LONDONASSEMBLY

City Hall
Kamal Chunchie Way
London E16 1ZE
Tel: 020 7983 4000
www.london.gov.uk

Bassam Mahfouz
Chair of the Economy, Culture and Skills Committee

Sir Sadiq Khan
Mayor of London
(Sent by email)

21 August 2026

Dear Sadiq,

The Economy, Culture and Skills Committee held a meeting on 20 July 2026 to discuss the potential introduction of an Overnight Visitor Levy in London. We heard from your Deputy Mayor for Business and Growth, Howard Dawber OBE, Kate Nicholls OBE of UKHospitality, Matthew Fell of BusinessLDN, and Anthony Breach of Centre for Cities. In this letter I would like to set out some of the Committee's conclusions from this discussion.

There are differing views on the Committee on the overall proposal to introduce an Overnight Visitor Levy in London, as there were on our panel of experts. The GLA Oversight Committee has previously set out support for a levy in a recent report on devolution.[1] This letter does not seek to set out a single view of the Economy, Culture and Skills Committee on the levy, but provides findings from our meeting and advice on steps to take in implementing the proposal, if you decide to take this forward, as was recommended in the GLA Oversight Committee report.

There is consensus that the case for an Overnight Visitor Levy should be based not just on the potential revenue it can generate, but on the economic impact.

---

[1] London Assembly, GLA Oversight Committee, Trusting London to deliver: our place in the Government's devolution reforms, September 2025, pages 31-37

Kate Nicholls argued the levy could act as a disincentive to people visiting London:

> *"[London is] very expensive and that comes up in every single survey that is done with international inbound tourists. It is not just our inbound tourists, but it is also about our balance of trade with our domestic visitors. They think it is much cheaper to get on a plane and fly to Barcelona, to fly to Amsterdam, to fly to Venice, New York even, rather than come to London for a trip, because London is seen as being very expensive. We are in danger of pricing ourselves out of the market and making ourselves even more expensive."*[2]

Anthony Breach of the Centre for Cities, however, provided data on how visitor numbers had been impacted in other cities where a tourism levy had been introduced or amended:

> *"We have found some research that does compare British, French and Italian destinations in terms of their tax elasticity. It seems, particularly compared to London, that a one per cent increase in the visitor levy in Milan results in a 0.016 per cent decrease in visitors to Milan. For Paris, a similar one per cent increase in the visitor levy results in a 0.0068 per cent decrease in visitors to Paris. These are essentially statistically insignificant effects on the amount of visitors who arrive in the cities as a result of a levy."*[3]

We were pleased to hear from the Deputy Mayor that an economic impact assessment will be conducted before the levy is introduced.[4] We understand that it may not be a statutory requirement to conduct this assessment, but we would urge that it is completed and published alongside any consultation on proposals for a London levy.

We also agree with Matthew Fell of BusinessLDN that the economic impact should be monitored over time:

> *"I have just two practical suggestions… One is, as well as the impact assessment, we think it would be very helpful to set out a baseline of current performance against what the levy is designed to improve so that we can see that it is genuinely additive over time. You see the baseline starting point.*
>
> *Then the second suggestion is that if it comes into being, we build in a process of periodic review after a certain number of years so that then the levy collectors can have an opportunity to say, 'Is this having and delivering the benefits that it was designed to do?'"*[5]

An Overnight Visitor Levy could potentially have a positive economic impact, especially if its proceeds are reinvested in measures that make London a more attractive destination or encourage people to visit attractions across the city. As the Deputy Mayor said:

---

[2] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 6

[3] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 9

[4] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 7

[5] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 11

"There are investments that we could make into supporting bringing new things to London, which currently we just would not have the money to do, which would then have a direct positive impact on the sector. We will have to wait and see what the Government says in terms of restrictions on what the money is spent on, but the Mayor has said growth and supporting the sector."[6]

Our panellists were in broad agreement that the proceeds of a levy should be reinvested in growing the London economy, rather than replacing funds for existing public services. Kate Nicholls told us:

"If we are doing this levy, it should and must be ringfenced... it has to be ringfenced to work on the measures that will drive visitors to the capital. It is not just about supporting the visitor economy or other nebulous concepts. I have heard variously fund policing, transport, planning, licensing. That is not what this is for. It should be about driving growth. It should be about having more visitors, coming more frequently, spending much more of their money with us, and that is where it needs to be ringfenced and spent. It cannot be about local services."[7]

Although there is discussion needed about what constitutes investment in growth and which investments would be most effective, we support the principle that any levy should contribute to a virtuous circle of investment and growth in London's economy.

We discussed some of the practical considerations involved in implementing a levy. Overall, there was a strong preference among our panel for simplicity in both the design of the levy and its collection mechanisms. Kate Nicholls, while not endorsing the levy, argued:

"If the Government does decide to proceed nevertheless, then our priority is to ensure it is simple, that we do not have any further additional administrative complexities and costs to the businesses collecting it, and that it is a national framework for the structure of it so that it is consistent and proportionate."[8]

There was support for the levy being London-wide rather than variable by borough, with Anthony Breach suggesting:

"One thing to consider from that is that if you are worried about the visitor levy being set at too high a level, you should welcome the idea that it is consistent across London rather than having a situation in which we set very high rates in the central three or four boroughs and then much lower rates in other parts of the city. If we have a consistent all-London approach, that should help reduce some of the pressure to increase rates on those high revenue authorities."[9]

On the issue of whether the levy should be charged as a percentage of the cost of a stay, or a flat rate, there were differing views. Matthew Fell stated that this was important to ensure the system is as simple as possible for businesses:

---

[6] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 25

[7] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 22

[8] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 3

[9] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 21

"…simplicity is the watchword that flows through the design of any levy, which in our view… would include a broad application with minimal exemptions, a flat-rate approach, the same consistent approach used across locations, and single points of collection and appeal, and so simplicity flowing through the whole design of a system."[10]

Anthony Breach supported the principle of simplicity, although promoted the benefits of a percentage rate:

"…we do support a broad, simple visitor levy as by far being the least harmful for economic growth within cities. However, where we recommend Government policy and local policy think about designing a levy is moving towards a percentage rate system rather than the flat rate system. We see flat rate systems tend to be more regressive than percentage rate systems abroad. Even though a flat rate system on the surface seems to be simple, that regressive nature often introduces more complexity by the back door for any visitor levy."[11]

Finally, we discussed the potential introduction of a statutory register of accommodation providers. This register is arguably necessary to ensure that all relevant businesses are covered, including those offering accommodation through online platforms, with a level playing field. Kate Nicholls suggested:

"There is an essential prerequisite to that being introduced, however, and that is that the Government moves and implements the statutory registration scheme in full. We cannot tax what we cannot see and, in order to be able to tax anybody who is offering accommodation, we need to have them on a national register so that it can be enforced. I would also say that what you need to have is a national scheme for collections so that we do not have businesses facing different compliance costs or administrative costs because they are doing a different way of collecting it in Manchester than they are in London."[12]

Clearly, London is at an early stage in the introduction of an Overnight Visitor Levy and in considering specific questions about its design and implementation. Much depends on decisions that will be made by the Government in the coming months.

The Committee's meeting explored some of the most important issues that need to be considered. At this stage, we would urge you to continue engaging closely with businesses in London's visitor economy, both in this policy development phase and long-term if a levy is introduced. High-quality and extensive consultation needs to take place, as was set out in a recommendation in the GLA Oversight Committee's report on devolution, to allow any implementation to be as smooth and effective as possible.

Yours,

[10] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 3

[11] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 4

[12] London Assembly, Economy, Culture and Skills Committee meeting transcript, 20 July 2026, item 6, page 18

Bassam Mahfouz
Chair of the Economy, Culture and Skills Committee