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GUO JI

Beijing Normal University, China

TOURIST TAX AND HERITAGE CITIES

Abstract:

Cities, especially those with cultural heritage, attract a large proportion of the world's tourists each year. A large body of literature studies the sustainability of cultural tourism. It is shown that the excessive visitation of heritage cities strongly affects sensitive urban areas (Russo 2002). The costs of congestion caused by tourism include pressure and damage on urban facilities and premises, typically, historically and culturally important buildings, monuments and artifacts which have variable degrees of "non-excludability" and "non-rivalry" and thus are, at least partly, public goods. Furthermore, the congestion drives citizens and firms to abandon central locations, hampering local development. Spatially differentiated taxation aimed at visitors and tourists is adopted in parts of the world which may promote a more equitable allocation of costs of tourism. However, there is a surprising lack of analytical analysis on either the impacts of tourism on heritage cities or the efficiency of tourist taxation.

This paper studies the interactions between tourist tax, local public good provision, which includes protection and restoration of urban facilities/cultural heritage, and the number of tourists in a scenario of multi-regional tax competition between governments of cultural heritage cities. On the one hand, tourism has a positive effect on private income in the heritage cities, as well as government tax revenue. On the other hand however, there is a tourism-related social cost which is equivalent to "congestion" of regular public goods. We believe that the efficiency of tourist taxation is the key to balancing the income and costs brought about by tourism.

Keywords:

tourist tax; city infrastructure; tourism externalities; tax competition

JEL Classification: H21, H23, R00