



SINDICATURA DE COMPTES
Illes Balears

**Auditing Tourist Accommodation Tax in the Balearic
islands 2016-2023**

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Auditing Tourist Accommodation Tax in the Balearic Islands 2016-2023

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Context

- The Balearic Islands received 20 million tourists in 2025 (49,5 millions of stays) in a territory with 1,2 million inhabitants. (Luxembourg, half the size and half the population received 1,3 millions in 2023)
- High tourism pressure on public infrastructure (health services, roads, water reserves and water treatment, waste management, etc.), prices and housing availability and affordability, etc.
- Insufficient regional financing
- Environmental and territorial risk
- A tax on tourism accommodation may provide
 - Additional public resources to correct social imbalances
 - Financing sustainable tourism development
 - Resources to correct economic and environmental imbalances

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Tourism accommodation tax in the Balearic Islands (ITS)

- Regional tax: in other regions the tax corresponds to municipalities
 - First attempt: 2001 (repealed in 2004)
 - Second attempt 2016, currently in force (the party that repealed the tax in 2004 maintained the tax in 2023 after the elections)
 - Revenues are earmarked to some specific policies
 - Environmental protection
 - Sustainable tourism and tourism competitiveness
 - Balanced territorial development and compensation of social costs
- Its name is Sustainable Tourism Tax (ITS in Spanish)

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ITS in the Balearic Islands

- Levied on tourism stays in all type of tourism accommodation facilities (person/day)
 - €1–2 basic accommodation
 - €2–3 mid-range
 - €4 high-end
- Under -16s exempt
- Reduction according to the season (75% low season) and number of days (50% stays of more than 8 days)
- Accommodation providers collect the tax and transfer the revenues to the Government of the Balearic Islands:
 - Objective estimation system (provider collects the tax but revenue transfers are estimated according to some variables)
 - Direct assessment (provider collects the tax and transfers real revenues). Excessive bureaucracy.

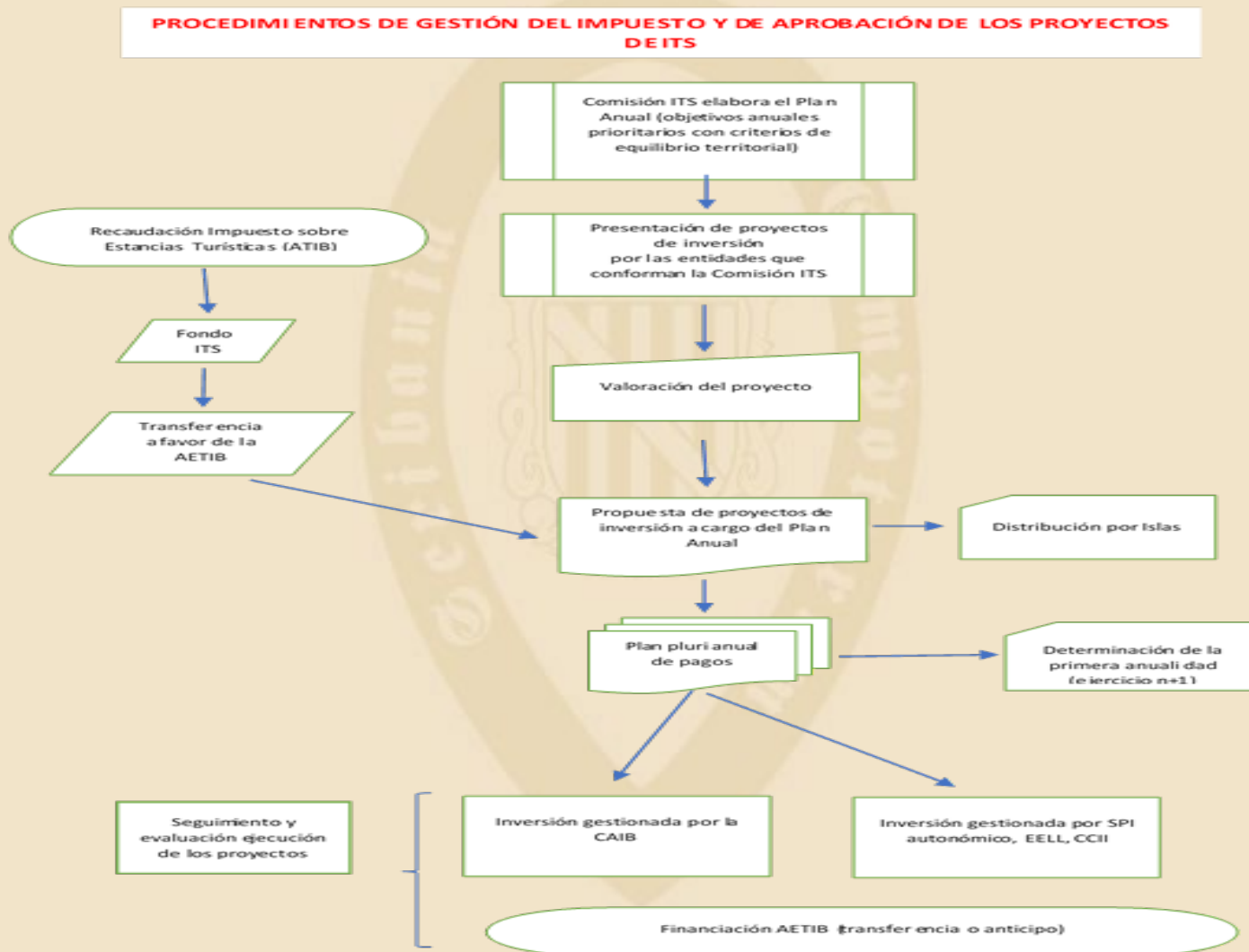
Revenue and project management

- Creation of a Sustainable Tourism Fund
 - Receives all revenues collected by RG
 - Aimed at funding sustainable projects.
- Creation of a Sustainable Tourism Commission (STC).
Participants:
 - Public authorities and social partners
 - Sets annual priorities and decides the projects to be financed
- A public agency (AETIB) is in charge of:
 - Project management (not project implementation)
 - Transfers to beneficiaries and monitoring

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Revenue management



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Revenues

ITS REVENUES (THOUSAND EUROS)	
FISCAL YEAR	REVENUES
2016	33.999
2017	56.622
2018	119.612
2019	131.607
2020	36.810
2021	30.395
2022	151.646
2023	138.079
TOTAL	698.770

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5.1

Revenues and Projects

PROJECTS FINANCED WITH ITS REVENUES (THOUSAND EUROS)

YEAR	REVENUES	COVID-19 (2020-2022)	PROJECTS (INITIAL)	PROJECTS (FINAL)	PROJECTS (WORK IN PROGRESS)	PROJECTS (EXECUTION 100%)
2016	33.999	-	19.331	11.461	1.606	824
2017	56.622	-	111.733	96.545	50.261	10.583
2018	119.612	-	67.645	51.689	5.868	29.367
2019	131.607	-	106.507	66.211	24.088	18.273
2020	36.810	36.810	-	-	-	-
2021	30.395	30.395	-	-	-	-
2022	151.646	151.646	-	-	-	-
2023	138.079	-	71.734	71.734	71.734	-
SUBTOTAL	698.770	218.852	376.949	297.640	153.557	59.047
Extra-ordinary Plan 2023	-	-	69.373	69.373	69.373 (*)	-
TOTAL	698.770	218.852	446.322	367.013	222.930	59.047

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Execution

PROJECTS' STATUS (31/12/2023)

ANNUAL PLAN	NUMBER OF PROJECTS				
	APPROVED ANNUAL PLANS	APPROVED (FINAL) (1)	IMPLEMENTED 100%	WORK IN PROGRESS	PENDING
2016	46	6	1	5	0
2017	62	50	10	37	3
2018	48	31	12	18	1
2019	68	46	10	32	4
SUBTOTAL (2)	224	133	33	92	8
2023	27	27	0	0	27
TOTAL	251	160	33	92	35

(1) Excluding projects suspended and/or withdrawn.

(2) Subtotal without considering projects approved Annual Plan 2023.

Auditing ITS

The report focuses on auditing:

- The destination of revenues (macro perspective).
- Revenue management (both from a budgetary and financial perspective, considering all public institutions involved, Regional Government and AETIB).
- Project management (project monitoring, complementary to that run by the beneficiaries)
- Evaluation of projects and fulfillment of regulation concerning the impact of ITS on the environment, productivity, social targets, etc.

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7.1

Conclusions

- **Financial aspects:**
 - High revenue capacity
 - The flow of budgetary resources and payments between CAIB and AETIB causes accounting mismatches in AETIB's accounts and accounting inconsistencies with CAIB's financial data.
- **Project management:**
 - The body responsible for the management and monitoring of approved projects has designed control procedures that it does not implement. This entails internal control risks that do not allow for a favorable opinion on project management (monitoring reports, project settlements, execution deadlines, etc.), even though the explicit control of projects lies with the beneficiary entities.
 - Same issues were identified in internal audits by the Inspectorate General (IG) in 2019, 2020, and 2021, and by 2023 nothing had changed.
 - Need for management improvements

Conclusions

- **Project implementation**

- The projects that are best executed are those related to grants, subsidies and procurement.
- The level of execution of investment projects financed by the tax is rather low, partly because:
 - they are implemented by other public administrations with limited resources to carry them out (and a high level of bureaucracy),
 - very often projects are approved based on mere proposals that require further development work,

Conclusions

- **Tax assessment. The following issues are unknown**
 - the impact on the number of stays (price elasticity and income elasticity)
 - the distribution of tax burden between users (prices) and providers (business profits).
 - the macroeconomic impact (number of stays, tourism expenditure) and environmental impact (impact on natural resources, carrying capacity, land use, waste generation, etc.).
 - the socioeconomic impact (impact on real wages in the sector, housing market, labor conditions, etc.).

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Proposals

- Consider the possibility that the CAIB once again undertakes the management of the Fund for the Promotion of Sustainable Tourism
- Ensure the application of the administrative procedure in all phases of the management of the funded projects.
- Conduct an exhaustive review, during the selection of projects to be proposed by the STC, to ensure that the submitted proposals include both the reports and the economic feasibility studies, legal feasibility studies, and execution schedules prepared in a thorough and realistic manner.
- As stated in Article 53 of Decree 35/2016 priority should be given to projects that can be executed immediately, or projects that do not require the joint participation of other administrations or third parties, as well as those that are urgent for objective reasons of public interest. Greater value should also be given to projects with lower maintenance costs and/or recurring expenditure and, in general, to those that are more economical, in accordance with the principles of public efficiency and effectiveness.

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Thank you very much for your attention!

Dresden, April 17, 2026