City of London Corporation Committee Report

Committee(s): Policy & Resources Committee – For Decision	**Dated:** 29 January 2026
Subject: Overnight Stay Levy positioning	**Public report:** For Decision
This proposal: • **delivers Corporate Plan 2024-29 outcomes** • **provides statutory duties** • **provides business enabling functions**	Vibrant, Thriving Destination
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of:	Deputy Town Clerk
Report author:	Ben Dixon, Head of the Policy Unit, Office of the Policy Chairman

Summary

Modelling suggests an *Overnight Stay Levy (OSL)* could generate between £10m and £20m per annum in the City of London and between £238m and £352m per annum across the whole of London.

Government has announced its introduction at a time when the hospitality industry is experiencing changes to business rates valuations, when some Covid-era support schemes are being withdrawn and when other fixed costs are rising.

The power for regional Mayors to introduce OSL was announced by the Chancellor in November's Budget and the government is currently consulting on how it should be introduced. The Mayor of London will need to carry out a further consultation before an OSL is introduced in London. This report asks Members to agree positioning to support the City Corporation's response to both consultations and any other engagements on this topic.

There are three key issues on which it is recommended to focus the City Corporation's response:

1) Supporting an implementation model that limits the impact on City hotels and visitors, recognising the other cost pressures affecting the hospitality sector at this time. The trade-off is that this model will raise less revenue across London as a

whole and will be regressive overall (i.e. a visitor to a budget hotel and a luxury hotel would pay the same fee).

2) Support a 75:25 between local authorities and the Greater London Authority recognising that services that support the visitor economy are predominantly locally owned and managed.

3) Oppose central government control over how OSL is spent locally but work with the Mayor of London to ensure that revenue generated can support institutions that have a pan-London impact on the visitor economy.

Recommendation(s)

Members are asked to:

1. Approve the position as set out at paragraph 17 of this report.
2. Delegate authority to the Town Clerk, in consultation with the Chair and Deputy Chair of Policy & Resources Committee to approve final consultation responses on this topic.

Main Report

Background

1. An overnight stay levy – otherwise known as a 'tourist tax' – is a mandatory charge applied to guests staying in paid short-term accommodation (i.e. a hotel or shared service apartment like an AirBnB) within a specific geographical area.
2. These kinds of levy are in place in several European jurisdictions and are generally targeted at mitigating the financial or environmental impact of tourism, or as in places like Amsterdam, at reducing the overall number of tourists.
3. In November's Budget, the Chancellor announced that the government would give power to regional Mayors, to introduce a ***visitor levy on overnight visitor accommodation*** (aka tourist tax) in their area should they chose to do so.
4. Some regional Mayors – including those for the Tees Valley and North East England - have indicated that they do not intend to implement the levy in their area.
5. The Mayor of London, however, has welcomed the announcement saying that the levy will *"[r]aise money from tourists to use that to get more tourists, to improve the tourist experience and prevent Londoners "inadvertently suffering" from "over-tourism".*[1]
6. The government is currently consulting on the design of the levy and is seeking views on a range of subjects, most notably how rates should be calculated, whether there should be a split in revenues between regional Mayors and local authorities, and how collected revenues should be used.
7. In order to implement a levy in London, the Mayor of London will need to produce, and formally consult on, a prospectus. The prospectus will need to set out the proposed level of the rate, the revenue share between authorities and what levy

[1] London mayor welcomes new tourist tax powers - BBC News

revenues will be spent on. This would be subject to further consultation with London local government and industry.

8. The City Corporation is actively engaged with Central London Forward ('CLF'), as central London local authorities will be most affected by the implementation of a levy in London.

Current Position

9. Recent changes to the UK business rates framework will impact hotels in the City of London primarily because of the 2026 revaluation which assesses the rateable value of each non-domestic property, taking effect from 1 April 2026.

10. The rateable value is used alongside annually set multipliers to calculate the business rate bill. There has been a significant increase in hotel valuations between the 2023 Valuation List and the 2026 draft Valuation List, with the sector seeing a 125% increase. In the current valuation list the hotels in the City of London have seen their total rateable value increase from £42,066,000 to £94,490,000 an increase of £52,424,000.

11. From the same date, the temporary retail, hospitality and leisure (RHL) relief will end and be replaced by permanently lower RHL multipliers, alongside a higher multiplier for properties with rateable values above £500,000. Out of the 44 hotels in the City of London, 38 of these will attract the High Value Multiplier.

12. As of the end of 2024/25, the City of London had 7,935 traditional hotel rooms. In addition, the City's short-stay accommodation offer includes 220 serviced apartment bedrooms and 221 apart-hotel bedrooms. Development pipeline data indicates a further 2,641 hotel, serviced apartment and apart-hotel rooms/bedrooms with planning permission granted or pending decision, alongside an additional 1,897 rooms currently under consideration through submitted planning applications.[2]

<u>Implementation models</u>

13. The two most likely OSL implementation models are:
    a. Flat fee-based model where a single charge would be applied to all overnight stays across London
    b. Percentage of the accommodation cost, which would mean the levy would be higher in central London and other high tourism and business visitor areas.

14. Modelling by Central London Forward sets out the following impact of the two most likely implementation models.

	Raised across London	**Raised in City**
£2 per person, per night flat-fee (recommended)	£238m pa	c£10m pa
3% of room bill	£352m pa	c£20m pa

Figure 1: Modelled impact of most likely implementation models

15. The Destination Advisory Board considered the proposed levy on the 16th of December 2025. The Board – made up of elected City Corporation Members, and

[2] Pipeline figures reflect application statuses at the time of data extraction and may be subject to change as part of ongoing development monitoring.

external Members, with many involved directly with the City of London's visitor economy – expressed caution around a proposed levy, noting that any additional taxation could suppress growth and adds further costs on an already struggling hospitality and leisure economy.

a. They sought reassurance that funding raised through the levy was allocated to those sectors and areas which see the highest tourism footfall numbers, or support struggling hospitality and retail.

b. Furthermore, the Board said that care needs to be taken to ensure the levy is not used to plug funding gaps for services not related to the visitor economy. They noted that there would be a significant difference between a flat fee or price based on room rate. While a longer and broader consultation period was discussed, some Members noted this would delay expected implementation.

Proposals

16. Members are asked to approve the following recommended positioning:

a. OSL should be implemented on a flat-fee model, rather than a percentage based model.

A flat-fee would mean that all overnight accommodation visitors to London would pay the same amount in OSL. This would likely have a lower impact and cost to hotels and visitors in the City of London than a percentage-based model.

Industry feedback suggests that a percentage-based model would be more complicated to implement than a flat-fee, in part because of dynamic pricing.

The two main arguments against this model are firstly that it would likely raise less revenue across London. Secondly the model would be 'regressive' in the sense that a visitor to a budget hotel would pay the same as a visitor to a luxury hotel.

Nevertheless, this model is recommended on the basis of limiting the impact on businesses and visitors to the City.

b. There should be a revenue split of 75:25 in favour of local authorities.

There is no guarantee that the City of London, and London's other local authorities, will be able to retain *any* of the revenue generated from the OSL.

The government's policy rationale is to support fiscal devolution to Mayors and to fund further investment in growth locally, including the visitor economy.

On the basis that the costs of the visitor economy are felt locally and the services that can support and grow the visitor economy are owned locally, there is a clear rationale for the revenues generated to be retained in large part in the area in which they are generated.

This is particularly relevant given the reduced weighting of daytime populations in the foundation formula that has impacted the Fair Funding calculation. This has significantly reduced our funding allocation when compared to the formula that government originally consulted on.

c. Central government should not direct Mayors or local government on how to use revenues raised via the levy.

The policy rationale of the levy is to support local growth and so it is recommended that there is maximum flexibility for Mayors and, assuming there is a revenue split, local authorities, to determine how revenues are deployed locally.

Whilst seeking maximum control and flexibility for the City, in the event of being unable to agree a satisfactory revenue split with the Mayor of London, it is recommended that officers should explore what revenue support London's levy could provide to institutions and activities that support wider London, including the Barbican Centre and London Museum.

Corporate & Strategic Implications

Strategic implications – The proposed overnight stay levy will have implications for the City Corporation's Destination City ambitions as it will make tourist and business visitor accommodation more expensive. The design of the levy and the way in which will be crucial elements to shape.

Resource implications – None as a result of this report but it remains to be seen whether the agreed upon collection method will have resource implications for local authorities.

Legal implications – None as a result of this report.

Risk implications – None as a result of this report. However, industry feedback on the levy is generally negative and so it will be important reputationally that the implementation of the levy is seen to be fair and that revenues are deployed in a transparent way that supports growth and visitor amenities.

Equalities implications – The recommended implementation model considered in isolation is socio-economically regressive as set out in the body of the report. However, any implementation model for the levy will make hotel accommodation more expensive. The report takes these matters into account but makes the recommendation due to an overriding policy goal of limiting the impact on City businesses. The vitality of the City's hospitality industry when considered in the round is of significant importance not only as a generator of jobs in its own right, but also in supporting the wider economic success of the City as the UK's foremost business district and the most productive local authority area in the UK.

Climate implications – None as a direct result of this report.

Security implications – None as a direct result of this report.

Conclusion

17. Members are asked to approve a position on the overnight stay levy and a response to government immediately, and the Mayor of London in due course, on the following points:

    - Supporting an implementation model that limits the impact on City hotels and visitors, recognising the other cost pressures affecting the hospitality sector at this time. The trade-off is that this model will raise less revenue across London as a whole and will be regressive overall (i.e. a visitor to a budget hotel and a luxury hotel would pay the same fee).

- Support a 75:25 between local authorities and the Greater London Authority recognising that services that support the visitor economy are predominantly locally owned and managed.
- Oppose central government control over how OSL is spent locally but work with the Mayor of London to ensure that revenue generated can support institutions that have a pan-London impact on the visitor economy.

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