# London considers tourist tax to boost revenue despite industry fears



Concerns are mounting over the potential introduction of a tourist tax in London, a move that could significantly reshape the capital’s relationship with its substantial visitor economy. Tourist taxes, which typically add a daily fee to accommodation bills, are already commonplace in many European cities, including Rome, Barcelona, and Paris. With London welcoming approximately 30 million tourists each year, the idea of implementing such a levy has gained traction among some local government officials.

According to estimates, a 5% tourist tax applied to hotel stays in London could generate around £240.2 million annually. Sadiq Khan, the Mayor of London, expressed his willingness to explore this option, noting the practice is well-established in cities like Berlin and Amsterdam. He highlighted that the revenue generated could be reinvested to enhance local infrastructure and attract even more visitors, aiming to bolster the hospitality sector that has suffered under pandemic constraints. "Many travellers are accustomed to such levies in cities like Paris and Berlin," he mentioned, underscoring the perceived need for London to follow suit.

However, the proposal has not been met with universal support. Voices within the hospitality sector, including UKHospitality, a trade body representing the industry, have raised concerns that such a tax could be "extremely damaging." Deepak Shukla, CEO of a London-based travel company, pointed out that transparency regarding the allocation of tax funds is critical for public acceptance. He stated, “Tourists are going to be more accepting of the tax if they can understand where it is being spent.” This sentiment echoes a broader concern about the financial implications for businesses already beleaguered by rising operating costs and the competitive pressures exerted by other global destinations.

Interestingly, the impetus behind a London tourist tax is not just about raising funds; it also reflects a recognition of the challenges negative perceptions can have on the city’s attractiveness. Recent data indicated a decline in spending among American tourists, who are increasingly opting for European cities with more favourable shopping conditions—an indicator of London’s growing competitive disadvantage. Despite a rise in flight bookings from the US, retail expenditure in key areas like the West End fell nearly 12% compared to pre-pandemic levels, prompting further examination of how additional costs might deter visitors.

To mitigate these potential downsides, city officials have expressed a desire to gather more evidence from cities like Manchester and Liverpool, which have already implemented similar taxes. The objective is to craft a policy that balances revenue generation with the need to maintain London’s allure as a premier destination. Advocates argue that if funds are effectively channelled into improvements that enhance visitor experiences, the tax could bolster the city’s long-term tourism strategy.

Nevertheless, as discussions continue to evolve, the path forward remains complex. The proposal will require careful consideration of its economic impacts, particularly as London aims to recover from the significant downturn inflicted by the pandemic. Only time will tell how this contentious issue will unfold and whether it will indeed culminate in a tax that aligns the city with its European counterparts while addressing the concerns of local businesses and tourists alike.

## Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/uk/2062655/tourist-tax-warning-london-may-implement), [[2]](https://www.standard.co.uk/news/london/sadiq-khan-london-tourism-tax-overnight-charge-levy-hotels-airbnb-b1217917.html)
* Paragraph 2 – [[5]](https://www.euronews.com/travel/2025/03/21/london-is-considering-a-tourist-tax-heres-what-it-could-mean-for-visitors)
* Paragraph 3 – [[3]](https://www.standard.co.uk/news/london/sadiq-khan-tourist-tax-london-mayor-visitors-charge-tourism-b1193894.html), [[6]](https://www.telegraph.co.uk/business/2023/08/14/us-shoppers-abandon-london-luxury-tourist-tax-rishi-sunak//), [[7]](https://www.retail-week.com/stores/tourist-tax-causes-london-retail-to-lose-out/7044356.article)
* Paragraph 4 – [[4]](https://www.bbc.com/news/articles/cq6lvllrm0ro)
* Paragraph 5 – [[1]](https://www.express.co.uk/news/uk/2062655/tourist-tax-warning-london-may-implement), [[2]](https://www.standard.co.uk/news/london/sadiq-khan-london-tourism-tax-overnight-charge-levy-hotels-airbnb-b1217917.html)

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## Bibliography

1. <https://www.express.co.uk/news/uk/2062655/tourist-tax-warning-london-may-implement> - Please view link - unable to able to access data
2. <https://www.standard.co.uk/news/london/sadiq-khan-london-tourism-tax-overnight-charge-levy-hotels-airbnb-b1217917.html> - In March 2025, London Mayor Sadiq Khan expressed support for a 'tourist tax' in the capital, proposing an additional charge on overnight stays in hotels and Airbnbs. He noted that many travellers are accustomed to such levies in cities like Paris and Berlin. Khan emphasized that the generated funds would be reinvested to enhance the local environment and attract more tourists, aiming to benefit the hospitality sector directly. This proposal aligns with similar charges already implemented in several European cities.
3. <https://www.standard.co.uk/news/london/sadiq-khan-tourist-tax-london-mayor-visitors-charge-tourism-b1193894.html> - In November 2024, Mayor Sadiq Khan indicated openness to exploring a tourist tax in London, following cross-party calls for a small charge on visitors. He mentioned examining evidence from European cities with existing levies and from Manchester and Liverpool, where similar charges have been introduced. The mayor emphasized the importance of following evidence-based approaches when considering such policies.
4. <https://www.bbc.com/news/articles/cq6lvllrm0ro> - In November 2024, Mayor Sadiq Khan stated he was 'happy to look into' the possibility of a tourist tax in London's hotels. He mentioned examining evidence from European cities with existing levies and from Manchester and Liverpool, where similar charges have been introduced. The mayor emphasized the importance of following evidence-based approaches when considering such policies.
5. <https://www.euronews.com/travel/2025/03/21/london-is-considering-a-tourist-tax-heres-what-it-could-mean-for-visitors> - In March 2025, discussions emerged about London potentially implementing a tourist tax, similar to those in European cities like Barcelona and Paris. Such a levy could generate significant funds, with estimates suggesting a 5% tax on overnight stays could raise nearly £240 million annually. The proposed funds would aim to support the tourism and hospitality sectors, with Mayor Sadiq Khan indicating that the money would be used to improve the local environment and encourage more tourists.
6. <https://www.telegraph.co.uk/business/2023/08/14/us-shoppers-abandon-london-luxury-tourist-tax-rishi-sunak//> - In August 2023, data revealed that American shoppers were increasingly avoiding London in favour of European cities like Paris, Milan, and Madrid, following the UK's introduction of a tourist tax. Despite a 17% rise in flight bookings from the US to London compared to 2019, spending in the West End fell by 1%. In contrast, American spending in France and Spain increased by 183% and 174%, respectively, highlighting the competitive disadvantage faced by London due to the new tax.
7. <https://www.retail-week.com/stores/tourist-tax-causes-london-retail-to-lose-out/7044356.article> - In August 2023, retailers in London's West End experienced a decline in tourist spending following the UK's introduction of a tourist tax. Despite increased international visitors, spending in the area dropped nearly 12% compared to the same period in 2019. The New West End Company estimated that the absence of tax-free shopping could increase Treasury receipts by at least £350 million, underscoring the financial impact of the new tax on London's retail sector.