

Senedd Economy, Trade and Rural Affairs Committee

Scrutiny of Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill

Federation of Small Businesses Wales Response

3 November 2025

About FSB Wales

FSB Wales is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Members Advisory Council, and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

FSB Wales welcomes the opportunity to provide evidence to the Economy, Trade and Rural Affairs Committee. This is an area of concern to many FSB members, and an area that is a priority in ensuring a level playing field.

Introduction & Key Points

FSB Wales's key points to raise for scrutiny are as follows:

- FSB are content with the introduction of a licencing regime if it supports a level playing field across providers
- FSB Wales are concerned about the timeframe for the bill and the effect that a condensed timeline may have on its quality and subsequent implementation.
- Regulation is inherently costly for businesses, so it is important that implementation is in line with best practice to minimise the burden
- How much will it cost for SMEs to comply?
- What are the training requirements that SMEs can expect and what would be the time and cost to this?
- Clarity on who will enforce the regime is important, as poor enforcement costs good operators who do comply and places them at a disadvantage.

- What will the minimum standards be - these should be reasonable and proportionate.
- The licensing and regulation regime and the visitor levy should be part of a single, national, digital compliance platform that's easy for SMEs to use.

In principle, FSB Wales are supportive of providing a level playing field that is fair for businesses that comply with regulations.

In our evidence on the visitor levy to the Senedd Finance Committee earlier this year we noted that the legislation in providing a register was aimed at identifying businesses for the purposes of tax collection, but our members' priorities would be on ensuring that all accommodation providers were compliant to similar expectations around health and safety, insurance and so on. The main concerns were based around platforms such as Airbnb, and that the costs for those complying to legislation were undercut by others who did not bear the same costs.

In general, on regulation and licensing, whether in tourism or in wider economy, small business' ability to comply is not only dependant on the regulations themselves, but also on the way that regulators help small businesses comply, particularly where there are complex or conflicting requirements. Uncertainty around the steps a business needs to take to comply can lead to wasted resources, and overreliance on external advice which can often be financially prohibitive particularly for smaller businesses with fewer financial reserves. As such the principles of clarity, support for SMEs and ease of access are important to businesses, but also to ensure regulation does not inhibit economic growth.

It is therefore important that any regulatory regime is:

- implemented according to good regulatory principles and practice.
- the cost of implementation including to businesses themselves is clear and assessed.
- it is clear to SMEs what their role is and how they engage with the system including how SMEs can use digital platform(s).
- that the regime is easy to navigate.
- that paperwork and administration is light and does not take SMEs too much time.
- that enforcement is clear, proportionate, while ensuring those who comply are not undercut by any who do not.

- aligns with the wider regulatory regime.
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Concerns on Curtailed Timeframe

In FSB's evidence on visitor levy noted that the sequencing was a concern in terms of priorities on tourism, with the sequencing of legislation suggesting that registering businesses for the purposes of future levy collection being more important than addressing SMEs' concerns about a fair level playing field and address distortion in the market of accommodation provision.

The fact that this legislation has been released so late and with a curtailed timeline, as well as the focus in the description on Visitor Levy legislation, does not help in alleviating those concerns of this being an afterthought. As the Committee itself noted in inviting FSB to provide evidence, 'while the timetable and therefore the Committee's plans for scrutiny cannot be finalised until the Bill has been introduced, we anticipate that the timeframe for scrutiny will be unusually short.' This 'unusually short timeframe' may have on the quality and detail of the legislation.

While there is a post-implementation review noted in the draft Explanatory Memorandum (section 11) provided for scrutiny – and this is something FSB would support - this would be within the 5 years after it comes into force. We would suggest that given the curtailed process of scrutiny that it may be prudent to ensure there are earlier touch points to check ahead of and during early implementation, to ensure that there are no significant unintended effects. It would also be useful to align that review to the outcomes we would expect, including simplicity of complying for SMEs, impact in addressing any market distortions, and whether enforcement is effective, and so on.

Questions for Scrutiny

Questions that we would ask to aid scrutiny are as follow:

1. How much will it cost to be part of the license regime, and how much will it cost for regulators and Welsh Government/ local authorities

The previous work cited in paragraph 4.4 notes that a licensing fee would be expected to be in place. However, the likely cost of this to businesses, and have detailed assessment have there been on the how that cost would relate to the cost of administration (such as in table 7 on 'cash costs to Welsh Government' and 'Administrative Costs' in the RIA, page 38)), including time costs in complying as well as undertaking training where required, are not assessed in detail.

We note that outside the impact assessment on 'competition' there is little in terms of understanding the costs to individual businesses, or on the burden in terms of paperwork and time. It notes how businesses relate to others and the removal of the 'cheat's advantage', as well as the possibility of providers leaving the market. But for SMEs themselves and in understanding its effect on our members, the impact on their bottom line – irrespective of that of competitors – is crucial, and is also important to their understanding and planning as well as perception of whether the legislation is there to help them. This relates too to what systems will be in place to mitigate any costs– e.g. will a digital platform mean that the costs on their time will be minimised. The impact assessment does not really support understanding impact on businesses beyond the very broad macro-level economic analysis.

FSB Wales has a standing policy recommendation that Welsh Government should ensure a duty to a specific SME impact assessment across all its policy interventions across government, to ensure that this understanding is in place across all policy. However, we would note that given the subject matter we would expect an analysis of the cost in this respect as a matter of course.

2. How will it be enforced and who will be tasked with enforcement?

The role of enforcement is vital in ensuring a level playing field. As such, moves to clarify and standardise the licensing regime and the link made to 'advertising' licencing expectations and the role of enforcement in moving business to compliance (i.e. a presumption of lack of awareness in the first instance) rather than a punitive approach in the first instance are welcome.

The document rightly includes detail on the changes to ensure Welsh Government has the legislative power to enforce any regime. However, there is a lack of clarity on what body or bodies will be tasked with ensuring compliance. This undermines the clarity and consistency of the approach, as there is likely scope for different bodies to interpret things such as 'penalty notices' differently to the principle of presumption of ignorance not guilt, especially if it is linked to their own revenue raising. This is also important to understand the costs of implementation, and to the credibility within the business community.

Another question is the expectation – and powers to enforce compliance – on the digital platforms on ensuring compliance and accreditation (e.g. Airbnb, Booking.com) when accepting advertisements, and whether they have a role in this respect, as well as how their processes on their sites would be able to accommodate such 'fitness for visitor accommodation' test. Given the legislation notes this concept is supposed to advertise that Wales is a good place to visit and there are minimum standards visitors can expect, how these are advertised on the sites visitors will book from is surely important.

Without clarity on how enforcement is implemented, there remains a risk of the good providers absorbing costs while non-compliant providers avoid the same costs.

Another question is on a single regulatory point of contact. Many SMEs (generally, not in this sector as such) have to deal with more than one regulator, and the more there are, the more the cost and time lost, as well as the more potential for inconsistency in application of a regulatory framework, and the less cope for clear shared understanding both within the regulators and those regulated. Moreover, without a single point of contact engagement for SMEs is made more difficult.

3. How consistent, clear and realistic are the minimum standards they'll set? Are there any risks to a consistent regulatory framework in 'starting with self-catering accommodation'?

The choice of a national regime is more consistent clearer and more efficient than the local alternative, and supports better shared understanding and less fragmentation. FSB also welcomes the steps to provide a Code of Welsh law relating to tourism is welcome in this context and ensures that the legislation is in one place.

However, even if in one place this law could risk being complex. We would note that these principles are a step that supports moving to ensuring a clearer shared understanding through engagement with businesses, rather than sufficient in itself.

The paper notes the current problem of some providers 'unknowingly' failing to meet regulatory standards and so ensuring information is clear and accessible is important, alongside the enforcement process. There is also a need to address how business engage with the expectations and administration of the new regulations and looking at digital and communication strategy to support SMEs.

In this context, FSB welcome the approach that enforcement start from a position of raising understanding and moving providers to comply rather than starting from a punitive position – this also serves a vital role in communicating the regulatory regime itself. Again, clarity on which body (or bodies) is tasked to enforce the regulations is important here, as is the resources and capacity to serve this function.

The document notes that one aim is to provide consistency in expectations around short-term and long-term lets, and in passing notes an expectation to 'completing training which ensures they are aware of their responsibilities as tourism accommodation businesses in Wales'. What would the level of time costs be for providers in this instance?

While the need to be realistic in terms of the current timeframe on what level of regulatory change is realistic, there is risk to a consistent regulatory framework in long-term in 'starting with self-catering accommodation', and we would ask what the underlying principles will be for the future regulation, and what the next steps envisaged would be after this area. Without this, there is a risk of piecemeal regulation leading to inconsistency or gaps across the sector. The document notes in its impact assessments:

'It is worth noting that accommodation affected by the regulation competes with other types of visitor accommodation which will not, at least initially, be subject to the same requirements. The initial roll-out of the regulation is being targeted at the accommodation about which concerns are most often raised in relation to their compliance with existing statutory obligations. This is therefore not expected to have a distortive impact on competition, except to the extent it reduces the ability of regulated accommodation to

undercut their competitors by not complying with their safety obligations. Should unexpected impacts emerge within the visitor accommodation market, or the impact be greater than expected, we will be able to extend regulation to other types of accommodation to support a fair and competitive market.'

This appears – as the main analysis on regulation across the sector – a reactive and piecemeal approach and presumes that any further regulation would happen quickly to address distortions.

Digitalisation and support for compliance

Another area that we have raised in relation to both the Visitor Levy and which would also apply to licensing and regulation, is the role of digitalisation and digital platforms in making engagement with the framework easier for businesses, and can serve as means by which to look to align a single portal or profile for a business that would lessen the burden for businesses, bring together the expectations from them from different areas, as well as provide resources to support the industry.

In Scotland 4 local authorities together have collaborated on an online platform for the Visitor Levy, in a context where both the levy and licensing around it are fragmented across the 32 authorities, which comes with risks in terms of costs across the authorities and in terms of fragmented framework. In Wales a more central model of 'take it or leave it' in terms of the Visitor Levy, and a single licensing regime provides an opportunity to bring these regimes into a single portal, and to provide businesses with a digital offer and profile that would help digitalise the industry for the future too.

The WRA overseeing the Visitor Levy audit trail provides also a means by which collection of any levy would be centralised, and this also provides a consistent platform that can work across various functions for businesses in the sector. As such we welcome the following:

'The Bill would for example allow the Welsh Government to work with WRA to support the processing of applications via the same online platform as registration to create a single point of entry for accommodation providers.'

We would welcome more detail on plans for a digital platform and its design, and how it aligns to the general approach cited in paragraph 4.4 on a licensing scheme and what it would entail.

FSB would encourage that a platform be designed independently of local authorities and follows the needs of SMEs as well as local authorities and government, in terms of ensuring it is not just about collecting revenue or ensuring compliance, but in making the system seamless for SMEs, user friendly, but also looks to wider future benefits in terms of support as well as regulation.

Again, a curtailed timeline will make introducing such a system that deals with the agenda holistically rather than piecemeal and fragmentary more difficult. However, we would encourage that the committee ask for details on the planning process for this important platform.

Other Areas for Scrutiny

As noted, the Explanatory memorandum draft paper references matching long term and short term lets expectations and notes the wider aim of the tourism agenda introduced this Senedd to include allowing for new housing, but also to ensure there is consistency of regulation among visitor accommodation providers.

It is important that how this is introduced and implemented is proportionate and is about the licensing regime and not gamed to provide a particular result. The legal and regulatory regime be treated credibly and not be used locally in a way that may create disincentives to trade. We would suggest a need for scrutiny over the course of implementation of any unintended consequences.

It is important that there is a clear rationale for the licensing and that the need for level playing field and advantages to SMEs are highlighted and emphasised.