

Taxing Tourism in Spain: Results and Recommendations

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Taxing Tourism in Spain: Results and Recommendations

Summary

This paper analyses the foundations, possible applications and the effects of tourism taxation in Spain. The article begins with an analysis of the economic and environmental reasons for taxing tourism, which would seem to call for taxes based on the principle of benefit, for either revenue or corrective purposes. Subsequently, we describe the praxis of tourism taxation in Spain, with special mention being given to the now repealed Balearic *ecotasa*. Finally, the effects of two fiscal modifications with revenue or corrective objectives are studied through the use of an applied general equilibrium model developed for the Spanish economy. We thus see that a 10% tax on lodging brings in significant public receipts, increases social welfare and has no effect on the environment. On the other hand, an increase of VAT rates on tourism-related sectors could have the same effects on tourist expenditure but at the costs of greater impact for Spain's economy.

Keywords: Taxes, Tourism, Environment, Spain

JEL Classification: H22, L83, Q28

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1. Introduction

In recent decades tourism has become a primary economic activity of many countries, with Spain as a good example in the developed world. If the economic benefits of tourism are clear (more added value and employment, for example), the various costs derived from it are also evident (congestion, environmental degradation, etc.). This makes public regulation of tourist activity a necessity, and such regulation must pursue a certain balance, not always easy to reach, in order to attain the maximum net social benefit over time.

Among the public policies affecting the tourism sector, taxation plays an especially important role. This is due, first of all, to the magnitude of the potential revenue in terms of the fiscal system and its high degree of social acceptability. Secondly, its importance is linked to its capacity to act as the substitute of a price for the public goods and services consumed by tourists. Finally, there is the corrective (e.g. environmental) role that these taxes can be given.

For those or other reasons, in recent years many countries have introduced a wide range of taxes on tourism. In particular, some relevant attempts have already been made in Spain and new proposals are to be expected in the next few years. Therefore, given the importance of the Spanish tourism industry and of the efficiency and distributional effects generally associated to taxation, a comprehensive analysis should be carried out on the possibilities and consequences of such policy option. This paper proposes to carry out this analysis through an Applied General Equilibrium Model (AGEM), quite a useful method to deal with these issues but scarcely employed in the literature so far.

The structure of the article is as follows. First of all, the foundations underlying the taxation of tourism are analyzed (section 2) to continue with the description of some practical applications in Spain (section 3). Section 4 shows the main characteristics of the AGEM for the Spanish economy used in this exercise. The following section presents and discusses the simulation results of two hypothetical tax measures

Table A2. Goods and services purchased by non residents in Spain in the Satellite Accounts of Tourism (SAT-96) and correspondence with the NAM-95

Sectors NAM-95	Sectors SAT-96
<i>AGRICULTURE, COAL, OIL, MNER, REFINED OIL, ELECTRICITY, NATURAL GAS, FOOD, MANUFACTURES, CHEMICAL, MINERAL PROD., METAL PROD., CONSTR.</i>	Other Goods
<i>SERVICES 1</i>	Housing rental
	Vehicle rental
<i>HOTEL & RESTAURANTS</i>	Hotel services
	Restaurant services
<i>TRANSPORT</i>	Passenger transport
	Travel agencies
	Other transport services
<i>SERVICES 2</i>	Cultural, sport and other leisure services

Source: Own calculations. Satellite Accounts of Tourism (SAT-96) are published in INE (2001).

[◀ Atrás](#)**1 página o páginas que se imprimirán.**

Registro: 1

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Resumen: This paper analyses the foundations, possible applications and the effects of tourism taxation in Spain. The article begins with an analysis of the economic and environmental reasons for taxing tourism, which would seem to call for taxes based on the principle of benefit, for either revenue or corrective purposes. Subsequently, we describe the praxis of tourism taxation in Spain, with special mention being given to the now repealed Balearic ecotasa. Finally, the effects of two fiscal modifications with revenue or corrective objectives are studied through the use of an applied general equilibrium model developed for the Spanish economy. We thus see that a 10% tax on lodging brings in significant public receipts, increases social welfare and has no effect on the environment. On the other hand, an increase of VAT rates on tourism-related sectors could have the same effects on tourist expenditure but at the costs of greater impact for Spain's economy.

Descriptores: Taxation and Subsidies: Incidence (H220)
Sports; Gambling; Recreation; Tourism (L830)
Renewable Resources and Conservation: Government Policy (Q280)

Palabras clave: Taxes, Tourism, Environment, Spain

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