

London tourist tax proposal could generate up to GBP 350 million annually

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Dhaka: London could raise as much as GBP 350 million, equivalent to USD 469 million, per year by introducing a levy on overnight visitors, significantly exceeding earlier projections. The proposal has gained momentum as discussions continue on allowing local authorities to impose tourism-related taxes across the UK capital.

The updated estimate was released by Central London Forward (CLF), a partnership representing 12 inner London boroughs. The calculation is based on a proposed 3% levy on hotel rooms and short-term rentals, primarily concentrated in central London's most visited districts.

Earlier estimates, published after the UK government announced plans to devolve taxation powers to mayors, suggested annual revenue of around GBP 240 million (USD 321.6 million). The revised projection reflects higher accommodation costs and sustained growth in overnight

visitor numbers.

London Mayor Sadiq Khan welcomed the development, calling it “great news.” He said the additional funds would directly support London’s economy and help reinforce its status as a leading global destination for tourism and business travel.

According to analysis by the Local Democracy Reporting Service, the 12 CLF boroughs could collectively raise around GBP 275 million (USD 368.5 million) each year. Other London authorities could generate an additional GBP 77 million (USD 103.2 million) from the levy.

The LDRS analysis said Westminster is expected to be the single largest contributor, with potential annual revenue exceeding GBP 95 million (USD 127.3 million), while Camden, Kensington and Chelsea, and Tower Hamlets could each raise more than GBP 20 million (USD 26.8 million), based on current accommodation capacity.

Meanwhile, revenue distribution has been a major issue, as central boroughs are asking to retain at least half the proceeds, citing their high concentration of hotels and short-term rentals and the strain tourism places on local services and infrastructure.

Supporters favor a percentage-based levy, similar to systems used in New York, Berlin, and Edinburgh, over a flat nightly charge. While the final structure is still under consultation, officials agree the measure could deliver a significant financial boost for London.

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