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Local tourist taxes in Portugal: A systematic review of municipal regulations

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Abstract: The economic benefits of tourism activity have led Portuguese municipalities to seek new financial resources that allow them to face new public expenses to mitigate the adverse effects of such growth, creating public policies that incorporate those effects. This research aims to analyse existing municipal tourist tax regulations in Portugal, creating a conceptual framework to compare them. A content analysis of municipal regulations on tourist taxes was carried out through a qualitative approach. A conceptual framework was developed with several variables, including taxpayer incidence and age, total and partial exemptions, maximum charges, collection fees, administrative violations, and economic and financial justification. Afterwards, a review of existing regulations was conducted. Despite the economic benefits derived from tourism activity, there has been a growing concern among public authorities about its significant and rapid growth. The negative externalities are a reality that must be considered when creating and implementing public policies. To the authors' knowledge, no framework is available to compare municipal regulations related to tourist taxes in Portugal. This research has practical and theoretical implications for researchers and municipalities that have already implemented or are planning to implement such regulations.

Keywords: tourism market failures; tourism externalities; tourism taxation; local taxes; local governments; tourism public policies

1 Introduction

The academic community agrees that tourism can negatively impact various aspects, such as public spaces, infrastructures, and natural resources. This can lead to the deterioration of territories, the increased consumption of water and energy, more waste production, higher traffic, and the increased use of public facilities and services (Mathieson & Wall, 1982; Câmara Medeiros, 2013; Costa, 2015; Doğan, 2017; Drius et al., 2019). To address the negative impact of tourism on local communities and visitors, it is crucial to adopt national/regional/local public policies that benefit both parties. However, resources are limited; thus, it is vital to generate extra income to fund activities and investments that offset the costs of tourism. This will help to enhance and promote the region's tourist offer, making it more attractive. One effective way to achieve this is through creating and implementing tourist taxes, which have gained prominence as a public policy tool (Mak, 2006; Kato et al., 2011; Weimer & Vining, 2017; Durán-Román et al., 2021). Many studies have focused on the role of tourist taxes in generating revenue to fund public expenditures related to tourism activity. Examples of such studies include those conducted by Gooroochurn and Sinclair (2005), Mak (2008), Gago et al. (2009), and Falk and Hagsten (2019), among others. According to Gooroochurn and Sinclair (2005), tourist taxes can increase national welfare by placing most of the onus on tourists instead of locals. This is because tourists contribute to a higher tax base due to their higher demand. Tourist taxes have become essential in many tourist destinations worldwide to cover the external costs of tourism and support tourism investments, social services, and environmental protection. The “user-pays principle” guides the implementation of tourist taxes, ensuring a fair distribution of the costs incurred by tourism activity (Göktaş & Çetin, 2023).

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The focus of this research, the use of tourist taxes as a public policy tool, is relatively new in Portugal. The earliest implementation of such taxes can be traced back to January 2016 in Lisbon, while most local regulations related to tourist taxes were created between 2018 and 2020. Of 308 municipalities, 14 have implemented tourist taxes within their territories.

This research aims to analyse existing municipal tourist tax regulations in Portugal, creating a conceptual framework for their comparison. As also observed, and to the authors' knowledge, no conceptual framework could help scholars and local authorities analyse, discuss, and/or propose new tourist tax regulations. This paper intends to address this gap and is structured as follows: After the introduction, Section 2 reviews the existing literature on tourist tax regulation, namely, from a local perspective. Section 3 is dedicated to methodology, and Section 4 analyses and discusses the municipal regulations according to a conceptual framework designed for this purpose. Sections 5 and 6 present the main discussion and conclusions.

2 Literature review

Tourism is a vital source of income for many countries, but excessive tourism activity can lead to problems (García-Hernández *et al.*, 2019; Hernandez-Maskivker *et al.*, 2021). Over-tourism can cause governance issues in several destinations, such as Barcelona, Berlin, Lisbon, or Prague (Eckert *et al.*, 2019) and harm their environmental, socio-cultural, and economic structures. This creates pressure on municipal infrastructure, water consumption, public health services, and pollution, resulting in more significant natural and cultural degradation (Doğan, 2017; Kirca & Topal, 2017).

A sustainable management of tourism growth is crucial, considering the environmental, social, and cultural effects on society. Sustainable tourism development strategies are needed to optimise tourism's economic benefits while minimising negative impacts. Natural and cultural resources must be safeguarded for future generations. Therefore, public entities should prioritise implementing strategies to tackle the issues arising from the "tourism footprint" (Pazienza, 2011).

Based on the theory of welfare economics, governments intervene in the economy to address market failures, such as public goods, externalities, natural monopolies, and information asymmetry. These failures prevent resources from being efficiently allocated and can damage the welfare of everyone involved, including those in the tourism industry. This is known as tourism market failure

and includes issues such as tourism public goods, tourism externalities, natural monopolies in the context of tourism activity, and tourism information asymmetry. Several studies have explored this topic, including the works of Fleischer and Felsenstein (2000), Gooroochurn and Sinclair (2005), Blake and Sinclair (2007), Figini *et al.* (2007), Costa (2016), and Adedoyin *et al.* (2023), among others.

Costa (2016) proposes a set of public policy instruments that local governments can use to address the adverse effects of tourism. These effects, known as externalities, impact third parties without direct compensation (Schubert, 2010; Tribe, 2020). To deal with these issues, scholars suggest the implementation of tourist taxes, which follow the principles of Pigouvian taxes. Public intervention is often necessary to address market failures, and understanding these failures is crucial to developing policies that improve the efficiency and sustainability of the tourism sector. Public taxes on tourism activities are an option for public managers struggling with the "tourism footprint" (Kato *et al.*, 2011; Santos, 2012; Durán-Román *et al.*, 2021; Gökteş & Çetin, 2023). Taxing tourism activities has several objectives, such as expanding the tax base, exporting taxes, or addressing market failures (Mak, 2006). While the revenue generated from these taxes helps finance government expenses, it is essential to evaluate their impacts, especially at the local level (Adedoyin *et al.*, 2023). For instance, in Vila Nova de Gaia municipality, Portugal, the revenue collected from fees is used to fund public expenses related to tourism, such as providing information and assistance to tourists, improving safety, maintaining and enhancing public spaces, and building cultural and leisure facilities for visitors (Regulation no. 652/2022, 2022). Similarly, in the municipality of Cascais, the tourist tax is required in exchange for the services and investments directly or indirectly linked to tourism (Regulation no. 382/2016, 2016).

Despite the abovementioned advantages, some authors have also identified disadvantages of tourist taxes at different levels (Palmer-Tous *et al.*, 2007; Gökteş & Polat, 2019; Adedoyin *et al.*, 2023). Adedoyin *et al.* (2023) have identified several adverse economic effects of applying tourist taxes, especially in destinations highly dependent on the tourism sector. The authors highlight that these taxes lead to increased prices, which, all else being equal, could reduce demand for the destination. As a result, the decrease in visitors can lead to a reduction in tourism income, affecting not only accommodation activities but also other tourism-related businesses such as restaurants, transportation, and commerce due to the multiplier effect. Palmer-Tous *et al.* (2007) argue that implementing tourist taxes can impact a destination's competitiveness compared to others in competitive tourist markets. Destinations where taxes are applied

may be less attractive due to increased tourist expenditure. Similarly, Göktaş and Polat (2019) suggest that introducing tourist taxes can negatively affect the overall perception of a destination. The various ways taxes are applied in European cities can influence tourists' perceptions of the destination's competitiveness. Also, Palmer-Tous et al. (2007) further state that the perception of paying an additional fee can create a negative feeling in tourists, affecting their overall experience and satisfaction with the trip. The authors suggest that this can lead to a lower return rate and harmful recommendations about the destination. Moreover, applying taxes can disproportionately impact lower-income tourists, making the destination inaccessible to them and restricting the diversity of tourists. In their 2019 study, Göktaş and Polat (2019) pointed out several challenges associated with implementing tourist taxes. They emphasised the administrative complexities involved in calculating, collecting, and managing the revenues, especially at the municipal level. The authors also highlighted the importance of transparency in using tourist tax revenues to avoid mistrust among tourists and residents. They noted that inefficient management and unclear allocation of these revenues for meaningful improvements could undermine the measure's acceptance.

However, creating these public policy tools can help municipalities obtain the necessary funds to achieve policy objectives related to sustainable destinations. This can offset the cost of providing public goods and services and address the negative externalities caused by tourism activities (Gago et al., 2009). Derek (2021) concludes that tourists use a wide range of services and facilities managed and paid for by local authorities, many of which

are public goods. Therefore, tourists must be included in their consumption as free riders. In addition, other externalities related to increased waste production and pollution, or higher levels of traffic congestion, are identified due to tourism activities that have local impacts. While local taxes do not offset all tourism costs, the author concludes that they can help municipalities to redress the balance by charging tourists, at least in part, for public goods and services they consume and raise funds that can be used to improve the attractiveness of the destination by making it a better place to visit and experience.

Mak (2006) suggests that implementing tourist taxes is the most effective way to address market failures. This involves imposing a tax on tourism activity, a public policy adopted by many countries, including Portugal, at the municipal level.

3 Methodology

In this research, a qualitative approach was selected through a literature review of 14 municipal regulations on tourist taxes to identify, evaluate, and synthesise information in a structured and replicable way. A conceptual framework was designed and supported by variables such as (i) the incidence and age of taxpayers, (ii) the total and partial exemptions, (iii) the amount of the tax, (iv) the maximum amount to be charged, (v) the collection charges and administrative infractions; and (vi) the economic and financial justification. Those variables (more detailed in Table 1) were selected based on municipal tax regulations, including tourist

Table 1. Conceptual framework and variable's explanation.

| Variables | Explanation | Source |
|--|---|---|
| Incidence and age of taxpayers | Determine who is subject to the tourist tax and the age range of those who must pay it. | Public Notice n.º 1022/2019 |
| Total and partial exemptions | Identify the exemptions granted by different municipalities, outlining the main groups and the circumstances in which they are exempt from this tax. | (2019); Regulation n.º 382/2016 (2016); Notice n.º 5970/2023 (2023); Regulation n.º 725/2019 (2019); Regulation n.º 352/2023 (2023); Notice n.º 19334-A/2018 (2018); Regulation n.º 207/2023 (2023); Regulation n.º 773/2018 (2018); Regulation n.º 1135/2022 (2022); Póvoa de Varzim Municipality (2022); Regulation n.º 1111/2022 (2022); Notice n.º 6116/2023 (2023); Regulation n.º 652/2022 (2022); Regulation n.º 723/ 2018 (2018). |
| Amount of the tax | Checks the fees for each municipality, including application periods and seasonal variations for tourist activity. | |
| The maximum amount to be charged | Calculates the maximum payable amount, considering the restrictions on the stay duration subject to the tourist tax. | |
| Collection charges and administrative infractions | Determine the tax assessment and collection methods and the fines that may be imposed for failure to comply with regulations. | |
| Economic-financial justification | Identify the economic and financial justifications for the adopted taxes; we can better understand the values that influenced the decision-making process. Additionally, we can determine which incentives and disincentives will most effectively achieve our goals. | |

taxes, as outlined in the General Regime of Local Government Taxes (Law 53-E/2006, as amended). By utilising these requirements, it is possible to organise and analyse the current municipal tourist tax regulations in Portugal and compare the policy options of different municipalities. These criteria form the basis for calculating the tax and the revenue resulting from tourist activity, ensuring a fair distribution of public spending. In other words, the criteria for the fair distribution of public charges that each territory defined was thus identified. This conceptual framework will allow researchers to conduct a more rigorous analysis, facilitating replication and comparison of results in future research.

4 Results

By analysing the current regulations on municipal tourist taxes in Portugal and looking at specific variables, the authors compare and evaluate the political decisions made on this topic in the 14 municipalities that currently have tourist taxes in force. On 31 December 2022, only 11 out of 308 municipalities enforced tourist taxes, including Braga, Cascais, Faro, Lisbon, Mafra, Óbidos, Porto, Santa Cruz, Sintra, Vila Nova de Gaia, and Vila Real de Santo

António. In 2023, three more municipalities (Coimbra, Figueira da Foz, and Póvoa de Varzim) implemented tourist taxes, bringing the total number of municipalities with this tax to 14 (4.6%), as illustrated in Table 2.

Generally, each municipality creates and enforces municipal tourist tax regulations autonomously. However, only Cascais, Lisbon, and Sintra municipalities have included the municipal tourist tax within their existing general tax regulations covering all municipal taxes. While most municipalities call this tax the “municipal tourist tax,” a few exceptions exist. Sintra refers to it as a “municipal tourist tax on overnight stays,” Vila Nova de Gaia calls it the “Vila Nova de Gaia city tax,” and Santa Cruz designates it as the “tourist eco-tax.”

At the supra-municipal level, the Lisbon Metropolitan Area has the highest number of municipalities (4) implementing tourist taxes, followed by the Porto Metropolitan Area, with three municipalities. Surprisingly, the Algarve Intermunicipal Community, the region with the highest number of overnight stays, has only two municipalities (Faro and Vila Real de Santo António) that apply tourist taxes, as well as the Coimbra Region Intermunicipal Community, also with two municipalities (Coimbra and Figueira da Foz). The Intermunicipal Communities of Oeste

Table 2. Municipal tourist tax regulations by inter-municipal communities/metropolitan area.

| Municipalities | Tourist tax regulations | Intermunicipal community/Metropolitan area |
|-----------------------------------|---|--|
| Braga | Braga municipal tourist tax regulation | Cávado Intermunicipal Community |
| Cascais | Regulations for the collection and scale of taxes, licences, and other municipal revenues—chapter iii—rules for the implementation of the tourist tax | Lisbon Metropolitan Area |
| Coimbra | Coimbra municipal tourist tax regulation | Coimbra Region Intermunicipal Community |
| Faro | Faro municipal tourist tax regulation | Algarve Intermunicipal Community |
| Figueira da Foz | Figueira da Foz municipal tourist tax regulation | Coimbra Region Intermunicipal Community |
| Lisboa | General regulation of taxes, prices, and other revenues of the municipality of Lisbon—section vi—municipal tourist tax | Lisbon Metropolitan Area |
| Mafra | Mafra municipal tourist tax regulation | Lisbon Metropolitan Area |
| Óbidos | Óbidos municipal tourist tax regulation | Oeste Intermunicipal Community |
| Porto | Porto municipal tourist tax regulation | Porto Metropolitan Area |
| Póvoa de Varzim | Municipal tourist tax regulation | Porto Metropolitan Area |
| Santa Cruz | Municipal ecotax regulation | Not applicable |
| Sintra | Regulation of fees and other revenues of the municipality of Sintra—annexe iv implementing Regulation of the municipal tourist tax on overnight accommodation | Lisbon Metropolitan Area |
| Vila Nova de Gaia | Vila Nova de Gaia city tax regulation | Porto Metropolitan Area |
| Vila Real de Santo António | Regulation of the tourist tax of the municipality of Vila Real de Santo António | Algarve Intermunicipal Community |

and Cávado have only one municipality each that applies a tourist tax (Óbidos and Braga, respectively). Additionally, the municipality of Santa Cruz in the Autonomous Region of Madeira also applies a tourist tax but is not part of any inter-municipal community or metropolitan area.

In addition to the 14 municipalities that have currently approved and implemented tourist tax regulations, other municipalities have discussed this matter in city council meetings. At the same time, some have already begun the public consultation process for their tourist tax regulations. These municipalities include Évora, Loulé, Olhão, Portimão, Porto Santo, and Viana do Castelo.

Although not relevant to the current analysis of the local context, it is worth mentioning that the Institute for Nature Conservation and Forests (ICNF, I.P.) has implemented a tourist tax for visitors to Berlengas Island, Peniche, and Peneda Gerês National Park. Similarly, the Regional Government of the Azores had previously approved a regional tourist tax on 2023 January 1. However, it was later revoked by Regional Legislative Decree no. 3/2023/A on 2023 January 11, and therefore never came into effect.

As previously stated, our conceptual framework is based on six variables: (i) the incidence and age of taxpayers; (ii) the total and partial exemptions; (iii) the amount of the tax; (iv) the maximum amount to be charged; (v) the collection charges and administrative infractions; and (vi) the economic and financial justification. More details on these variables will now be provided.

These regulations concern tourism in various Portuguese municipalities and regions. They recognise the increasing number of tourists and the significance of tourism in each municipality. However, they also acknowledge the adverse effects of tourism, which are referred to as negative externalities. To counter these effects, the regulations propose implementing a tourist tax to generate revenue. The primary goal is to mitigate the negative impacts of tourism on different territories. It is important to note that sustainability is a significant concern for these municipalities, with many references to the term “sustainable” in the regulations. However, no direct or indirect mention of the Sustainable Development Goals (SDGs) exists.

4.1 Incidence and age of taxpayers

Regarding incidence, the tourist tax is applied for overnight stays in all 14 municipalities. It is charged per night, per person, and per stay as a rule in tourist accommodations such as hotels, tourist villages, apartments, resorts, camping and caravan parks, or local accommodation establishments. There is only one exception to the

Table 3. Age of taxpayers by municipality.

| Municipalities | Age of taxpayers |
|----------------------------|------------------|
| Braga | 16 |
| Cascais | 13 |
| Coimbra | 16 |
| Faro | 13 |
| Figueira da Foz | 16 |
| Lisboa | 13 |
| Mafra | 12 |
| Óbidos | 13 |
| Porto | 13 |
| Póvoa de Varzim | 16 |
| Santa Cruz | 13 |
| Sintra | 13 |
| Vila Nova de Gaia | 16 |
| Vila Real de Santo António | 10 |

overnight stay tax mentioned earlier: in the municipality of Lisbon. Apart from the abovementioned tax, Lisbon has also implemented a tourist tax for those arriving by sea. This tax applies to all passengers who disembark from cruise ships in Lisbon.

Regarding the tourist tax for overnight stays, the municipality of Porto’s tourist tax regulation, in its second amendment published in 2022, states that the tax is applicable for overnight stays. However, it can be applied per night, per fragment of the day or night, or on a day-use or by-hour basis (exceeding 3 hours), a new addition compared to other municipal regulations.

Table 3 displays the age range for individuals subject to the tourist tax. The age varies between 10 and 16, with five municipalities requiring the age of 16 and seven requiring the age of 13. The municipalities of Mafra and Vila Real de Santo António have set the ages of 12 and 10, respectively. These differences are found in some regulations regarding the subjective incidence of tax and exemptions. Vila Real de Santo António exempts minors between 11 and 13 from paying the tourist tax by 50% and has the lowest age requirement at 10.

4.2 The total and partial exemptions

One factor studied is municipalities’ interest in exempting specific groups of visitors who meet certain requirements (Table 4). This is done to either encourage more visits or reduce the expenses associated with their stay. The

exemptions granted by municipalities reflect their diverse concerns and priorities.

The most mentioned exemption is for stays related to medical treatment. Of the 14 municipalities analysed, 9 (Braga, Coimbra, Faro, Lisbon, Óbidos, Porto, Póvoa de Varzim, Sintra, and Vila Nova de Gaia) offer a total exemption for medical stays. However, five municipalities (Cascais, Figueira da Foz, Mafra, Óbidos, Santa Cruz, and Vila Real de Santo António) do not offer any exemptions for treatment-related stays. Some municipalities also allow exemptions for those accompanying patients. For example, Porto and Póvoa de Varzim offer exemptions for up to two companions, while Braga, Coimbra, Faro, Lisbon, Sintra, and Vila Nova de Gaia offer exemptions for one companion (Table 4). On the other hand, Cascais, Figueira da Foz, Mafra, Óbidos, Santa Cruz, and Vila Real de Santo António do not offer any exemptions for companions.

Also, in exemptions, a significant concern is to promote a more accessible and inclusive environment. Thus, and considering the specific case of disabled people (Table 5), eight municipalities (Braga, Coimbra, Faro, Figueira da Foz, Mafra, Porto, Póvoa de Varzim, and Vila Nova de Gaia) exempt disabled people with a disability of 60% or more from paying a tourist tax at 100%. In addition to these exemptions, the municipalities of Póvoa de Varzim and Coimbra also extend the exemption to a companion of disabled people. The other municipalities of Cascais,

Table 4. Exemptions for medical treatment and respective companionship.

| Municipality | Exemptions for medical treatment | Companionship |
|----------------------------|----------------------------------|------------------|
| Braga | 100% | 1 companionship |
| Cascais | Not applicable | Not applicable |
| Coimbra | 100% | 1 companionship |
| Faro | 100% | 1 companionship |
| Figueira da Foz | Not applicable | Not applicable |
| Lisboa | 100% | 1 companionship |
| Mafra | Not applicable | Not applicable |
| Óbidos | 100% | Not applicable |
| Porto | 100% | 2 companionships |
| Póvoa de Varzim | 100% | 2 companionships |
| Santa Cruz | Not applicable | Not applicable |
| Sintra | 100% | 1 companionship |
| Vila Nova de Gaia | 100% | 1 companionship |
| Vila Real de Santo António | Not applicable | Not applicable |

Table 5. Exemptions for disabled people and respective companionship.

| Municipality | Exemptions for disabled people $\geq 60\%$ | Companionship |
|----------------------------|--|-----------------|
| Braga | 100% | Not applicable |
| Cascais | Not applicable | Not applicable |
| Coimbra | 100% | 1 companionship |
| Faro | 100% | Not applicable |
| Figueira da Foz | 100% | Not applicable |
| Lisboa | Not applicable | Not applicable |
| Mafra | 100% | Not applicable |
| Óbidos | Not applicable | Not applicable |
| Porto | 100% | Not applicable |
| Póvoa de Varzim | 100% | 1 companionship |
| Santa Cruz | Not applicable | Not applicable |
| Sintra | Not applicable | Not applicable |
| Vila Nova de Gaia | 100% | Not applicable |
| Vila Real de Santo António | Not applicable | Not applicable |

Lisbon, Óbidos, Santa Cruz, Sintra, and Vila Real de Santo António do not mention exemptions for disabled people.

Another consideration concerns staying away from social or natural emergencies, such as victims of domestic violence or displaced people due to fires, floods, or bad weather. Here, again, although fewer in number, some municipalities take this kind of circumstance into account, exempting these stays by 100%. Table 6 shows that the municipalities of Braga, Coimbra, Figueira da Foz, Porto, Póvoa de Varzim, and Sintra take these situations of social and/or natural emergencies into account in their regulations.

It is essential to highlight that besides the most common exemptions in tourist tax regulations, there are some less standardised situations to consider. For example, municipalities like Mafra and Coimbra may offer 100% exemptions for events of municipal interest. Porto municipality has a special regulation that grants a complete exemption of 100% for religious pilgrimages to Santiago de Compostela or Fátima if they stay in pilgrims' hostels. This exemption is a unique example in its category.

To relieve the problem of finding accommodation for new students entering higher education institutions, municipalities in Faro, Coimbra, and Figueira da Foz have exempted them from paying the tourist tax for up to 60 days at the beginning of the academic year. It benefits

Table 6. Exemptions for social/natural emergencies.

| Municipalities | Social/Natural emergencies |
|----------------------------|----------------------------|
| Braga | 100% |
| Cascais | Not applicable |
| Coimbra | 100% |
| Faro | Not applicable |
| Figueira da Foz | 100% |
| Lisboa | Not applicable |
| Mafra | Not applicable |
| Óbidos | Not applicable |
| Porto | 100% |
| Póvoa de Varzim | 100% |
| Santa Cruz | Not applicable |
| Sintra | 100% |
| Vila Nova de Gaia | Not applicable |
| Vila Real de Santo António | Not applicable |

those needing to settle in tourist accommodations or local accommodation establishments. Additionally, the exemption applies to any student entering any educational institution within the territory of Figueira da Foz.

Another scenario is where tourists can be wholly exempted from paying the tourist tax. This exemption applies to stays that result from offers made by tourist accommodations or local accommodation establishments. The exemption for tourist taxes is only specified in the regulations of Cascais, Lisbon, Santa Cruz, and Sintra municipalities. However, Cascais municipality has a limit of 5% on the total number of overnight stays that qualify for this exemption. Additionally, 50% of exemptions are available for those staying in camping and caravan parks, such as in the municipality of Vila Nova de Gaia. This 50% exemption also applies to groups of visitors engaging in professional, academic, social, sporting, cultural, or other non-tourist activities. In the municipality of Vila Real de Santo António, minors between the ages of 11 and 13 can also receive a 50% exemption from paying the tourist tax, as mentioned above.

4.3 The amount of the tax

Table 7 displays the tourist taxes charged by each municipality, along with the corresponding application periods.

Municipalities have varying tourist tax rates at different times of the year. For instance, Braga, Coimbra, and Faro only impose tourist tax during the high season

Table 7. Values and periods for municipal tourist taxes.

| Municipality | Tourist tax—high season | Tourist tax—low season | Annual tourist tax |
|----------------------------|-------------------------|------------------------|--------------------|
| Braga | €1.50* | — | — |
| Cascais | — | — | €2.00 |
| Coimbra | €1.00* | — | — |
| Faro | €1.50* | — | — |
| Figueira da Foz | €2.00** | €1.50*** | — |
| Lisboa | — | — | €2.00 |
| Mafra | €2.20**** | €1.10***** | — |
| Óbidos | — | — | €1.00 |
| Porto | — | — | €2.00 |
| Póvoa de Varzim | — | — | €1.50 |
| Santa Cruz | — | — | €2.00 |
| Sintra | — | — | €2.00 |
| Vila Nova de Gaia | €2.00** | €1.00*** | — |
| Vila Real de Santo António | — | — | €1.00/€0.50***** |

* March to October | ** April to September | *** October to March | **** May to October | ***** November to April | ***** The fee of €0.50 is charged per camper, per day for stays at camping and caravan parks, as well as motor-home service areas.

between March and October. The amount charged in Coimbra is €1.00, while Braga and Faro charge €1.50. However, we could not find municipalities that only levy tourist tax during the low season.

Tourist tax is applied in Figueira da Foz, Mafra, and Vila Nova de Gaia municipalities all year round, but the rates vary depending on the season. For stays between October and March, Figueira da Foz and Vila Nova de Gaia charge €1.50 and €1.00, respectively, while between April and September, both charge €2.00. Mafra applies a tourist tax of €2.20 from May to October and €1.10 from November to April. The other municipalities, Cascais, Lisbon, Óbidos, Porto, Póvoa de Varzim, Santa Cruz, Sintra, and Vila Real de Santo António, enforce a tourist tax year-round. The tax varies between €1.00 and €2.00.

4.4 The maximum amount of nights to be charged

Municipal regulations establish a maximum tourist tax amount, which varies between municipalities. This limit

Table 8. The maximum amount of night to be charged.

| Municipalities | Maximum amount to be charged |
|----------------------------|------------------------------|
| Braga | 4 Nights |
| Cascais | 7 Nights |
| Coimbra | 3 Nights |
| Faro | 7 Nights |
| Figueira da Foz | 7 Nights |
| Lisboa | 7 Nights |
| Mafra | 7 Nights |
| Óbidos | 5 Nights |
| Porto | 7 Nights |
| Póvoa de Varzim | 7 Nights |
| Santa Cruz | 7 Nights |
| Sintra | 3 Nights |
| Vila Nova de Gaia | 7 Nights |
| Vila Real de Santo António | 7 Nights |

affects the revenue collection and determines the highest tourist tax visitors should pay in each region. Based on the information in Table 8, the duration of tourist tax payment varies from 3 to 7 nights. Coimbra and Sintra have a minimum requirement of 3 nights, Braga has a 4-night limit, and Óbidos has a 5-night limit. The remaining municipalities, including Cascais, Faro, Figueira da Foz, Lisbon, Mafra, Porto, Póvoa de Varzim, Santa Cruz, Vila Nova de Gaia, and Vila Real de Santo António, have a maximum limit of 7 nights.

4.5 The collection charges and administrative infractions

Almost all tourist tax regulations reviewed cover the settlement and collection charges. The only exceptions are the municipalities of Cascais and Vila Real de Santo António, which do not mention any potential collection charges. Óbidos municipality has only mentioned the possibility of creating a protocol with entities for managing the tourist tax's settlement, collection, and delivery to the municipality. However, the authors are currently unaware of the existence of such a protocol. With more information provided, the tourist tax regulations of the other municipalities, Braga, Coimbra, Faro, Figueira da Foz, Lisbon, Mafra, Porto, Póvoa de Varzim, Santa Cruz, Sintra, and Vila Nova de Gaia, state that tourist or local accommodation establishments will receive a maximum of 2.5% of the amounts collected. This payment is considered a collection charge

commission, which compensates the establishments for providing services to settle and collect the tourist tax on behalf of the municipality.

The municipalities must enforce compliance with tourist tax regulations. During their inspections, they may impose administrative infractions and issue fines for violating the rules outlined in the regulations. These violations may include failure to pay or late payment of the tourist tax, incorrect or false billing information, and failure to maintain supporting documents for the required duration. Each municipality's tourist tax regulations specify the applicable administrative offences and refer to other relevant regulations for non-compliance and violation of regulatory standards.

4.6 The economic and financial justification

To legally impose tourist taxes, municipalities must provide valid economic and financial reasoning for the amount charged. This means they must justify the tax amount. Based on the analysis of municipal regulations, it is evident that municipalities generally explain these amounts. However, there may be inconsistencies in the selection of criteria and indicators. Municipalities, such as Coimbra, Figueira da Foz, and Póvoa de Varzim, use management accounting systems to extract information for calculating the costs related to tourist taxes. However, other municipalities such as Braga, Lisbon, and Vila Real de Santo António either do not use this system or have an improperly structured one, making it challenging to accurately separate and support the costs of local tourism activity.

It was found that municipalities collect a wide range of accounting information to address this limitation by attributing direct and indirect expenses to the activity. As an example, the following direct or indirect expenses were identified: (i) tourism support services staff; (ii) municipal events and promotion of tourism; (iii) services related to tourism, such as cleaning, security, maintenance of parks and green areas, local development and culture, transportation and mobility, environment, and quality of life; and (iv) yearly expenses for software licences, among others. As previously stated, direct and indirect expenses can be obtained from management accounting systems, or municipalities may allocate a portion of direct and shared expenses to indirect expenses. This is done by considering the number of tourists, the average length of their stay, and various indicators to ensure the allocation is as accurate as possible.

It is worth mentioning that several municipalities have begun calculating the costs associated with tourism

differently. For instance, some municipalities, such as Póvoa de Varzim, Coimbra, Figueira da Foz, Mafra, Porto, Vila Nova de Gaia, Faro, Sintra, and Lisbon, calculate the unit cost per overnight stay. Vila Real de Santo António calculates the unit cost per tourist, Braga calculates the cost of public activity in tourism, and Óbidos calculates the direct cost of the sector. The municipality of Cascais provides details on the tourist tax variables and their value, but the expenses covered by the tax remain unclear. However, the municipality considers various indicators such as the average number of working hours, workers involved in performing tasks related to the tax, and incentive factors. When determining the tourist tax, the number of overnight stays is considered. This information is typically sourced from the National Statistics Institute (INE, I.P.). Multiple factors, such as the average number of visitors over the past 3–4 years, the resident population, and/or commuter traffic, can be considered.

It is difficult to thoroughly explain and describe the various factors considered when calculating tourist taxes due to their diverse nature. However, it is essential to note that each municipality aims to include expenses directly or indirectly related to tourism to create a rate that reflects the actual value of the activity. This approach ensures

that the rate is fair and accurate. In summary, Table 9 presents the range of unit costs used to calculate the tourist tax and the corresponding incentives or benefits that enable the tourist tax to be applied at a reduced rate compared to the previously calculated unit costs.

Therefore, it is crucial to examine the municipalities with the most significant discrepancies in their tourist taxes' cost per overnight stay/other. According to Table 9, the top three municipalities with such discrepancies are Mafra, Figueira da Foz, and Faro, with costs per overnight stay of €11.82, €5.62, and €3.63, respectively.

Two factors determine the tourist tax in Mafra: the municipality's budget in Major Planning Options (GOP) and the portion of the budget directly allocated to tourism. These figures are from 2018 and are used to calculate the annual expenditure associated with tourism in the municipality. To do this, it considered the resident inhabitants of Mafra (83,289 in 2017). It also considered the number of overnight stays in tourist accommodation establishments (163,341 in 2017). By dividing the total cost by the number of overnight stays, we get an average cost of €11.82 per night. However, this cost is considered too high; thus, a benefit/incentive factor was applied, significantly reducing the final tourist tax amount (Table 9).

Table 9. Tourist tax, incentives and benefits, and unit costs.

| Municipality | Unit cost per overnight stay/other (A) | Incentives—low season (B) | Incentives—high season (C) | Tourist tax—low season (A)–(B)=(D) | Tourist tax—high season (A)–(C)=(E) | Annual tourist tax (F) |
|----------------------------|--|---------------------------|----------------------------|------------------------------------|-------------------------------------|------------------------|
| Braga | €2.53 | NA | €1.03 | NA | €1.50 | NA |
| Cascais | NI | NA | NA | NA | NA | €2.00 |
| Coimbra | €1.95*/€1.84** | NA | €0.84 | NA | €1.00 | NA |
| Faro | €3.63 | NA | €2.13 | NA | €1.50 | NA |
| Figueira da Foz | €5.62 | €4.12 | €3.62 | €1.50 | €2.00 | NA |
| Lisboa | €3.72*/€3.21** | €1.21 | NA | NA | €2.00 | |
| Mafra | €11.82 | €10.72 | €9.62 | €1.10 | €2.20 | NA |
| Óbidos | €2.35 | €1.35 | NA | NA | €1.00 | |
| Porto | €2.52*/€1.99** | NA | NA | NA | €2.00 | |
| Póvoa de Varzim | €2.43 | €0.93 | NA | NA | €1.50 | |
| Santa Cruz | NI | NA | NA | NA | NA | €2.00 |
| Sintra | €2.10 | NA | NA | NA | €2.00 | |
| Vila Nova de Gaia | €1.96 | €0.96 | NA | €1.00 | €2.00 | NA |
| Vila Real de Santo António | €1.06 | €0.06/€0.56*** | NA | NA | €1.00/€0.50*** | |

(B) and (C) are calculated by finding the difference between A and B or between A and C | * does not include commuter movements | ** including commuter movements | *** values for camping and caravanning sites and motorhome service areas | NA—not applicable | NI—not identified.

The municipality of Figueira da Foz has a management accounting system that records expenses related to tourism activity under function 342, which falls under functional classification. These expenses include direct and indirect costs incurred by the municipality in promoting tourism activity during 2017, 2018, and 2019. They encompass expenses related to shows, equipment rentals, gift items, labour costs, advertising and publicity, and event support. To ensure a fair tax, they calculate an average of three years and adjust it for inflation based on the Consumer Price Index from January 2020 to January 2023. However, it is crucial to note that the figures for 2020 and 2021 have yet to be factored in due to the COVID-19 pandemic, which could impact the results. They projected the number of overnight stays from 2017 to 2019 for 2022, resulting in an average cost of €5.62 per stay. It is essential to remember that the municipality's tourist tax varies throughout the year, but they can still apply the incentive factor. During the low season, tourists pay around 26% of the cost per stay; during the high season, they pay about 35%.

The municipality of Faro provides an example of how they determine the value of the tourist tax. They consider the 2017 municipal budget expenses directly related to tourist activities: city dynamisation, culture, and security. They also think that the current expenses incurred by the municipality in 2017 are indirectly related to tourism, such as cultural expenses, public space management, mobility and transport, municipal services, surveillance, security, civil protection, personnel expenses, and other related expenses. The municipality of Faro has also contemplated providing an economic incentive equivalent to 58% of the cost per overnight stay.

5 Discussion

This research examines Portugal's current municipal tourist tax regulations and develops a conceptual framework using six variables to compare them. Currently, 14 out of 308 municipalities have implemented these taxes, with more consideration for adoption, as discussions are already taking place in municipal councils or public forums. This trend indicates a potential increase in municipalities adopting tourist taxes in the future, driven by the growing number of tourists and the significance of tourism in each area to mitigate negative externalities. Most municipalities with tourist taxes have specific regulations, while only three in the Lisbon Metropolitan Area include tourist taxes within general tax regulations for all municipal taxes. In the proposed conceptual

framework, six variables are considered. The first four variables determine what is subject to be charged, who should be charged, how much, and for how long the payment should be. As previously mentioned by Palmer-Tous *et al.* (2007) and Adedoyin *et al.* (2023), these variables may affect the competitiveness of destinations and the demand for tourism due to higher costs for tourists and have direct implications on municipalities' revenues and their ability to mitigate negative externalities (Derek, 2021). Conversely, factors such as tax discounts, age, and exemption rules may also impact the perceived fairness of these taxes or promote inclusion and social justice.

The tourist tax is usually charged per night, per person, for stays in various tourist accommodations. In Lisbon, the tax also applies to cruise ship passengers. The age requirements vary from 10 to 16 years, with half of the municipalities setting the minimum age at 13 and a third at 16. Generally, small children are exempt from the tax, while seniors are included due to their significant travel activity. Exemptions are granted for health-related stays (64% of municipalities), accessibility for disabled individuals (60% disability or more), and emergencies such as domestic violence or natural disasters. Additional exemptions include new students, religious pilgrimages, camping, and non-tourist activities. Tax rates vary seasonally, with year-round charges ranging from €1 to €2. Some municipalities reduce rates by 25% to 50% during the low season (October to March). In the high season (April to September), rates range from €1 to €1.5. Most municipalities cap the tax at seven nights, while others limit it to three, four, or five nights.

Tourist operators act as intermediaries for tax collection, receiving a commission of up to 2.5% of the amount collected. Municipalities enforce compliance, addressing infractions like non-payment, false billing, or improper documentation maintenance. Municipalities must provide transparent and valid economic justifications for the tax (Derek, 2021), ensuring revenues improve tourist experiences. Calculations are based on direct and indirect tourism-related expenses, with some municipalities offering reduced rates to maintain competitiveness and accessibility for low-income tourists. Accurately calculating the costs of local tourism activities can be tricky in many areas due to the potential misuse of funds (Göktaş & Polat, 2019). To address this issue, municipalities gather accounting information to track direct and indirect tourism-related expenses. These expenses include tourism support staff, municipal events and tourism promotion, services related to tourism (like cleaning, security, park maintenance, local development and culture, transportation, and environment), and yearly expenses for software

licences. When management accounting systems are unavailable, municipalities allocate a portion of direct and shared expenses to indirect expenses based on criteria such as the number of tourists, the average length of their stay, and other relevant indicators to ensure accurate allocation. Some municipalities calculate unit costs per overnight stay per tourist, while others calculate the overall public activity cost or the direct cost of the tourism sector. Additionally, some municipalities offer incentives or benefits to apply a tourist tax at a reduced rate compared to the calculated unit costs to maintain competitiveness or provide access to low-income tourists (Palmer-Tous et al., 2007). The overall goal is for each municipality to include all expenses directly or indirectly related to tourism to establish a fair and accurate rate that reflects the true value of the activity.

6 Conclusions

Based on the main findings, there is minimal variation in tourist tax rates among Portuguese municipalities, with most having a fixed year-round rate and some employing seasonal rates that vary by high and low demand periods. Age requirements for paying the tax are similar, focusing on the number of overnight stays, with Lisbon also taxing sea passengers. All municipalities set a maximum charge per guest and offer exemptions for specific individuals.

Another important conclusion is that although the tourist tax is lower than the actual cost of tourism for municipalities, they still choose to support some of the expenses to boost tourism and maintain competitiveness in their territories. It is hoped that these taxes will benefit tourists financially. In other words, the main concern is not to affect tourist demand but to provide balanced and sustainable local development without an excessive financial burden on tourism, which has become an increasingly important activity for national and regional economic development. A standardised conceptual and empirical framework is needed to ensure better information dissemination and accountability (Costa et al., 2023). This would help verify that tourism revenues are used effectively for tourism-related investments, addressing infrastructure wear and tear and environmental degradation. The study provides insights for municipalities to manage tourism costs through taxation, create sustainable destinations, and develop fair public policies that balance costs and benefits. The theoretical contributions of the study focus on understanding how tourist tax regulations in Portugal are organised and their implications. It

examines how public policies, such as tourist taxes, can help address issues in the tourism market by mitigating adverse effects and improving overall welfare. The study introduces a conceptual framework for analysing municipal tourist tax regulations, making it easier to compare different regulations and contributing to a better theoretical understanding of tourist tax policies. This framework is a valuable methodological contribution that allows for analysing municipal regulations, making it easier for future research to replicate and compare findings and increasing its usefulness for scholars and policymakers.

This study provides practical insights for municipalities to address the impacts of tourism, i.e., in designing and implementing tourist taxes. A standardised conceptual and empirical framework across all municipalities is essential for better dissemination of information and to support the growing importance of accountability in local governance. This allows municipalities to understand the values influencing decision-making processes, learn from each other's experiences, and adopt the best practices in managing the impacts of tourism through taxation. By highlighting the concept of tourism market failures, the study provides a rationale for public intervention. It suggests that adequately designed tourist taxes can help internalise the costs associated with negative externalities, leading to more efficient and sustainable tourism management.

Future research should focus on examining tourism market failures and the specific externalities associated with tourism activities at the local level. This includes understanding how these externalities impact local communities and environments and identifying ways to mitigate them through public policy interventions. Additionally, it would be beneficial to explore the relationship between tourist taxes and sustainability initiatives to determine how taxation can promote sustainable tourism practices in alignment with the SDGs. Research should also investigate the economic and financial justifications behind different municipal tourist tax regulations to clarify the values and principles guiding these decisions. It is essential to include the perspectives of various stakeholders, such as local businesses, residents, and tourists, to ensure that tax policies are well-rounded and fair. Comparative analyses of tourist tax regulations across different countries can also provide insights into approaches' diversity and effectiveness.

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Conflict of interest

The authors declare no conflict of interest.

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