

RETURN Project Explores Tourism Tax to Secure a Sustainable Future for Northern Communities

January 29, 2025 – The Northern Periphery and Arctic (NPA) program, which supports sustainable development in remote and sparsely populated areas across Northern Europe, is driving a fair and sustainable approach to tourism. The RETURN Project (Regenerative Economic Transfers for Universal Resilience in the North), a newly funded international initiative under the NPA program, aims to tackle one of the most pressing challenges in modern tourism: ensuring that tourism revenue directly supports local communities, nature conservation, and climate adaptation.

Rethinking Tourism for the Future

Tourism has become a key driver of economic development in northern regions, but its growth brings significant challenges. A critical issue is the disconnect between tourism revenues and their reinvestment in the destination communities and ecosystems that attract visitors. Often, maintaining infrastructure, services, and environmental protection falls to residents, many of whom are not directly involved in the tourism sector.

The RETURN project aims to bridge this gap by pioneering new models of tourism revenue transfers—including different tourism taxes, visitor contributions, and voluntary payments—to ensure that the financial benefits of tourism contribute directly to the common good of the host communities. These models will enable tourists to play an active role in funding the sustainability and resilience of the destinations they visit.

A Future-Oriented Vision for Tourism

“Tourism has incredible potential to be a long-term livelihood for northern communities,” said Ari Laakso, science communicator at Arctic Centre, University of Lapland, and the initiator of the RETURN project. “However, to make this vision a reality, we need systems that ensure tourism supports local communities and protects the natural environment. RETURN is about shaping tourism into a sustainable, mutually beneficial partnership between visitors and host destinations.”

The RETURN project also seeks to clarify the often misunderstood concept of tourism taxes. Many different views exist on what constitutes a tourism tax and why it is increasingly relevant amid a growing global focus on sustainable tourism. The project's goal is to highlight how different forms of tourism revenue transfer models can evolve tourism into a long-term, sustainable livelihood for host communities rather than a short-term activity that risks degrading them. By ensuring that each tourist's contribution supports infrastructure, services, and conservation, tourism taxes can secure the future of destinations and the experience of future visitors, much like a pension system ensures security for individuals.

A Consortium Covering the Entire NPA Region

The RETURN project consortium brings together academic tourism research institutes across the NPA region. The consortium consists of leading tourism experts from Iceland, Greenland, the Faroe Islands, Sweden, Norway, Ireland, Scotland, and Finland. This assembly of expertise ensures that the project's outcomes are grounded in rigorous research and address regional priorities. By leveraging their deep understanding of tourism dynamics and collaborating with policymakers, the consortium aims to provide knowledge about successful tourism revenue transfer models. This knowledge will assist policymakers in making informed decisions and planning the possible implementation of systems that benefit local communities and ecosystems.

Informing the Global Tourism Debate

The topic of tourism taxes and visitor contributions is a much-debated issue globally, with no one-size-fits-all solution. RETURN will serve as a catalyst for informed discussions, showcasing successful tourism revenue transfer models—from the tourist tax of the Balearic Islands to accommodation tax in Iceland—that demonstrate how such approaches can support communities and environmental projects. This resource will empower policymakers to make future-oriented decisions tailored to their unique regional needs.

Empowering Communities and Protecting Nature

A key goal of the project is to assist local governments and authorities in creating transparent, effective mechanisms that allow tourism revenue to fund essential services, infrastructure, and conservation efforts. This not only ensures that the benefits of tourism are shared equitably but also fosters a sense of participation and accountability among tourists.

“Tourism can and should be a tool for regeneration,” added Ari Laakso. “With RETURN, we’re not just talking about how to sustain tourism—we’re ensuring it becomes a driver for positive change in communities and ecosystems.”



About the RETURN Project

The RETURN project is a collaboration between eight tourism research institutions and several tourism organizations and environmental NGOs across the NPA region. The project is funded with €1.6 million from the European Union's Interreg program and will run for three years. By focusing on regenerative tourism practices, the project aims to strengthen community resilience and create sustainable models for the future of tourism in northern Europe.

Join the Initiative

Be part of the initiative shaping the future of sustainable tourism. The RETURN Project invites policymakers, decision-makers, and tourism stakeholders to engage with us, explore best practices, and collaborate on designing effective tourism revenue transfer models. Through workshops, face-to-face and consultation meetings, and public consultations across the NPA region, we provide a platform for knowledge exchange and informed decision-making.

For more information or to discuss how tourism revenue transfers can support your region, contact us today.

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National Perspectives on the RETURN Project

RETURN Project in a Swedish Context

In recent years, Sweden has engaged in significant discussions regarding tourism taxes and fees. This debate reflects the challenges in balancing economic growth, overtourism, environmental sustainability, and a range of other wellness issues that align with the UN Agenda 2030 goals.

Several Swedish municipalities, particularly popular tourist destinations, have proposed local tourist taxes to manage the influx of visitors and fund infrastructure improvements. These developments have sparked an intense debate among policymakers, industry stakeholders, and environmental groups. Organizations such as Visita, representing the Swedish hospitality sector, warn that additional taxes could deter tourists and adversely affect the tourism industry. Conversely, environmental advocates express concerns that recent political decisions, such as the removal of Sweden's aviation tax, undermine the country's climate goals.

"The RETURN project represents an important opportunity to study how tourism revenues can be used for regenerative purposes such as improving the environment, climate adaptation, and strengthening cultural heritage," says Robert Pettersson, director of ETOUR at Mid Sweden University, one of the partners in the project.

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RETURN Project in a Finnish Context

In Finland, discussions about tourism taxes have gained momentum in connection with the rapid growth of tourism, particularly in Lapland and the city of Rovaniemi. This growth has been closely linked to the sharp increase in Airbnb rentals, which has transformed the tourism landscape of the city. While tourism expansion is visible and supported, local residents often point out that the city's financial resources have not kept pace with this rapid development.

A well-documented feature of the tourism sector is the lack of direct channels for tourism revenues to contribute to the common good of the host community. As a potential solution, the implementation of a tourism tax has been proposed and is currently under debate, that would guarantee that a small share of the tourism income goes directly to the host community. Concerning the environment, the discussion has also been fueled by the closure and demolition of recreational facilities and infrastructure in national parks and forests managed by Metsähallitus, the Finnish Forest Administration. These closures highlight the urgent need for new funding solutions, like an entrance or user fee, to maintain essential infrastructure and services for tourists and locals alike, to preserve the environment.

In the eastern parts of Lapland, Visit Salla together with the Finnish Natural Heritage Foundation, has developed an initiative called Give Back to Nature. It is offering tourists and tourism businesses a novel way of making up for the footprint of traveling by taking part in the acquisition of a nature conservation area through voluntary donations. Visit Salla is part of the RETURN project and offers a different approach to tourism revenue transfers.

“The RETURN project is leading the way for identifying how tourism revenues can better serve the needs of both visitors and local communities,” said Ari Laakso, Project Manager of the RETURN project. “By studying successful examples from other regions, we aim to communicate practical solutions to policymakers, to enable informed decisions regarding the planning and the possible implementation of tourism revenue transfer systems in the different regions.”

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RETURN Project in an Irish Context

The tourism sector in Ireland is highly vulnerable to climate change but Ireland as an island destination is challenged with this issue of access. Most visitors fly into Ireland and thus have amassed a large carbon footprint before they arrive. In this context Ireland needs to consider ways in which the visitor can have a positive impact on the place during their visit.

As Ireland and other EU countries are transitioning towards a low-carbon economy, Failte Ireland (National Tourism Organisation) has adopted a regenerative tourism and placemaking scheme for the Midlands region which is challenged with the need to move from high carbon impact industry of peat extraction and electricity generation towards tourism. To achieve this Failte Ireland has received €68 million euro from the EU just Transition Fund. Ireland is thus at the forefront of a regenerative approach to tourism development. This scheme will be focussed on the sustainable development of tourism in the region, rewetting the bogs to support habitats and biodiversity whilst also ensuring the sustainability of local communities.

Conversely, unlike many other European destinations, currently in Ireland there are no tourism/accommodation taxes, although in recent times a number of city councils have proposed such a tax to fund the maintenance of tourism and local infrastructure. Both Dublin City Council and Galway City Council have engaged in such discussions, which have been met with opposition from the hospitality and tourism industry fearing a decline in visitor numbers and revenues. Furthermore, there are challenges in ensuring such a revenue will be ringfenced for local communities. Another obstacle to the introduction of a visitor tax in Ireland is the fact that local authorities do not have the legal authority to introduce new taxes, and any visitor tax would have to be enacted by the national parliament or introduced as a voluntary levy.

Ireland’s involvement in the RETURN project presents an opportunity to explore the impacts (positive or negative) of a tourism revenue transfer (mandatory or voluntary) on a destination, as well as determining the best approach to adopt within different places and scenarios. If Ireland’s national tourism organisation (Failte Ireland) is leading the way in developing a regenerative approach to tourism, then a tourism tax/levy could support this endeavour towards achieving sustainable and resilient communities. The Munster Technological University (MTU) has expertise in regenerative tourism education, training and implementation and in conjunction with Leave No Trace (LNT) Ireland will explore how tourism revenues can empower visitors, support local communities and preserve the culture, heritage and environment of the place.

“It is more important than ever to protect and care for our environment, and to highlight our responsibilities as stewards of our outdoor spaces and nature. Leave No Trace is delighted to be a partnership with MTU and others in this new RETURN project which is about leaving a destination in a better condition than when you arrived, "A concept that goes beyond "not damaging" the environment and that looks to actively revitalise and regenerate it, resulting in a positive impact on local communities and economies”

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RETURN Project in an Icelandic Context

Iceland has experienced a significant tourism boom over the past decade, with tourism becoming a vital component of the national economy. The sector has been a key driver of economic growth since 2011, generating approximately 8,000 new jobs in its core areas. This sustained growth presents opportunities to enhance prosperity and foster positive regional development across the country.

However, the rapid increase in visitor numbers has also led to challenges, including environmental pressures and the need for sustainable infrastructure development. In response, Iceland reinstated its accommodation tax on January 1, 2024, after a pandemic-related suspension. This tax applies to all overnight stays, including hotels, guesthouses, and accommodations on board cruise ships while docked in Icelandic ports. The revenue generated is earmarked for sustainability efforts and managing over-tourism, reflecting Iceland's commitment to balancing tourism growth with environmental preservation.

Furthermore, Iceland's newly elected government has announced a resource fee for tourist access to Iceland's natural wonders will be introduced in the near future. The government has also stated that while this development is underway, an entry fee to the country will be collected.

The RETURN project aligns with Iceland's objectives by exploring innovative tourism revenue transfer models that ensure the economic benefits of tourism directly support local communities and environmental conservation. As the only NPA country with an established accommodation tax, Iceland serves as a valuable case study, offering practical insights into the implementation and impact of tourism revenue systems.

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RETURN Project in a Greenlandic Context

Greenland, with its breathtaking Arctic landscapes, vibrant cultural heritage, and the rich traditions of its Indigenous people, is increasingly attracting travelers seeking unique and remote destinations. Tourism is an emerging sector in Greenland's economy, offering growth opportunities in its small, dispersed communities.

Recent investments in infrastructure, such as a new airport in the capital Nuuk and expanded cruise tourism, demonstrate Greenland's commitment to tourism development. However, these developments also raise many questions about how to manage visitor growth in a way that benefits local communities and protects fragile ecosystems.

There are several ways to counter these challenges, and in 2024, the Greenlandic parliament passed a new tourism law, which, among other things, aims to ensure sustainable and locally based tourism. A controversial part of the law is to limit foreign ownership in the tourism sector. Greenland also introduced a new cruise tax in January 2024, a tax of DKK 50 per passenger. This tax ensures that revenue stays within the regions where it is collected, providing municipalities with much-needed resources to manage tourism impacts and invest in local infrastructure.

The RETURN project offers critical insights and tools to guide policymakers and tourism stakeholders in Greenland toward a more regenerative approach to tourism. By presenting successful tourism revenue transfer models and fostering collaboration among stakeholders, the project supports the design of systems that ensure tourism contributes to local communities, restores ecosystems, and preserves Greenland's cultural and natural heritage for future generations.

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RETURN Project in a Faroese Context

The Faroe Islands, an enchanting archipelago in the North Atlantic, are renowned for their pristine natural beauty, dramatic landscapes, and rich cultural traditions. With its steep cliffs, green valleys, and abundant birdlife, the islands offer a unique experience for visitors seeking untouched and remote destinations. Tourism has grown rapidly in recent years, with the number of annual visitors surpassing the local population of 54,000. While tourism has become an increasingly important part of the Faroese economy, accounting for 6% of GDP, the rapid growth has raised concerns about its impact on the environment and local communities.

One of the distinct features of the Faroe Islands is its system of land tenure, where some land is privately owned and state-owned land is leased for activities such as farming and grazing. This unique arrangement creates additional considerations for managing tourism sustainably, as local stakeholders play a crucial role in balancing access to natural attractions with preserving the land's cultural and ecological value.

In response to these challenges, the Faroe Islands have announced the introduction of a tourism tax starting October 1, 2025. This tax, levied per person per day, is designed to fund

initiatives that protect the local environment and maintain infrastructure. By adopting this proactive approach, the Faroe Islands aim to balance tourism growth with the preservation of their unique cultural and natural heritage.

The RETURN project supports these efforts by equipping policymakers and tourism stakeholders in the Faroe Islands with knowledge about successful tourism revenue transfer models. By fostering collaboration and sharing best practices from across the Northern Periphery and Arctic (NPA) region, the project helps ensure that tourism development is both sustainable and regenerative, empowering local communities to thrive while safeguarding the environment for future generations.

“As tensions over tourism development have been intense in the Faroes for a long time now, there is a need to reconcile differences and explore options and best practices going forward,” says Ragnheiður Bogadóttir, Associate Professor at the University of Faroe Islands.

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RETURN Project in a Scottish Context

In 2023 there were 16.4 million overnight visitors to Scotland, which has a population of 5.4 million. This mismatch puts significant pressure on residents to maintain an ecosystem that supports the tourism industry and life in general.

The Visitor Levy (Scotland) Act 2024 was passed by the Scottish Parliament in May 2024, enabling local authorities to apply a levy on overnight stays, charged at a percentage rate. Initial consultations on ‘the Principles of a Local Discretionary Transient Visitor Levy or Tourist Tax’ began in late 2019 after the Convention of Scottish Local Authorities (CoSLA) called for the Scottish Government to grant the powers to allow them to levy a tourist tax in their areas, should local circumstances be supportive. Representatives of Scotland’s tourism industry have continuously called for a cautious approach highlighting the importance of the industry to Scotland’s economy.

To implement a tourism levy local authorities have to undertake a statutory process of forecasting, consultation, and, at least, an 18-month implementation period. Therefore “The RETURN project outputs will be timely for helping Scottish local authorities to shape the implementation of their tourism levies, enabling generated revenue to be used in a regenerative manner to the benefit of all,” says Kendra Turnbull from the Centre for Recreation and Tourism Research, UHI, an associate partner to the RETURN project.

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RETURN Project in a Norwegian Context

Norway, renowned for its iconic fjords, mesmerizing northern lights, and rich cultural heritage, stands as a premier destination for international tourism. This sector is pivotal to the national economy, supporting over 175,000 jobs and contributing to approx. 200 billion NOK annually. Particularly in the Northern Periphery and Arctic (NPA) regions, tourism serves as a crucial engine for economic development, sustaining rural communities and mitigating population decline.

However, the growth of tourism has introduced several challenges, such as increased pressure on local infrastructure, adverse impacts on fragile ecosystems, and the financial strain on municipalities tasked with maintaining popular destinations. To address these issues, Norway has proposed a new visitor levy law, empowering municipalities to impose a tax of up to 5% on VAT-exempt accommodation prices. This initiative is designed to provide municipalities with the necessary resources to invest in infrastructure, protect natural attractions, and support local services.

In this context, the certification of sustainable destinations emerges as a vital strategy. By adhering to rigorous sustainability standards, destinations can ensure that tourism development is environmentally responsible, socially equitable, and economically viable. Certification can enhance Norway's global reputation as a leader in sustainable tourism, attracting conscientious travelers and fostering long-term benefits for local communities.

The RETURN project aligns closely with these efforts by equipping policymakers with essential knowledge about tourism revenue transfer models and their successful implementation in other regions. By offering science-based insights and fostering collaboration among stakeholders, the project aids decision-makers in designing systems that balance economic growth with sustainability, ensuring that tourism benefits local communities and preserves Norway's unique environment.

The Indigenous Sámi perspective is central to sustainable tourism in northern Norway. With a deep-rooted connection to the land, Sámi traditions offer generational insights into sustainable practices. Engaging Sámi communities in tourism planning enhances visitor experiences while ensuring their rights and heritage are respected. Collaboration with the Sámi fosters resilient tourism models that integrate Indigenous knowledge, supporting both cultural preservation and environmental stewardship. By integrating sustainable certification and Indigenous perspectives, Norway can craft a tourism strategy that drives economic growth while championing environmental stewardship and cultural preservation.

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