



## Written Submission in Advance of Public Meeting 17.10.19

For the attention of Vergadering Raadscommissie Financiën en Economische Zaken, Amsterdam

Brussels, 15<sup>th</sup> October 2019

Dear Committee Members,

Further to the kind invitation for public participation at the forthcoming meeting of the Finance and Economic Affairs Council Committee in Amsterdam on 17<sup>th</sup> October, ETOA respectfully submits the following in relation to tourism taxes, including vermakelijkhedenretributie (VMR).

The European Tourism Association (ETOA) is an international non-profit association based in Brussels. Members include tour operators selling Europe in global markets; the European supply chain including businesses based in Amsterdam and elsewhere in the Netherlands; destination management organisations (we recently welcomed Turisme de Barcelona as a member).

We maintain a unique database of tourism taxes across Europe as a support tool for our members. We have expertise in destination management and sustainability, partnering with CELTH, ETC and NECSTouR. Further information is available on ETOA's website.<sup>1</sup>

We recognise the city's duty to ensure its residents' quality of life, and note the policy and principles expressed in City in Balance 2018-2022.<sup>2</sup>

We have the following concerns with the proposed increase by €3 for hotel overnight taxes, and the further restriction and taxation applicable to walking tours and attractions, for the following reasons:

1. Cost
  - Amsterdam would thereby impose the highest level of tourism tax of any European destination.
  - The proposed revenue from tourism taxes of €197.9 million in 2020 is almost double the city's stated ambition in 2018 (see illustration below).
  - Notice period is too short: industry relied on previous indications for 2020 pricing and product strategy.
  - Tourism will be contributing more to local revenue than property taxes from 2020.
  - Tourism contributes to national revenue through payroll tax, corporation tax and VAT.
2. Complexity
  - The proposed €3 supplement, added to a percentage-based tariff, puts Amsterdam in a category of one in terms of imposing a hybrid calculation on anyone selling hotel accommodation online. This brings significant technical challenges since the calculation is different from any other destination, and there is a legal requirement to provide full pricing information to consumer prior to sale.
  - This imposes cost with no benefit on individual hotels selling online, as well as on multinational OTAs such as booking.com, Expedia. Flat-rate taxes are, in general, regressive, affecting budget accommodation the most.
3. Rationality
  - We recognise that the city has an overriding duty in relation to public safety, and that there have been instances of over-crowding, but control mechanisms and charging for organised walking tours gives rise to more overcrowding, not less, and do not control the main sources of anti-social behaviour.<sup>3</sup>
  - Tourism taxes have caused the relocation of river and sea vessel visits to alternative ports including IJmuiden and Rotterdam, giving rise to increased road traffic for excursions to Amsterdam, reducing revenue and contributing to road traffic.
  - We are concerned that taxation may become a mechanism used to control demand as well as raise revenue: we would welcome a clear statement of the city's position on this given recent policy development.

<sup>1</sup> Taxation: [www.etoa.org/destinations/tourist-tax-rates](http://www.etoa.org/destinations/tourist-tax-rates) Sustainability: [www.etoa.org/new-partnership-sustainable-tourism](http://www.etoa.org/new-partnership-sustainable-tourism)

<sup>2</sup> For further information: [www.amsterdam.nl/en/policy/policy-city-balance/](http://www.amsterdam.nl/en/policy/policy-city-balance/)

<sup>3</sup> Additional overcrowding arises due to restriction of organised tours to daytime, with daytime clients routinely expressing interest in returning as individual in the evening. Tour guides are able to influence group behaviour in a way that suits residents.

In the coalition agreement from 2018 we note that the intention was to raise €105 million from tourism tax by 2022, and that ‘visitors and tourists will contribute more fairly.’ The agreement includes the following:

#### Spreading advantages and disadvantages

- Amsterdam is a city for living and doing business. Only in the second place is it a tourist destination.
- We want to better distribute the burdens and benefits of tourism. We are committed to distribute tourists in the city and to the region.
- Visitors and tourists will contribute more fairly. We will structurally increase the revenue from visitors, especially the tourist tax, by € 105 million in 2022. We will discuss the proposed system with the sector, after which, with an inception period, we will start in 2020. For 2019 we apply a uniform percentage of 7% for the entire city.<sup>4</sup>

We note from the 2020 budget that the revenue for tourism tax (toeristenbelasting) is forecast to exceed that from property tax (OZB) in 2020, with OZB gradually converging to reach about 94% of tourism tax in 2023.<sup>5</sup> We also note that the forecast steady state for tourism tax suggests that the actual rates will reduce if visitor volumes continue to grow. **Is this the case?**

Tabel 5.3.1 Overzicht totale opbrengsten belastingen, retributies en leges (bedragen x € 1 miljoen)

	Realisatie 2018	Begroting 2019	Begroting 2020	Begroting 2021	Begroting 2022	Begroting 2023
OZB	174,3	174,6	178,5	182,3	184,9	186,5
RRB	0,4	0,4	0,4	0,4	0,4	0,4
Rioolheffing	70,2	72,0	75,0	77,6	80,4	83,1
Toeristenbelasting	104,7	130,9	197,9	197,9	197,9	197,9
Binnenhavengeld	1,9	-2,0	-3,1	-2,9	-2,9	-2,9
Afvalwater	3,1	3,0	3,0	3,0	3,0	3,0

Determining what a ‘fair’ contribution is requires objective analysis of tourism’s impact, perceived and actual, economic and otherwise. We welcome the city’s current deliberation and encourage a long-term approach with wide consultation in order to evolve a tax strategy likely to maintain Amsterdam’s pre-eminent position as a desirable city in which to live, work and visit.

**ETOA will continue to work with its expert partners, the city and other local stakeholders to that end.**

- Tax on tourism makes sense if it improves infrastructure and service.
- Taxation without benefit to the taxpayer may bring short-term relief to hard-pressed budgets, but it will cause long-term competitive harm.
- Tax is inflationary and affects competitiveness. Note should be taken of cumulative effect of local taxes on competitiveness.
- There should be reciprocity; while not all revenue might be allocated to services and infrastructure that visitors may use, most should. Related transparency and monitoring is good practice.
- There should be sufficient notice of any change (especially if above inflation), preferably 18-24 months, given industry’s product budget cycle.
- Anything under 12 months is certain to give rise to costs that industry cannot pass on. Thus, in effect, it is the private sector’s operating margin that is taxed.
- Good governance requires that consultation should be sufficiently wide and carried out with real intent to find a solution that addresses the stated problem.
- Any tourism tax should be easy to pay, collect and remit by visitors and commercial accommodation providers.

## European Tourism Association

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<sup>4</sup> Page 50 ‘Een nieuwe lente, een nieuw geluid’ (A new Spring and a new Voice) COALITION AGREEMENT GROENLINKS/D66/PVDA/SP, May 2018

<sup>5</sup> Source: page 334, Begroting 2020, Gemeente Amsterdam, 19 September 2019