

## Leveraging Tax Incentives to Drive Sustainable Tourism: A Study on Aligning Environmental and Digital Strategies through Tourist Perspectives in the UAE

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### Abstract:

**Purpose:** The United Arab Emirates (UAE) has established bold countrywide goals for sustainability, including its Net Zero 2050 strategic initiative, whilst concurrently expanding its position as a worldwide tourism hub. This observe investigates how focused tax incentives can be strategically leveraged to boost up the adoption of sustainable practices in the UAE's tourism region. It particularly explores the important alignment of environmental objectives and digital techniques, centering the analysis at the views and behavioral drivers of present-day tourists.

**Methodology:** This research employs a blended-techniques method. First, a quantitative survey become administered to a 200 of worldwide travelers touring the UAE to gauge their attention of sustainability, rate sensitivity, and the capacity influence of direct economic incentives (VAT rebates on eco-certified inns and activities) on their decision-making. Second, semi-established interviews were carried out with key stakeholders, such as resort managers, excursion operators, and tourism policymakers, to understand the industry's readiness and perceived obstacles to enforcing green projects. Finally, a comparative analysis of current digital tourism platforms and mobile applications become executed to identify satisfactory practices for speaking sustainability credentials and turning in incentive-based rewards.

**Findings:** The findings reveal a widespread "say-do" hole amongst tourists; at the same time as a majority explicit a choice for sustainable alternatives, value and comfort remain dominant elements in their very last selections. The observe suggests that visible and without difficulty redeemable tax incentives, communicated via incorporated digital structures, ought to efficaciously bridge this gap. Tourists demonstrated a strong desire for a unified cell software that transparently verifies a enterprise's eco-credentials, calculates their capability financial savings, and allows seamless booking. From the industry perspective, a primary barrier is

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the perceived complexity and value of green certification and retrofitting. A digitally streamlined manner for making use of for and reporting on tax incentives become recognized as a critical enabler for wider adoption. Implications: The study concludes that coordination between fiscal and digital innovation is crucial to conducting sustainable tourism. It proposes a model where the government-supported encouragement is not only a back-end surplus for businesses, but a front-end marketing tool to influence the consumer's choice. Research offers action-rich recommendations on the formulation of a profit-based tax incentive framework for UAE decision-makers available through transparent, digital channels, and has been adapted to direct tourist values. For tourism operators, it emphasizes the stability of their most important business strategy and competitive advantage by entering digital streams. This study contributes to a new, tourist -centered structure to coordinate economic, environment and digital policies to promote the United Arab Emirates and beyond a flexible and durable tourism ecosystem.

**Keywords:** Sustainable Tourism, Tax Incentives, Digital Strategy, Tourist Behavior, Environmental Policy, Green Economy, UAE, Smart Tourism.

## 1. Introduction

The United Arab Emirates stand as a global paradigm of ambitious changes, quickly developed from a regional trade hub to a large center for trade, innovation and tourism. This vision is the central tourism sector, which is an important pillar of the country's economic diversification strategy away from hydrocarbon addiction. The world -class iconic sites, world -class programs and luxurious hospitality have deployed UAE as a top global destination, aiming to attract 40 million hotel guests annually by 2030. However, this development path presents an intensive challenge: Balancing the tireless discovery of tourism extension with environmental stability and imperative flexibility.

The global climate crisis and the growing demand for responsible travel have set permanent tourism ahead of the industry's agenda. Tourists are awake for their organic footprints, looking for destinations and operators showing real environmental management. In response, UAE has launched important initiatives such as 2050 Strategic Initiative and National Tourism Strategy 2031, which is clearly to strengthen the status of the UAE as a major permanent tourist destination. Nevertheless, national strategy requires powerful and new economic equipment to translate into ground level industrial practices.

This is the place where tax enlightenment appears to be a powerful, yet low, policy tool. Traditionally used to invest or encourage specific areas, fiscal policy can be strategically combined with stability goals. Incentives such as tax credit for certification of green construction (LEED, Estidama), reduced tourism fees for

environmentally friendly operators, or can significantly reduce financial blockage for rapid depreciation hotels, tour operators and developers in installations of renewable energy. However, the effectiveness of these incentives is determined not only by their designs, but also determined by their perception and receipt of their final recipients - malignant and businesses serving them.

At the same time, the UAE is a leader in digital change of the economy. Integration of digital strategies as a unique opportunity to enter and improve blockchain stagnation efforts from AI-operated smart destinations and for digital marketplace and apps for transparency in the supply chain. Digital platforms can measure and manage the consumption of resources, provide transparent information to tourists to create an environmentally conscious alternative and create a spontaneous, paperless experiences that reduce waste. The important Nexus lies in coordinating these digital tools with the environmental agenda, creating a collective effect where technology enables and verifies stability.

However, there is a significant difference in understanding the perspective of the demand party. While decision makers can design incentives and use business technologies, the success is eventually driven by tourist acceptance and behavior. Worse tourists to sufficient stability for this to affect their ordering decisions? Choosing the visible evidence of the encouraging green initiative one by one by choosing one hotel on the other? How do they see the role of digital tools - such as an app that tracks their carbon savings - to increase their permanent travel experience?

Therefore, this study wants to investigate the capacity of an integrated strategy, which benefits from fiscal policy (tax enlightenment) to clearly combine with all digital changes in the UAE, with all digital changes. The purpose is to answer main questions: How can tax incentives be structured to promote environmental practices in the tourism industry most efficiently? How can digital strategies be used to maximize the effect and visibility of these practices? The most important thing is how tourists see this adjustment, and what is its impact on their destination, satisfaction and loyalty?

By discovering this tripartite relationship, this research will provide valuable insight to the UAE decision - makers, tourism authorities and stakeholders in the industry. Conclusion will contribute more efficient, evidence -based policies that not only promote a green tourism sector, but also increase the competitive advantage of the UAE by matching the values of modern, conscious travelers. This study assumes that the future of tourism in the United Arab Emirates is not in the Committee between Development and Stability, but to ensure a flexible and rich future strategically to melt to economic, environmental and digital policies.

## 2. LITERATURE REVIEW

### A. Tax Incentives

Tax incentives are tax equipment used by governments to influence behavior by reducing the tax liability of businesses or individuals who do the desired activities (James, 2015). In economic theory, they act as a supplement, which reduces the costs of using sustainable practice or technologies, and correcting market failure, where the social costs of pollution are not reflected in market prices (Pigau, 1920).

**Encouragement to the supply side:** Research has traditionally focused on encouragement for companies. These include discounts to invest in tax credit, fast depreciation and renewable energy (solar panels), energy-competent equipment, water-saving technologies and waste management systems (Önder & Nunter, 2022). Literature suggests that such incentives can significantly reduce the capital expansion barrier for hotels and tour operators, which can improve their return on investments for green projects (Sari and Negra, 2020)

**Incentives on the demand side:** Low incentives are directly aimed at tourists. These may include tax exemptions or VAT deductions to choose eco-certified housing, buy lasting hiking packages or use little carbon control (Gösling et al., 2019). The effectiveness of these measures is the principle of requiring price elasticity and the consumer's environmental awareness.

Consensus is that although tax incentives are effective, their design is important. They should be sufficient, easily accessible and sufficient to replace the decision tones (World Bank, 2021).

### B. Sustainable Tourism: From Concept to Imperative

The concept of sustainable tourism has evolved into a central pillar of the global tourism strategy with a niche interest. "Sustainable tourism, as defined by UNWTO (2020), is "tourism that takes full care of its current and future economic, social and environmental influences, which meets the needs of visitors, industry, environment and host societies." Inspired by concern about the climate change and overtourism of literature (Higgins dassabils, 2018), some of the travelers shed light on a growing "eco-consciousness".

However, there is a frequent "price action gap", where tourists express the desire for stability, but often prefer costs, convenience and luxury in their actual ordering decisions (Juvan & Doolikar, 2014). This difference presents a central challenge: How to make the durable option easy and economically attractive. Research indicates that tax incentives such as regulation ("stick") and moral convention ("preaching"), such as economic "carrots" are required to bridge this interval (Gösling & Scott, 2018).

Sustainable tourism is usually defined as tourism that meets the needs of current tourists and host areas by protecting and strengthening the opportunities for the future balance of environmental protection, socio -

cultural integrity and long-term economic benefits. Contemporary literature affects Sustainable tourism both as a political challenge (the design of incentive and regulation) and a market/behavioral challenge (shape tourist alternatives and fixed practice). Literature attracts environmental economics (externality, Pigvian taxes), public finance (organization of tourism revenue) and innovation (decision of green technologies by companies) (Prihadi, et al, 2024)

Sustainable tourism in the UAE encompasses several key dimensions that collectively aim to balance environmental preservation, economic growth, cultural heritage, and social responsibility. Here are the main dimensions based on recent insights: (Alameeri, et al, 2018)

**Environmental Sustainability:** The UAE promotes eco-conscious practices to reduce the environmental impact of tourism. This includes encouraging green hotels, sustainable architecture, and nature-oriented activities such as those in the Dubai Desert Conservation Reserve. Key environmental initiatives focus on carbon reduction, water conservation, waste management, and the integration of renewable energy sources to minimize the ecological footprint of tourism activities. Efforts like Platinum Heritage Desert Safaris combine tourism with protection of natural environments and cultural heritage, offering educational experiences that raise awareness about conservation

**Economic Sustainability:** Sustainable tourism in the UAE is designed to boost the competitiveness of tourist attractions while ensuring long-term economic benefits. This includes supporting local businesses and creating jobs that contribute to the national economy without compromising future resources. The UAE's leadership in sustainable tourism policies has enhanced its reputation internationally, attracting both domestic and international tourists who value responsible travel

**Cultural and Heritage Preservation:** Protecting and promoting the UAE's cultural heritage is a vital dimension. Sustainable tourism initiatives aim to preserve local traditions and historical sites while integrating them into tourism experiences that educate visitors and foster respect for the local culture

**Social Responsibility and Community Engagement:** Sustainable tourism encourages responsible travel practices that minimize negative impacts on local populations and promote positive interactions between tourists and communities. This includes waste reduction, resource conservation, and supporting green behavior among visitors and service providers

**Innovation and Collaboration:** The UAE emphasizes innovation and international cooperation to develop sustainable tourism policies. Events like Expo 2020 Dubai have served as platforms for collaboration, creativity, and showcasing sustainable tourism innovations.

### 3. HYPOTHESIS

Therefore, the following hypotheses were formulated {see figure 1}

- H1 There is a positive significant effect of Tax Incentives on Sustainable Tourism.
- H1-1 There is a positive significant effect of Encouragement to the supply side on Sustainable Tourism.
- H1-2 There is a positive significant effect of Incentives on the demand side on Sustainable Tourism.

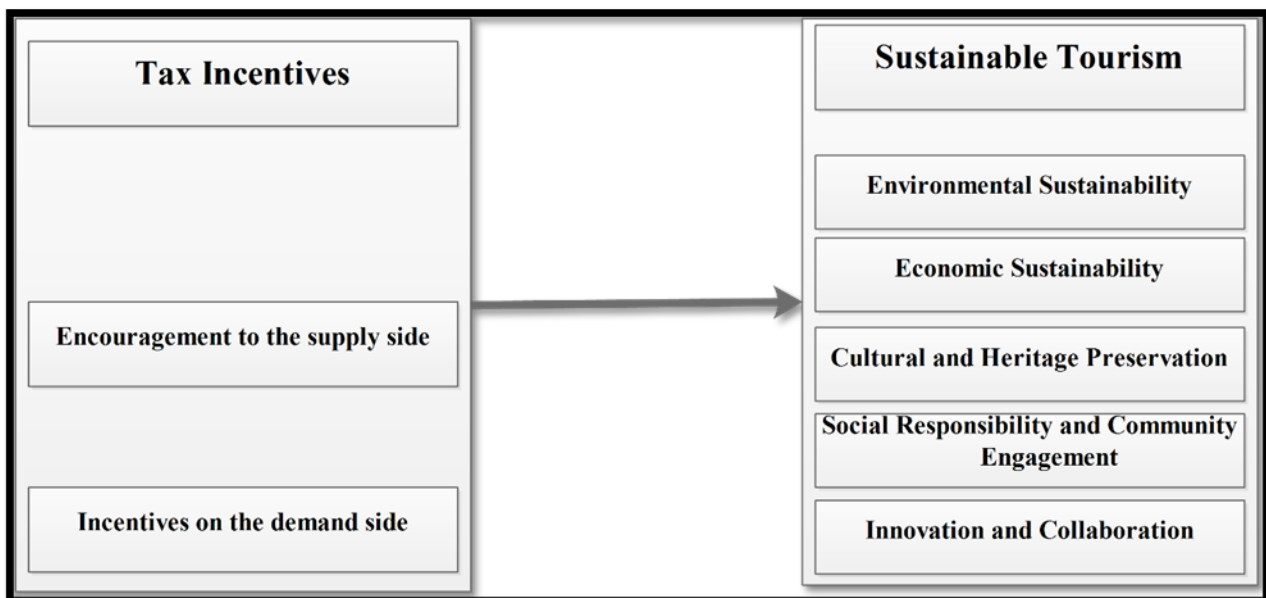


Figure 1. Hypotheses Diagram

### 4. MEASUREMENT

The study adopted established instruments from previous studies to measure Tax Incentives and Sustainable Tourism. Table 1 provides used measures.

Table 1. Measurement of variables

Variable's code	Items	source
TI	3	(Charlwood, 2021) (Dawson, & Agbozo, 2024)
• ETS	3	
• ITD	3	
ST	3	(Gupta, 2019) (Mujtaba, et al, 2022)
• ENS	3	
• ECS	3	
• SHP	3	
• SRCE	3	
• IAC	3	

Source: By author based on literature in the Table

## 5. DATA COLLECTION

The questionnaire was distributed the use of a random sampling approach, with Tourist Perspectives in the UAE. From May. 1, 2025, to Sep.1, 2025, a complete of 200 legitimate responses have been amassed, which have been deemed suitable for statistical analysis.

## 6. DATA ANALYSIS

Information analysis is accompanied by a 3-phase method. First, a descriptive analysis provided an overview of the collected characters. The latter stages included a two-degree PLS-Sem analysis, including (A) to compare the validity and reliability of the measurement model and examine the structural model, including the path analysis to investigate the planned ratio.

### A. Descriptive Analysis

Descriptive analysis goals to summarize the collected items. As proven in Table 2, Mean and standard deviations for variables. All variables have crossed the approximate average of three on the 5-factor like the scale, indicating variability in the studied pattern.

Table. 2 Descriptive analysis results

Variable	Mean	Standard Deviation
TI - IV		
• ETS	4.028	0.583
• ITD	4.290	0.609
ST- DV		
• ENS	4.206	0.575
• ECS	4.147	0.712
• SHP	4.043	0.494
• SRCE	4.183	0.659
• IAC	4.052	

Source: By author based on SmartPLS software outputs

#### B. Measurement model

According to Hair et al. (2017), the measurement model should meet three key criteria:

Internal consistency reliability, with composite reliability values of at least 0.60 and Cronbach's Alpha of 0.70 or higher.

Indicator reliability, where standardized loadings should reach a minimum of 0.70.

Convergent validity, indicated by an average variance extracted (AVE) value of 0.50 or above.

A dimension model became evolved using SmartPLS V.4 software, and the outcomes—provided in (Table 3)—met all the required assessment criteria.

Table 3. Measurement model

items	Factor loading	Cronbach Alpha	composite reliability	AVE
ETS1	0.778	0.77	0.85	0.58
ETS2	0.756			
ETS3	0.744			
ITD1	0.772	0.79	0.86	0.59

ITD2	0.806			
ITD3	0.761			
ENS1	0.819	0.77	0.84	0.61
ENS2	0.763			
ENS3	0.792			
ECS1	0.839	0.74	0.83	0.55
ECS2	0.770			
ECS3	0.748			
SHP1	0.705	0.78	0.88	0.53
SHP2	0.733			
SHP3	0.799			
SRCE1	0.793	0.76	0.828603	0.57
SRCE2	0.801			
SRCE3	0.822			
IAC1	0.721	0.79	0.87	0.594317
IAC2	0.770			
IAC3	0.807			

Source: By author based on SmartPLS software outputs

### C. Structural Model

To test the ratio of the studied variables became a path model designed using SmartPLS V.4, where each path (ratio) is important when T-Value > 1.96 and P-Value < 0.05. Table 4 shows results.

Table 4. Path Analysis

Hypothesis	path	path coefficient	t-Value	P-value	Result	R <sup>2</sup>
H1	TI → ST	0.775	9.023	0.000	Accepted	0.813
H1a	RS → ST	0.569	5.190	0.000	Accepted	
H1b	ON → ST	0.548	4.696	0.000	Accepted	
H1c	PM → ST	0.619	6.171	0.000	Accepted	
H1d	LD → ST	0.603	5.980	0.000	Accepted	

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Source: By author based on SmartPLS software outputs

Table (4) presents the path coefficients; based on the required criteria outlined by Hair et al. (2017), all the hypotheses were accepted. The coefficient of determination ( $R^2$ ) for the main hypothesis was found to be 0.600. This indicates that Tax Incentives explains 60% of the variance in the Sustainable Tourism variable, while the remaining percentage is attributed to factors not addressed in the current study.

## 7. DISCUSSION

The findings of this study provide substantial evidence in support of the hypothesis that Tax Incentives has a positive effect on Sustainable Tourism among Tourist Perspectives in the UAE. Using PLS-SEM, all two hypotheses were retrieved, indicating the importance of each dimension of Tax Incentives in promoting Sustainable Tourism.

The study is consistent with previous literature that Tax Incentives as a whole significantly increases Sustainable Tourism. By t Encouragement to the supply side Incentives on the demand side, UAE Government can improve the Sustainable Tourism provided to Tourist. These findings have practical implications for Tourist in UAE and suggest that fostering a Tax Incentives can significantly improve the effectiveness of Sustainable Tourism in the UAE.

## 8. CONCLUSION AND RECOMMENDATIONS

### CONCLUSION

Taking benefit from tax enlightenment is a powerful strategy that is to promote permanent tourism in the United Arab Emirates by coordinating the environment and digital initiatives with tourism expectations. The UAE National Tourism Strategy 2031 has been emphasized that providing tax incentives and other financial benefits encourage investments in the private sector that are important for permanent tourism development

This approach helps balance economic growth with environmental conservation, ensuring that tourism development does not compromise natural resources

Furthermore, integrating digital solutions enhances tourists' experiences and supports sustainability goals by improving service delivery and increasing awareness of eco-friendly practices. Tourists increasingly value destinations that demonstrate commitment to sustainability, and government-backed incentives can motivate businesses to adopt greener technologies and practices, creating a positive feedback loop between environmental stewardship and digital innovation.

## Comparison with Similar Studies

**Sustainable Tourism in South Asia:** A study examining the tourism-environmental degradation nexus in South Asian countries found that effective policy measures, including tax incentives, can significantly influence sustainable tourism practices. This aligns with the UAE's approach, where tax incentives are seen as a catalyst for encouraging eco-friendly investments and practices (Alam, et al, 2022).

**Green Tourism Initiatives:** Research on green tourism initiatives in the UAE indicates that the country is making strides in transforming its tourism landscape through sustainable practices. This transformation is supported by government policies that promote eco-friendly tourism, similar to the findings of the UAE study, which suggests that tax incentives can enhance the adoption of sustainable practices among businesses (Markose, et al, 2022).

**Digital Transformation in Tourism:** The role of digital innovation in enhancing sustainable tourism has been documented in various studies. For instance, the integration of digital tools in tourism operations not only improves efficiency but also aligns with sustainability goals by optimizing resource use. This is consistent with the UAE's strategy to leverage technology for sustainable tourism growth, as highlighted in the study (Kindzule-Millere, et al, 2022).

## Recommendations

The study provides the following recommendations:

- ✓ **Enhance Awareness and Education:** It is important to raise awareness among businesses and tourists about the benefits of tax incentives related to sustainable practice. Educational programs can help stakeholders understand how these incentives can cause financial and environmental benefits with long time.
- ✓ **Strengthen Collaboration:** Parental partnerships between state institutions, private sector stakeholders and communities to create a harmonious approach to permanent tourism. Collaborative efforts can lead to innovative solutions that interact with environmental goals with economic growth.
- ✓ **Monitor and Evaluate Impact:** Install a strong structure to monitor and evaluate the effectiveness of tax encouragement to permanent tourism practices. This will help to understand the effect of these incentives and make necessary adjustments to increase efficiency.

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- ✓ **Promote Digital Solutions:** Encourage the adoption of digital technologies in tourism operations to improve efficiency and sustainability. Providing support for businesses to integrate AI and other digital tools can enhance their ability to meet sustainability goals while improving customer experiences.
- ✓ **Expand Tax Incentive Programs:** Consider expanding the limit for incentive by offering several areas in the tourism industry, such as environmentally friendly housing and permanent transport options. It can stimulate widespread participation in permanent practice in the tourism ecosystem.

## Disclosure Statements:

- **Ethical approval and consent to participate:** Participation in the research was approved in accordance with the journal's guidelines.
- **Availability of data and materials:** All data and materials are available upon request.
- **Authors' contributions:** The authors are responsible for all aspects of the research, including content, analysis, methodology, and the final review.
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