EPSOM & EWELL TIMES
For the community, by the community. A not-for-profit service
3rd September 2026
ISSN 2753-2771

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Tourist tax to boost Surrey finances?

7 September 2026

Surrey's two new unitary councils are considering a "tourism tax" to help buoy their finances amid major changes to local government in the area.

This tax on overnight stays, which regional mayors will be allowed to charge under government plans, could come to Surrey as part of a major overhaul of the county's councils.

East and West Surrey councils are set to take over power from Surrey County Council and the 11 district councils next April, after which they plan to pool resources on certain services.

It would be achieved through a framework called a foundation strategic authority (FSA), and the two new councils are currently consulting with the government on setting one up. The FSA could then act as a stepping stone towards Surrey having its own overarching elected mayor.

East Surrey shadow authority's cabinet, which is tasked with setting up the new council, will next week discuss its joint response with West Surrey to the government's consultation on an FSA for Surrey.

But in their proposed response, the two councils asked for more information about "new fiscal levers" they might be given by the government to help bolster their finances.

This included the possible introduction of an "overnight visitor levy", more commonly known as a tourism tax, that would allow regional mayors to impose a small levy on paid visitor accommodation in their areas.

The document reads: "As further details are developed, we would welcome clarity on the proposed charging framework, implementation timetable, any exemptions or thresholds, the categories of accommodation that would be in scope, and the extent of local flexibility in how the levy may be applied.

"We would also welcome further information on how funding raised through the levy may be spent."

Tourism taxes, which often involve a small fee levied on visitor accommodation, are commonplace in many other countries. A 2025 report by the Centre for Cities think tank described England as an "international outlier" in not imposing such a tax.

Ahead of the 2025 budget, the government announced plans to bring in the overnight visitor levy, which is designed to allow regional mayors to invest more in local infrastructure.

Local leaders would be able to decide whether or not to implement the tax, which would apply to overnight stays in paid accommodation such as hotels, bed and breakfasts and guesthouses.

A cabinet statement from July 2026 says the government will give "all strategic authorities the ability to introduce an Overnight Visitor Levy, with local leaders able to set out plans for how revenues will be invested by March 2028."

In 2019, a study by the Institute for Fiscal Studies estimated that a £1 tourist tax could raise £420 million per year across England.

A government spokesperson said: "The levy will help ensure local people and economies keep more of the rewards and invest in what matters most to their communities, including reinvesting back into tourism.

"Similar levies in other countries typically add only a small amount per night and evidence suggests that they can have a limited impact on visitor numbers and jobs.

"Local leaders will need to consult with their areas before introducing a levy, and we're listening to businesses to make sure money raised is invested effectively."

Surrey is now just months away from "vesting day" – the moment from which West and East Surrey councils will formally take over management of all local government services in the county.

The shadow authorities' consultation response also highlights the more broadly fraught financial situation facing local government in England.

"We request early engagement with government on a funding package that appropriately reflects the scale of the functions being transferred, together with certainty on Surrey's future pathway towards mayoral devolution," it reads.

"A firm commitment on both funding and Surrey's future pathway towards mayoral devolution would provide confidence that Surrey can establish the strong foundations required to realise the full benefits of devolution."

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