities of demand – this is the case at a Welsh level and is even more acute when applied at an Anglesey level.
- At a national level, the majority of visitor spending can reasonably be expected to be captured in Wales. That is not the case at a smaller area – for example, some spending of someone who visits Anglesey may be in Gwynedd (and vice versa).
- Similarly, the spending of the levy will also have a higher level of leakage as some businesses who benefit from contracts through the spending of the levy may not be based in Anglesey.
- The national level assessment (necessarily) assumed that the levy will be imposed across all of Wales – at an Anglesey level, there will be different impacts if one local authority implements the charge, but its neighbouring authorities do not, compared to if all neighbouring authorities implement the charge.

2.9 The local (Anglesey) level assessment is therefore appropriately caveated and should be read in the context of relatively limited evidence base, particularly at the local level.

2.10 The remainder of the report covers:

- A review of the work undertaken by the Welsh Government to understand the economic impact of the Act (Section 3)
- A wider literature review to understand the extent to which evidence exists that would allow for the Wales wide approach to be undertaken at a smaller geographical scale (Section 4)
- Caveated Anglesey level economic impact assessment (Section 5)
- Cross checking with the Welsh Government Analysis, accounting for the relative importance of tourism to Anglesey (Section 6)
- Conclusion (Section 7)

3 Studies to support the Welsh Government Act – Economic Impact

3.1 There have been a number of studies to support the Welsh Government's decision to introduce the Act. These include:

- Evidence review of elasticities relevant to a visitor levy in Wales, Alma Economics, 2022
- The Potential Economic & Greenhouse Gas Impacts of a Visitor Levy in Wales, Cardiff Business School & Welsh Government, 2024 - referred to in this report as the Welsh Government 2024 analysis
- Revised analysis of the potential economic and greenhouse gas impacts of a visitor levy, Welsh Government, 2025 - referred to in this report as the Welsh Government 2025 analysis
- Review of impacts of visitor levies in global destination, Bangor University 2024

3.2 These reports are undertaken at an all Wales level and are heavily caveated.

Evidence review of elasticities relevant to a visitor levy in Wales, Alma Economics, 2022

3.3 Alma Economics undertook a Rapid Evidence Assessment (REA) which reviewed the literature on elasticities relevant to a visitor levy in Wales.

3.4 It sought to estimate the price elasticity of demand of tourism and accommodation in particular. Price Elasticity of Demand (PED) is the measure of responsiveness of the demand for a good or service when its price changes. A negative PED denotes a decrease in quantity demanded when price increases. A high elasticity of demand indicates that the quantity demanded of a good or service is highly responsive to changes in its price, meaning a small price change can lead to a significant change in demand. Inelastic (or low elastic) demand is when demand is not responsible to price.

3.5 The report identified a high level of uncertainty and significant evidence gaps. Even where relevant evidence was found, there was a large variation in the magnitude of estimates of elasticities and there were no studies that provided Wales specific estimates and only a small minority of studies considered the UK market.

3.6 There were significant variations in the findings for tourism – while the majority of studies (70%) found that tourism was inelastic, there were some studies that reported elastic demand. The average mid-range PED across all studies was -0.7 and the median was -0.9. Thes means that for a 1% increase in the price of a good or service leads to a 0.7% reduction in demand.

3.7 There were only two studies that specifically considered accommodation – those showed it to be price inelastic (at -0.7). The report includes a caveat that these should be interpreted with caution given the limited number of studies. At least one of these reports was specifically based on international tourism – and so will be less relevant to a domestic market.

3.8 The review (by the report's own admission) provided very little evidence addressing the more nuanced research questions, including (i) insight into the drivers of visitor behaviour, (ii) the impact of visitor levies or similar on tourism demand, and (iii) how the explored elasticities may vary depending on the characteristics of tourists (e.g., based on protected characteristics).

3.9 The report itself is also clear that these studies provided very little evidence differences that might occur at a sub-regional level, with most studies focusing on national impacts and / or international tourism.

The Potential Economic & Greenhouse Gas Impacts of a Visitor Levy in Wales, Cardiff Business School & Welsh Government, 2024

3.10 This report estimates the economic and greenhouse gas emissions impact of the levy at an all-Wales level. We have reviewed it to understand the extent to which a similar method could be used to estimate the impact of a levy in individual Local Authorities.

3.11 The report includes two scenarios:

i. 100% levy is passed on from business to consumers.

ii. 100% levy is absorbed by the business

3.12 The analysis does not account for supply-side changes, such as providers exiting the market due to the levy.

100% Levy is passed on from business to consumers

3.13 The study calculates the likely impact on the study in three scenarios (optimistic, neutral and pessimistic) based on a range of elasticities taken from the Alma study. It applies these to different visitor segments (two domestic with different spending patterns and overseas visitors). This results in a change in consumer demand for each segment.

3.14 The report uses elasticities from the Alma Economics study which (as above) has significant uncertainty, data gaps, and is largely based on international tourism and national effects. The issue of applying national elasticities will be more problematic at a Local Authority level than it would be at an all-Wales level.

3.15 The study assumes that the price elasticity of demand feeds through directly into the economy – i.e. the increase in the levy results in a reduction in demand (within the study area) which means a reduction in total trip spending (also in the study area). This could be due to either people not visiting the study area or visiting the study area for a shorter period of time as a result of the levy.

3.16 The model then uses Input-Output tables to determine the likely impact of the Welsh Economy.

100% Levy is absorbed by the business

3.17 This scenario assumes that there is no change to visitors or revenues and that businesses absorb all of the costs. The report assumes that there are no supply side changes – i.e. no business exits the market, or are put off entering the market in future, instead the levy is taken from the output of the businesses.

3.18 It assumes that there are no losses in employment and only decreases in salary (and other elements of output). This is likely to underestimate the employment loss since – in reality, a loss of revenue would result in a reduction in staff as well as a reduction in salaries.

Issues and Caveats

3.19 The report itself highlights significant caveats:

- **Price Elasticity Uncertainty**: as above, there are significant uncertainties in the elasticities – this is the case at a Welsh level and will become even more acute if used at a smaller study area.
- **Accommodation Supply**: as above, the model does not account for supply-side changes, such as providers exiting the market due to the levy.
- **Pass-Through Assumptions**: as above, the report assesses the 'book ends' of the likely impact by assessing the impact if the levy is passed on to visitors or absorbed by businesses – it does not seek to assess the extent to which one is more or less likely.
- **In-Wales Costs**: The analysis only includes in Wales costs and so it likely underestimates the total costs of the trip, particularly for international trips. This will therefore overestimate the reduction in international trips post levy (and so presents a worst-case scenario)
- **Base-Year Constraints**: The levy is modelled on 2019 tourism data due to data limitations, with rates adjusted for inflation.
- **Future inflatio**n: Future inflation and sector changes are not included – it is effectively a snapshot in time in a given year.
- **Administrative costs**: The analysis does not include any frictional or administrative costs that any new Levy might engender.

Revised analysis of the potential economic and greenhouse gas impacts of a visitor levy, Welsh Government, 2025

3.20 This report updated the previous work for two sets of rates. One of those sets of rates (£1.30 standard / £0.75 lower) was subsequently used in the Act. The analysis also excluded children and young people staying in Lower Band accommodation, since they are excluded from the Levy.

3.21 The report used similar methodology as the original but noted that: 'Constraints on time and access to data architectures mean a full, and fully comparable, reworking of the 2024 impact assessment is not possible'.

3.22 The results of the analysis at a Welsh level are set out in Table 3.1.

Table 3.1: Summary of likely impacts in Welsh Government report

			Likely range
Employment	Passing Levy onto visitors	FTEs	-400 to 100
	Businesses absorb levy	FTEs	360
Annual GVA (£m)	Passing Levy onto visitors		-£7.5m to +£11.1m
	Businesses absorb levy		-£32.3m

Review of impacts of visitor levies in global destination, Bangor University 2024

3.23 Bangor University undertook a review of international evidence on the environmental, social, and cultural impacts of visitor levies in various global destinations. The report then provided recommendations of the Welsh Government on the implementation of the levy.

3.24 The report identified five case studies / areas which had implemented visitor levies that had similarities to Wales in terms of the reliance on the tourism sector and / or their social, cultural and/or environmental context. This meant that the case studies included places that, like Wales, were reliant on their tourism industry.

3.25 The report focused on the implementation of the levy – including what the levy can be spent on, the decision making process and authority, local accountability, the scope of project and activities funded, the impact of the funded projects (noting a lack of evidence) and the need for transparency, accountability, monitoring and evaluation.

3.26 It did not focus on the impact of the levy on the tourism sector specifically, although there were some takeaways that do inform our report:

- There is limited evidence on the effects of tourism taxes: 'A **comprehensive assessment of the impacts of tourism taxes remains limited**, despite their clear motivations for implementation'.
- In general, there has been continued **year-on year growth in tourism in locations that have introduced a visitor levy** (although we cannot know what the counterfactual would have been without a levy).
- **Some locations choose to vary the tax during different seasons** – for example, the Balearic Islands have implemented two separate visitor levies: €0.25 – €1 per person per night in low season (November – April) and €1 – €4 per person per night in high season (May – October).[2] **While others do not:** in Mareo and San Martin, where seasonality is high (visitor numbers in the four busiest months are over ten times those in the quietest four months), a flat visitor levy has been imposed throughout the year (€1.50 – €3.50 per person per night).
- Some locations (Catalonia / Barcelona and the Balearic Islands) **vary by accommodation type / quality** (including different rates for different hotel 'star' quality. While **others do**

[2] Welsh Government, 2024. Review of visitor levies in global destinations here

not have as much differentiation: Iceland initially introduced a flat rate and subsequently split the rate into three broad categories camping, hotels, and cruise ships.

Conclusions and implications for our study

3.27 The work undertaken to support the Welsh Government has highlighted that there are gaps in the evidence base for understanding the economic impact of the Visitor Levy. This means that the Welsh level economic impact study is necessarily caveated and includes wide ranges / book ends for the likely impact.

3.28 Applying the Welsh Government approach at a more local area level would have the same caveats and issues – and some of the issues would be more acute at a smaller study area.

3.29 The detail is set out above, but the key issues include:

- **There is limited applicable evidence on the Price Elasticity of Demand** – both Welsh Government economic appraisals use the PEDs from the Alma Study which are largely national studies for international tourism. There are no Welsh specific studies and only two that specifically look at accommodation (rather than tourism as a whole). The issue of using these elasticities become even more acute at a smaller study area since it is not clear that national elasticities hold at a sub-regional level.
- The analysis does **not take a view on the extent to which the levy is passed on -** it has book end for the impact of 0% or 100% of the levy being passed onto consumers.
- It also does **not allow for supply side changes** – i.e. it does not allow for the potential some businesses are deterred from entering or leave the market. In the scenario where all of the levy is passed on to businesses, it is assumed that there is no loss in employment (only a loss in wages).
- **There is very little evidence addressing the more nuanced questions**, including (i) insight into the drivers of visitor behaviour, (ii) the impact of visitor levies or similar on tourism demand, and (iii) how the explored elasticities may vary depending on the characteristics of tourists (e.g., based on protected characteristics). **This means the analysis makes mostly linear assumptions based on averages.** This also makes it difficult to apply local characteristic to the study (and so to adapt the methodology in the national assessment to a more local level).
- It **does not include out of Wales costs** which likely underestimates the total cost of the trip, particularly for international trips. This will therefore overestimate the reduction in international trips post levy (and so presents a worst-case scenario). This will be the same at a local authority area level (although will be offset to some extent by spending outside of the local authority area).
- The analysis does not consider what visitor spending that is ‘lost’ as a result of the levy is spent on instead – this could be day trips (instead of overnight trips) or Welsh residents spending money on other things (instead of holidaying within Wales). This approach is again likely to be worst case scenario in terms of the impact of the levy on the Welsh economy. This is likely to be less relevant at Anglesey level than the Welsh level as those visiting Anglesey (who are put off by the levy) are unlikely to also live in Anglesey (whereas a Welsh resident may also holiday in Wales – for example, a Cardiff resident may spend money in Cardiff rather than holiday in Anglesey).

4 Further literature review

4.1 We conducted a further literature review to understand the extent to which evidence exists that would

- Allow for the Wales wide approach to be adapted for a local level assessment.
- Fill the evidence gaps identified above

4.2 There was limited additional evidence above what was used in the work to support the Welsh Government when implementing the Act.

4.3 There were various other examples where there has been continued year-on year growth in tourism in locations that have introduced a visitor levy (although as above we cannot know what the counterfactual would have been without a levy).

4.4 The other questions the literature review sought to answer were:

- To what extent does a visitor levy get passed on to visitors?
- How does the impact of a visitor levy change with seasonality or popularity of a destination?
- How does the does the cost of accommodation / trip change the impact of the levy? There was no additional evidence found to answer this question.
- Do visitors adjust their wider trip spending if they bear the cost of the levy?

To what extent does a visitor levy get passed on to visitors?

4.5 The extent to which a visitor levy gets passed on to consumers will determine whether it is consumers or accommodation providers who will bear the cost of the levy. As set out above the Welsh government economic appraisal does not take a view on this but tests book ends for 0% to 100% pass on.

4.6 The literature provides mixed evidence on the rate of pass-through (the extent to which businesses pass on changes in tax as changes in price to consumers) of a visitor levy or other tax mechanisms.

4.7 We looked at various tax mechanisms to determine pass-through rates:

- A review of lodging taxes in US cities showed that a lodging tax is unlikely to be fully passed on to the visitors – about 86% of tax paid is by visitors and the remaining 14% is absorbed by accommodation providers in the form of lower accommodation rates or reduced occupancy.[3]
- The European Commission study found that there was a high degree of pass-through in the long run but also had example of where taxes were not passed through. For example a

[3] Hudson, S., Meng, F., So, K. K. F., Smith, S., Li, J., & Qi, R. (2021). The effect of lodging tax increases on US destinations. *Tourism Economics*, *27*(1), 205-219. Available here

case study of Disneyland Paris indicated they were unlikely to pass on VAT rate increases in 2014 to visitors due to the high price sensitivity of visitors. This meant Disneyland absorbed the cost of the VAT increase to mitigate the impact on visitor numbers and expenditure.[4]

- A study looking at the pass through of air passenger taxes on airfares across Europe estimated air passenger tax pass-through rates from 20% to 56%.[5] The same study mentions that the consumer share of the tax burden from a French VAT-reform was between 57% and 77%.

4.8 The literature review therefore does not provide clear evidence for different the level of pass-through rates that could be used – and so we maintain the approach in the Welsh Government Assessment of using bookends.

How does the impact of a visitor levy change with seasonality or popularity of a destination?

4.9 There are limited studies that have quantified PEDs for different seasons but several studies state that demand for tourism is less elastic in the high seasons compared to the low seasons.[6]

- The report on the balancing of revenue and demand in the hotel industry in Dubai[7] found that demand elasticity is much higher in the low seasons (and lower in high season). That is likely to be driven significantly by international travel – the report found that local hotels do not face strong seasonality as much international hotels do.
- The report on the price elasticities for accommodation services in Prague showed that visitors are less elastic during the high seasons than they are throughout the year with PEDs of -0.22 to 0.78 in the high seasons vs PEDs of -0.10 to -0.54 throughout the year. The positive PEDs in the high season suggest that the expected price-demand relationship may not always hold.[8]

4.10 The European Commission study found thar there were higher elasticity of demand in destinations with close substitutes. It showed that European countries in proximity still exhibit differences in PEDs due to the type of seasonal tourism offering. Spain had inelastic demand because several destinations in Spain offer sun-and-beach experiences meaning there is a high degree of substitutability between these destinations. Italy also exhibited inelastic demand because of its offering of non-coastal tourism and so was less seasonally impacted. France exhibited slightly inelastic demand due to widespread implementation of tourism taxes. The PEDs during peak season (summer) are:

- France had PEDs ranging from -0.068 to -1.042
- Spain had PEDs ranging from -0.018 to -0.719

[4] European Commission, 2017. The Impact of Taxes on the Competitiveness of European Tourism here
[5] Wozny, F. (2024). *Tax incidence in heterogeneous markets: The pass-through of air passenger taxes on airfares* (No. 16783). IZA Discussion Papers. Available here
[6] Baždar Gašljević, T., Maradin, D., & Cerović, L. (2023). Price Elasticity of Demand For Hotel Services On The Business Example Of Two Hotels In The Republic Of Croatia. *Journal of accounting and management*, *13*(1), 1-14. Available here
[7] Alrawabdeh, W. (2021). Seasonal balancing of revenue and demand in hotel industry: the case of Dubai City. *Journal of Revenue and Pricing Management*, *21*(1), 36. Available here
[8] Petříček, M., & Chalupa, Š. (2020). PRICE ELASTICITY OF DEMAND FOR ACCOMODATION SERVICES–EMPIRICAL APPLICATION IN PRAGUE. *Ad Alta: Journal of Interdisciplinary Research*, *10*(1). Available here

- Italy had PEDs ranging from -0.002 to -0.224[9]

4.11 Separately, the study of lodging tax increases on US destinations showed that approximately 49% of travellers altered their plans due to high travel taxes by reducing spending, staying somewhere cheaper and visiting during low season.[10]

4.12 While the literature review highlighted some further evidence on seasonality, not sufficiently to be able to determine how Anglesey would differ from the Welsh Average.

Do visitors adjust their wider trip spending if they bear the cost of the levy?

4.13 While the study of lodging tax increases on US destinations[11] mentioned above showed that visitors responded to a levy by decreasing their spending, the study did not quantify to what extent visitors reduce their spending. And overall, the literature is not clear about how visitors would adjust their wider trip spending if they bear the cost of the levy.

[9] Heffer-Flaata, H., Voltes-Dorta, A., & Suau-Sanchez, P. (2021). The impact of accommodation taxes on outbound travel demand from the United Kingdom to European destinations. *Journal of Travel Research*, *60*(4), 749-760. Available here

[10] Hudson, S., Meng, F., So, K. K. F., Smith, S., Li, J., & Qi, R. (2021). The effect of lodging tax increases on US destinations. *Tourism Economics*, *27*(1), 205-219. Available here

[11] Ibid

5 Caveated Anglesey level economic impact assessment

5.1 As set out in the previous sections, there is insufficient evidence to be able to robustly and accurately model the precise impact of the levy, or what how different scenarios would impact the magnitude of the effect (for example, whether other local authorities also implement a levy).

5.2 Therefore, we have taken a twin track approach to provide book ends (broadly following the Welsh Government approach) and sense checks for the likely range of the effect:

- Caveated reproduction of the Welsh Government approach. This is set out in Section 5.
- Cross checking with the Welsh Government Analysis, accounting for the relative importance of tourism to Anglesey. This is set out in this Section 6.

Caveated reproduction of the Welsh Government approach

5.3 We have taken a similar approach to the Welsh Government 2025 analysis to estimate the impacts at the Anglesey level – as in the Welsh Government approach this includes 'bookends' with two scenarios, one where 0% of the Levy being absorbed by businesses and another where 100% being absorbed by businesses

5.4 The approach is caveated because – as set out in Section 3, there are caveats within the Welsh Government report that also apply here and are in some cases more exaggerated in a local level assessment.

5.5 The key caveats that are relevant to the local level assessment are:

- At a national level, the majority of visitor spending can reasonably be expected to be captured in Wales. That is not the case at a smaller area – for example, some spending of someone who visits Anglesey may be in Gwynedd (and vice versa). For the purposes of this assessment, we assume that all spending is 'lost' from Anglesey and so this a worst-case scenario in terms of the impact on the visitor economy.
- Similarly, the spending of the levy will also have a higher level of leakage as some businesses who benefit from contracts through the spending of the levy may not be based in Anglesey. To be conservative we have assumed a high level (50%) of leakage and tested a lower leakage as a sensitivity test.
- The Welsh Government analysis assume that a change in the price of tourism (i.e. the levy) results in a decrease in demand for tourism. It does not consider changes in visitor spending patterns within the trip (for example reducing other trip costs by the cost of the levy). This is likely to be worst case scenario in respect to the impact of the levy on the Welsh economy (assuming that the PED picks up all of the change in visitor behaviour). The same approach is taken in the local assessment – again this is likely to be worst case.
- There are significant uncertainties in the elasticities – this is the case at a Welsh level and is even more acute if used at a smaller study area. There is no alternative evidence and so we have used the range of elasticities of demand used in the Welsh Government assessment.

- The national level assessment (necessarily) assumed that the levy will be imposed across all of Wales – there will be different impacts if one local authority implements the charge, but its neighbouring authorities do not, compared to if all neighbouring authorities implement the charge. It is not possible to accurately assess what the impact of different combination of local authorities introducing the levy is, but the effect on the magnitude of the impact is considered.
- The scenario where the levy is passes onto businesses does not account for supply-side changes, such as providers exiting the market due to the levy.
- It also does not account for reductions in employment and assumes that the savings are found within the 'value add' of the businesses operations. In reality, it would likely result in a reduction of jobs too.

5.6 As with the Welsh Government analysis, the analysis does not include inflation (it considers the annual impact if the levy was in place in 2024 – the latest year for which data is available), it does not include administration costs, and it does not include costs that are outside of Wales (this means the analysis likely slightly overestimates the impact of the levy, particularly for international visitors – for whom out of Wales costs will be higher).

5.7 Given the lack of evidence, there are assumptions (such as elasticities of demand) where we have not sought to make the assumptions Anglesey specific – but instead have indicated whether the estimates are likely to under or overestimate the impacts, and provided sensitivity tests as appropriate.

5.8 It has been assumed that VAT will be included on the Visitor Levy.

Visitor levy passed entirely on to tourists

5.9 This section assumes that 100% of the visitor levy is passed on to consumers. It first considers the impact of the loss of visitor spending and then considers the extent to which the spending of the levy itself would offset the loss.

The impact of the potential loss of visitor spending

5.10 According to the Great British Tourism Survey, there were 0.28m domestic overnight visitors to Anglesey per year – who spend an average of 4 nights and spend £305 per person per trip.

Table 5.1: Domestic overnight visits to Anglesey

	Total (GBTS) (avg over 2022-2024)
Total visits to Anglesey by domestic overnight visitors	0.28m
Total Anglesey domestic bed nights	1.142m
Average trip length (nights)	4.0
Total Anglesey domestic overnight expenditure (including VAT)	£86.33m
Cost per trip (including VAT)	£305
Cost per night (including VAT)	£76

5.11 The data is not available by accommodation type for Anglesey – i.e. whether those visitors are in the lower band or standard band accommodation for the purposes of the visitor levy.

5.12 However, we can make assumptions on the split based on two datasets:

- Data on the number of bed spaces by accommodation type by local authority – this can be compared to the total bed nights for the GBTS.
- Data on the split of visitors between lower band or standard band accommodation in Conwy and Gwynedd

5.13 Comparing these dataset suggests that that Anglesey has higher occupancy rates than neighbouring local authorities (Gwynedd or Conwy).

5.14 This results in a two scenarios – (1) a lower bound scenario which assumes the same ratio between bed spaces and bed nights in Gwynedd and then scales to meet the Anglesey total bed nights. (2) A core scenario which assumes that the ratio of bed spaces to occupants remains the same for lower band accommodation and the higher occupancy rate in Anglesey is as a result of higher occupancy in standard accommodation. The lower bound scenario is included as a sensitivity test later in this section.

Table 5.2: Domestic overnight visits to Anglesey – split between accommodation types are estimated

UK-resident visitors	Lower bound - (lower standard accommodation)			Core		
	Standard Band (est)	Lower Band (est)	TOTAL (GBTS)	Standard Band (est)	Lower Band (est)	TOTAL (GBTS)
Visitors (trips)	143,800	139,638	283,438	240,710	42,728	283,438
Bed nights	565,204	576,915	1,142,120	950,284	191,836	1,142,120
Average trip length (nights)	3.9	4.1	4.0	3.9	4.5	4.0
Overnight expenditure	£50.57m	£35.76m	£86.33m	£76.23m	£10.09m	£86.33m
Cost per trip	£352	£256	£305	£317	£236	£305
Cost per night	£89	£62	£76	£80	£53	£76

5.15 The Welsh Government 2025 analysis estimated that 22% of those in the Lower Band accommodation were children and so we exempt from the levy. It is assumed that this assumption holds at an Anglesey level – were the proportion of children to be lower the impact of the levy would be higher, and conversely were the proportion of children to be higher the magnitude of the impact of the levy would be smaller.

5.16 The table below include only eligible visitors (i.e. it excludes children visiting lower band accommodation) and also includes the international visitor data (take from the international visitor survey).

5.17 Note that all international visitors are assumed to stay in standard accommodation and so pay the levy. Were there to be children in lower bound accommodation within this group, the magnitude impact of the levy would be smaller.

Table 5.3: All eligible overnight visits to Anglesey – split between accommodation types and visitor type – core scenario

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	Internat ional
Eligible overnight visits	240,710	33,328	41,497
Eligible Anglesey bed nights	950,284	149,632	218,434
Average trip length (nights)	3.9	4.5	5.3
Eligible Anglesey overnight expenditure (inc VAT)	£76.23m	£7.87m	£25.03 m
Cost per trip	£317	£236	£603
Cost per night	£80	£53	115

5.18 The levy is £1.30 per person, per night for standard accommodation and 75p for lower band accommodation. It is assumed that VAT is charged and so those costs increase to £1.56 and 90p. Based on the average trip length and the total cost per trip, it is estimated that the visitor levy would be between 1.1% and 2.3% of the trip cost depending on trip / visitor type.

5.19 The elasticity is assumed to be -0.74. This is in line with the Welsh Government (2025) appraisal (for the neutral scenario). We have also tested the more pessimistic elasticity (-1.12) and more optimistic elasticity (-0.38) from the Welsh Government appraisal – this range is presented at the end this section.

5.20 As is set out above, there is very little evidence on local level elasticities as a result of visitor levies – the relatively limited analysis that exists is based on national evidence. In the absence of more locally specific evidence the range of multipliers has been applied.

5.21 It should also be noted that elasticity of demand in Anglesey will be affected (to some extent) by whether neighbouring local authorities also introduce the visitor levy – if Anglesey is the only local authority to introduce the levy, the impact on visitor behaviour will likely to be higher (as visitors may choose to go to Gwynedd or Conwy instead) whereas if more local authorities introduce a charge, the impact is likely to be lower.

5.22 Using the neutral multiplier (-0.74) results in a reduction in demand of between 0.8% and 1.7% depending on trip / visitor type.

Table 5.4: Change in demand as a result of the levy – core scenario

	UK-resident visitors (Standard Band)	**UK-resident visitors (Lower Band)**	**International**
Levy per person per night (ex VAT)	£1.30	£0.75	£1.30
Levy per person per night (inc VAT)	£1.56	£0.90	£1.56
Average trip length (nights)	3.9	4.5	5.3
Avg per-trip expenditure (inc VAT)	£317	£236	£603
Per trip Visitor Levy:	£5.51	£5.39	£6.82
a) As a % of trip cost	1.7%	2.3%	1.1%
b) Elasticity	-0.74	-0.74	-0.74
Percentage change in consumer demand (a x b)	-1.3%	-1.7%	-0.8%

5.23 This reduction in demand results in a £1.3m reduction in spending by visitors per year (including VAT) and £1.1m (excluding VAT).

5.24 Not all of that spend would have been spent in Anglesey - some would have been spent in other local authorities (either day trips or on the journey) but to be conservative it is assumed that all of the loss is felt in Anglesey. This will overestimate the (negative) impact on the Anglesey economy.

Table 5.4: Loss in trip expenditure – core scenario

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	Overseas visitors (Standard Band)	Total
Eligible Anglesey overnight expenditure (inc VAT)	£76.2	£7.9	£25.0	£109.1
Percentage change in demand	-1.3%	-1.7%	-0.8%	
Post-trip Visitor Levy Expenditure (£m) (inc VAT)	£75.2	£7.7	£24.8	£107.8
Gross Trip Expenditure Losses (direct) (£m)	-£0.98	-£0.13	-£0.21	-£1.3
Gross Trip Expenditure Losses (direct) (£m)	**-£0.82**	**-£0.11**	**-£0.17**	**-£1.10**

5.25 Based on Welsh Government multipliers for 'accommodation and food' – indirect and induced effects are also included. Again, these would not all have been felt in Anglesey and so this is likely to overestimate (the negative) impact of the loss of expenditure as a result of the levy.

5.26 We apply both a type 1 (which captures direct and indirect effects) and type 2 multipliers (which capture direct, indirect and induced effects) for accommodation and food[12] – this is used as a proxy for all spending and it likely to capture the majority of the spending patterns.

5.27 This results in a loss of between £0.8m and £0.9m of annual GVA per year – which results in the loss of between 22 and 25 FTE jobs.

Table 5.5: Loss in annual GVA and employment as a result of loss of visitor spending – core scenario

	Type 1	Type 2
Change in direct annual output (exl VAT)	-£1.1m	-£1.1m
Multiplier	1.23	1.39
Change in total annual output	-£1.4m	-£1.5m
Ratio of Output to GVA	0.58	0.58
Change in annual GVA	**-£0.8m**	**-£0.9m**
GVA per FTE (accom and food) in Anglesey	£35,492	£35,492
Change in FTE Employment	**-22**	**-25**

[12] This is based on Welsh Government Indicative economic multipliers (input-output tables): 2019

The impact of the Visitor Levy spending

5.28 The visitor levy will result in an increase in economic activity. The visitor levy can be spent on:

- mitigating the impact of visitors;
- maintaining and promoting use of the Welsh language;
- promoting and supporting the sustainable economic growth of tourism and other kinds of travel;
- providing, maintaining and improving infrastructure, facilities and services for use by visitors (whether or not they are also for use by local people

5.29 For the purpose of this assessment, it is assumed that the impact is felt equally across different sectors of the economy (and so Anglesey averages have been used).This could be updated when further information on the type of investment that the visitor levy is spent on is available.

5.30 The Levy would result in £1.6m of additional spending (see Table 5.6) – this accounts for the reduction in demand as a result of the levy and excludes children from the lower band accommodation. Not all of this will be spent with Anglesey employers and so a 50% leakage is applied. This is an conservative estimate (and is likely to overstate leakage) - a lower leakages is included in a sensitivity test.

5.31 Again, we apply type 1 and type 2 multipliers and a ratio of GVA to output[13] – this result in an increase of approximately £0.5m in annual GVA in Anglesey supporting 6-7 FTE jobs (see Table 5.7).

Table 5.6: Loss in trip expenditure and levy revenue – core scenario

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	Overseas visitors (Standard Band)	Total
Post-levy in scope bed-nights (million)	0.94	0.15	0.22	£1.3
Levy per person per night (ex VAT)	£1.30	£0.75	£1.30	
Visitor Levy Revenue (ex VAT) (£m)	**£1.2**	**£0.1**	**£0.3**	**£1.6**
Visitor Levy Revenue (inc VAT) (£m)	£1.48	£0.13	£0.34	£2.0

[13] Multiplier and ratio based on Welsh Government Indicative economic multipliers (input-output tables): 2019

Table 5.7: increase in annual GVA and employment as a result of spending of the Visitor Levy – core scenario

	Low Scenario - Type 1	High Scenario - Type 2
Visitors Levy revenue (ex VAT) – direct output	£1.6m	£1.6m
Leakage	50%	50%
Visitors Levy revenue (ex VAT) in Anglesey – direct output	£0.8m	£0.8m
Multiplier	1.21	1.33
Change in total output (including direct etc) in Anglesey	£1.0m	£1.1m
Ratio of Output to GVA	0.5	0.5
Change in GVA in Anglesey	**£0.50m**	**£0.55m**
GVA per FTE across all industries (Anglesey)	£80,541	£80,541
Change in FTE Employment in Anglesey	**6**	**7**

Total impact of the Levy

5.32 The combined impact of the levy is the loss of visitor spending plus the increase economic activity as a result of the levy spending in Anglesey.

5.33 In the core scenario that is anticipated to be a £0.3m loss of annual GVA (which is a 0.02% decrease in Anglesey's annual GVA) and the loss of 16 to 18 jobs (which is 0.1% of the Anglesey workforce). Even the core scenario is relatively conservative (pessimistic) as it assumes the Anglesey suffers all of the loss of visitor spending, and only half of the gain from the spending of the levy.

5.34 The core scenario is based on an elasticity of -0.74. Applying Welsh Government's optimistic elasticity (0.38) reduces the impact to the loss of 5-6 jobs and results in an increase in annual GVA of £0.1m.

5.35 Applying a more pessimistic elasticity (-1.12) results in a larger loss of up to 31 jobs and £0.8m annual loss in annual GVA.

Table 5.8: Change in annual GVA and employment combined effect – core scenario

	Lower Bound (based on elasticities)	Core (based on elasticities)	Higher bound (based on elasticities)
Change in annual GVA	**-£0.7m to -£0.8m**	**-£0.3m**	**£0.09m**
Anglesey GVA (2023)	£1,455m	£1,455m	£1,455m
Approx percent of Anglesey Economy GVA	-0.05% to -0.06%	-0.02%	0.01%
Change in FTE Employment	**-28 to -31 jobs**	**-16 to -18 jobs**	**-5 to -6 jobs**
Anglesey FTE Total	18,065	18,065	18,065

Approximate percent of Anglesey Workforce	-0.15% to -0.17%	-0.09% to -0.10%	-0.03%

Sensitivity test and impacts of assumptions

5.36 There are a number of assumptions made above which effect the scale of the impact. The key assumption are set out in the table below, alongside the implications for the magnitude of the impact.

5.37 Two additional sensitivity tests are carried out below – those are set out in Table 5.10.

Table 5.9: Implications of assumptions on likely magnitude of impact

	Sensitivity test	Implication
Split of visitors is as per lower bound in Table 5.2: Lower proportion in standard accommodation	Yes	Tested in sensitivity test – **very little change to magnitude of impact**
Proportion of children in standard accommodation is higher than 22%	No	Lower impact in terms of loss of visitor expenditure (as more children, who are exempt) + Lower impact in terms of spending of levy = **Lower magnitude of impact**
Proportion of children in standard accommodation is lower than 22%	No	Higher impact in terms of loss of visitor expenditure (as fewer children, who are exempt) + Higher impact in terms of spending of levy = **Higher magnitude of impact**
More pessimistic elasticity of demand	Included in Table 5.8 (lower bound)	Included in lower bound above = **Higher magnitude of impact**
More optimistic elasticity of demand	Included in Table 5.8 (higher bound)	Included in higher bound above = **Lower magnitude of impact**
Anglesey only local authority to introduce levy	Not explicitly	Not explicitly but likely to be closer to 'more pessimistic elasticity of demand' = **Higher magnitude of impact**
Anglesey and neighbouring authorities local authority to introduce levy	Not explicitly	Not explicitly but likely to be closer to 'more optimistic elasticity of demand' = **Lower magnitude of impact**
Lower level (25%) of leakage is applied	Yes	Tested in sensitivity test = **Lower magnitude of impact**

Table 5.10: Sensitivity tests

	Core	Lower proportion in standard accommodation	Lower level (25%) of leakage is applied
Change in annual GVA	**-£0.3m**	**-£0.3m to -£0.4m**	**-£0.05m to -£0.08m**
Anglesey GVA (2023)	£1,455m	£1,455m	£1,455m
Approx percent of Anglesey Economy GVA	-0.02%	-0.02% to 0.03%	< -0.01%
Change in FTE Employment	**-16 to -18 jobs**	**-16 to -18 jobs**	**-13 to -15 jobs**
Anglesey FTE Total	18,065	18,065	18,065
Approximate percent of Anglesey Workforce	-0.09% to -0.10%	-0.09% to -0.10%	-0.07% to -0.08%

Visitor levy entirely borne by the accommodation provider

5.38 This scenario assumes that businesses absorb the cost of the Visitor Levy which means that there is no change to the level of visitors to Anglesey. This means that the businesses absorb £1.96m including VAT (this is worst case as some businesses will pass VAT on).

Table 5.11: Total cost to be absorbed by the business

	UK-resident visitors (Standard Band)	UK-resident visitors (Lower Band)	International	TOTAL
Eligible Anglesey bed nights	0.95m	0.15m	0.2m	1.3m
Levy per person per night (inc VAT)	£1.56	£0.90	£1.56	
Total cost to be absorbed	£1.48m	£0.13m	£0.34m	£1.96m

5.39 Businesses absorb £1.96m of additional cost and this is paid for business revenues – the Welsh Government appraisal assumes that this is 'found' from within the value added and so in the same as GVA. In reality, it would likely there would also be some reduction in jobs.

5.40 The Welsh Government appraisal also assumes that neither input prices change, nor do visitor volumes, nor economic scale. This means that there are no 'Type 1' supply chain multiplier effects. There are however some indirect effects consequent on the Levy squeeze, reducing income to be spent (in part) across the Anglesey economy and so a multiplier of 1.3 is applied to include direct and induced, but excludes indirect GVA. This results in a loss of £2.6m in annual GVA.

Table 5.12: Change in annual GVA due to impact of Levy being absorbed by the business

	TOTAL
Direct annual GVA	-£1.96m
Multiplier (direct and induced, excludes indirect)	1.3
Total annual GVA	-£2.6m

5.41 As set out above, the spending of the levy is expected to result in an increase of £0.5m in GVA per year and an increase of 6 to 7 jobs (accounting for leakage of 50%). This results in a combined impact of a loss of £2.1m in annual GVA and an increase in 6-7 jobs.

Table 5.13: Change in annual GVA and employment combined effect – core scenario

	Annual GVA	Employment
Change due to impact of Levy being absorbed by the business	-£2.6m	0
Change due to spending of the Levy being	£0.5m	6-7 jobs
Net change	**-£2.1m**	**6-7 jobs**

5.42 A sensitivity shows that if leakage were reduced to 25%, the reduction in annual GVA would reduce from -£2.1m to -£1.9m, and the employment change would increase from 6-7 jobs to 9-10 jobs.

Table 5.14: Sensitivity tests

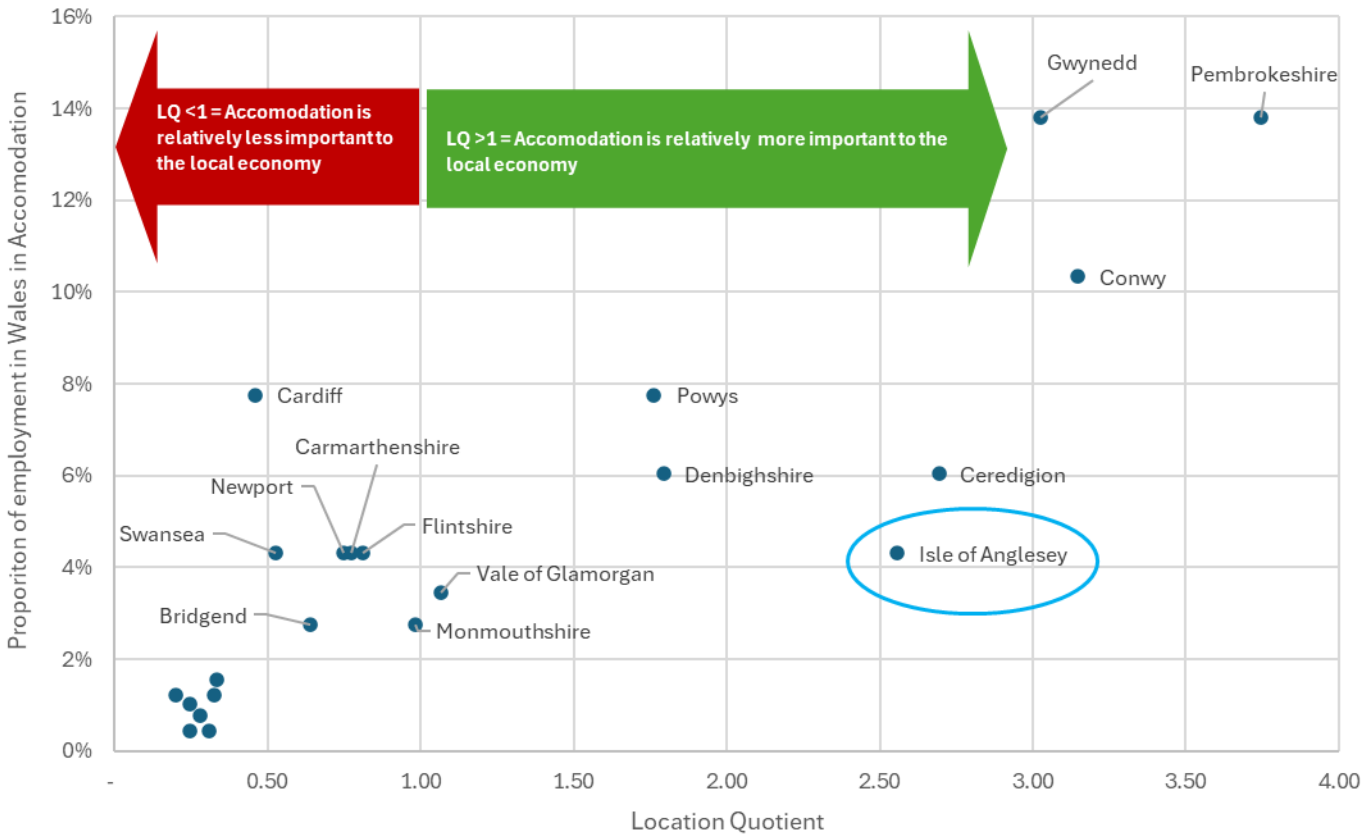
	Annual GVA	Employment
Core	-£2.1m	6-7 jobs
Lower proportion in standard accommodation	-£1.9m	9-10 jobs

6 Cross checking with the Welsh Government Analysis, accounting for the relative importance of tourism to Anglesey

6.1 We have therefore also conducted 'sense checks' which uses the overall impact of the Visitor Levy on the Welsh economy (from the Welsh Government analysis) to estimate the likely impact on Anglesey. Note this does not address the caveats with the Welsh Government analysis, or its applicability at a more local level, but it does provide additional confidence in the analysis.

6.2 First, it should be noted that while Anglesey has a relatively small proportion of the overall Welsh tourism market (and therefore employment), its economy is disproportionately reliant on it. This is shown in Figure 5.1 which shows that Anglesey has just over 4% of Wales' total employment in Accommodation but that it has a location quotient of 2.54 which means that accommodation is disproportionately important to the local economy.

Figure 5.1: Accommodation employment in Wales -Location Quotient and proportion of employment in Wales



6.3 The table below shows that based on a number of different measures (employment, bed spaces, visitors); the Anglesey tourism sector is between 3% and 7% of the Welsh tourism economy.

Table 6.1: Anglesey tourism sector as a proportion of Wales total

	Proportion of Welsh total tourism sector
Employment in Accommodation	4.3%
Employment in Accommodation and Food	3.1%
Bedspaces	5.2%
Number of domestic visitors	3.7%
Number of international visitors (excl own home and family and friends)	6.6%

6.4 As a sense check, we have applied this to the findings of the Welsh Government 2024 Appraisal, which found that:

- Across Wales, the Levy would result in between a loss of 100 and -400 jobs
- And a change in annual GVA of between -£7.5m and an increase of £11.1m

6.5 If we applied the range above (3% to 7%) we would expect an impact of between -12 and plus 7 jobs and a change in GVA of between a loss of £0.53m and a gain of £0.78m. This compares to the estimates in Section 5 of -6 to -31 FTEs[14] and between a loss of £0.8m to a gain of £0.09m in annual GVA.

6.6 This approach of pro-rating the Welsh Government analysis would be expected to be higher than the analysis set in Section 5 because prorating the Welsh Government analysis assumes that Anglesey claims its (relative) share of the spending of the visitor levy (once non-regional spending is accounted for).

6.7 The analysis in Section 5 assume that there is leakage of the spending of the Anglesey levy outside of Anglesey and does not account for Anglesey business 'gaining' as a result of the levy from other local authorities (for example an Anglesey business being employed on a project in Gwynedd paid for by the levy).

6.8 It should be noted that these estimates are only indicative – the approached are not like for like. Nonetheless the similarity of the figures provides confidence in the analysis set out in Section 5.

[14] Note this is comparing jobs and FTEs so it's not comparing like for like

Table 6.2: Cross checking compared to Welsh Government Approach - 100% of the Levy passed on

			Pessimistic	Core	Optimistic
Employment	WG approach - Welsh level	Jobs	-400	-140	100
	WG approach - Anglesey level 3%	Jobs	-12	-4.2	3
	WG approach - Anglesey level 7%	Jobs	-28	-9.8	7
	Caveated Anglesey approach (passing Levy onto visitors) – Section 5	FTEs	-28 to -31	-16 to -18	-5 to -6
Annual GVA (£m)	WG approach - Welsh level		-7.5	2.1	11.1
	WG approach - Anglesey level 3%		-0.23	0.06	0.33
	WG approach - Anglesey level 7%		-0.53	0.15	0.78
	Caveated Anglesey approach (passing Levy onto visitors) – Section 5		-0.8	-0.3	0.09

6.9 Taking the same approach for the scenario where businesses absorb the levy, then applying the 3% to 7% range would result in between 11 and 25 additional jobs (compared to 6-7 in Section 5) and between -£1.0m and -£2.3m (compared to -£2.1m in Section 5). Again, it would be expected to be lower given the leakage applied to the spending of the levy.

Table 6.3: Cross checking compared to Welsh Government Approach – 0% of the levy passed on

			Core
Employment	WG approach - Welsh level	Jobs	360
	WG approach - Anglesey level 3%	Jobs	11
	WG approach - Anglesey level 7%	Jobs	25
	Caveated Anglesey approach (businesses absorb) – Section 5	FTEs	6-7
Annual GVA	WG approach - Welsh level		-£32.3m
	WG approach - Anglesey level 3%		-£1.0m
	WG approach - Anglesey level 7%		-£2.3m
	Caveated Anglesey approach (businesses absorb) – Section 5		-£2.1m

7 Conclusion

7.1 The evidence on the impact of visitor levies on local economies is relatively limited, and there are some gaps in data, and therefore this appraisal should be read in that light.

7.2 We have sought to replicate the appraisal methods used by Welsh Government, making them relevant at a local level where possible, and including assumption and caveats transparently. We have also added sensitivity tests and sense checks to add robustness to the appraisal.

7.3 Despite the caveats associated with the evidence base and methodology, we are confident that the impact on the Anglesey will be relatively small in terms of both the impact on employment and annual GVA,

7.4 It is anticipated even with conservative assumptions (i.e. assumptions that could overestimate the negative impact) that:

- A change in employment could be between -31 and +7 – this is between a loss of -0.17% or an increase of 0.04% of employment in Anglesey.
- A change in annual GVA could be between -£2.1m and +£0.09m – this is equivalent to between a loss of -0.14% and an increase of 0.01% of Anglesey's economy.

Table 7.1: Summary of likely impacts

			Likely range
Employment	Caveated Anglesey approach (passing Levy onto visitors)	FTEs	-31 to -5
	Caveated Anglesey approach (businesses absorb)	FTEs	6-7
	Combined range	FTEs	-31 to +7
Annual GVA (£m)	Caveated Anglesey approach (passing Levy onto visitors)		-£0.8 to +£0.09m
	Caveated Anglesey approach (businesses absorb) – Section 5		-£2.1m
	Combined range		-£2.1m to +£0.09m