

Audit of the collection, receipt, and allocation of tourist taxes

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Plan

- ▲ 1. Introduction
- ▲ 2. Legal framework
- ▲ 3. Phases of the tourist tax audit
- ▲ 4. Controls carried out – findings
- ▲ 5. Conclusion



1. Introduction: Switzerland

▲ 26 cantons

- with populations ranging from 16,000 to 1.6 million per canton
- **Canton of Valais: 370,000 inhabitants**

▲ 2,121 municipalities – including **122 in the canton of Valais**



1. Introduction: Valais

- ▲ Tourist region
- ▲ Tourism as an economic pillar of Valais



2. Legal framework: tasks

▲ Canton

- Develop cantonal policy
- Set framework conditions

▲ Municipalities

- Develop local tourism policy
- Collecting tourist taxes and monitoring their allocation
- Monitoring their local tourism companies



2. Legal framework: tasks

▲ Local tourism companies:

- Carry out tasks delegated by the municipality
- Submit to the municipality
 - *the budget with the activity programme*
 - *the accounts with the management report*



2. Legal framework: tasks

▲ Umbrella organization

- Intersectoral promotion company for the Valais economy
- Management of the Valais brand
- Funding from the cantonal budget
 - €11.6 million/year (80% of the budget)
- Accounts and management subject to audit by the Finance Inspectorate

Valais★Wallis
PROMOTION



2. Legal framework: tourist taxes

▲ 3 categories of taxes

- Tourist tax (between €1.00 and €7.00)
- Accommodation tax (maximum €1.00)
- Tourism promotion tax



2. Legal provisions: tourist taxes

Who pays the taxes?



2. Legal framework: tourist taxes allocation

▲ Tourist tax



▲ Accommodation and tourism promotion tax



3. Legal framework: supervisory bodies

- ▲ **Collection bodies** (municipalities or local tourism companies)
 - checks on the regularity of tax payments
- ▲ **Canton (Finance Inspectorate)**
 - Periodic checks on the collection, receipt and allocation of taxes
 - Power to obtain all necessary information



3. Tourist tax audit

▲ Three-phase audit strategy:

1. all local institutions and all accommodation providers
2. all local institutions and various accommodation providers
3. audit sampling



4. Checks carried out - findings

▲ Full collection

- Tourist and accommodation taxes (to be calculated per night)
 - Not all accommodation establishments report all stays

Example: Agency renting out accommodation in a resort

- Comparison: rental contracts / statements to owners / tax statements to the local authority
- **50,000 undeclared overnight stays in 5 years**
=> **€100,000 reimbursed following our report**



4. Checks carried out - findings

▲ Full collection

- Tourism promotion taxes
 - Some taxpayers are evading taxation
 - ▲ The municipality has an incomplete inventory of taxpayers

Example:

- Some businesses located in part of the municipal territory escape taxation
- certain categories of businesses escape taxation (real estate companies)



4. Checks carried out - findings

▲ Regularity of collection

- Tourist and accommodation taxes (to be calculated per night)
 - Incorrect tax rates
 - Exemption not provided for by law
- Tourism promotion taxes
 - Error in determining the tax
 - ▲ Incorrect or outdated data (number of employees, turnover)
 - ▲ Incorrect taxpayer category



4. Checks carried out - findings

▲ Full collection

- Debtor monitoring is deficient



Example:

Findings at a local tourism company

- No reminder procedure
- 64% of debtors relate to overdue taxes, some of which are time-barred
- Lack of oversight by the municipality

4. Checks carried out - findings

▲ Collection

- Local authorities (municipalities) do not use the sanctions available to them under the law
 - ▲ Taxation by assessment
 - ▲ Reporting to the cantonal department, which may impose fines



4. Checks carried out - findings

▲ Regularity and legality of the allocation of taxes

- Allocation of taxes not in accordance with legal provisions

Examples:

- The tourist tax finances promotion, even though this is not provided for by law.
- The tourism promotion tax is not entirely allocated to promotion.



4. Checks carried out - findings

▲ Monitoring

- Lack of monitoring by local authorities
 - Budget/account: lack of approval by the municipality
 - Use of taxes
 - ▲ The municipality does not set specific objectives for which taxes are to be used
 - ▲ No verification of the use of taxes



5. Conclusion

- ▲ Considerable economic importance of the tourism sector
- ▲ Little oversight of local tourism companies by local authorities
- ▲ Lack of professionalism among small tourism businesses
- ▲ Temptation for accommodation providers not to declare all overnight stays



5. Conclusion

- ▲ Multi-year, multi-phase audit strategy: awareness raising followed by sanctions
- ▲ Audits with added value
- ▲ Objective: to ensure compliance and transparency

Thank you for your attention.

