

NEW FIGURES REVEAL £350 MILLION BENEFIT TO TREASURY OF TAX-FREE SHOPPING

- *A new Oxford Economics report reveals that the Treasury's estimate of a £2 billion cost to reintroduce in the UK is inaccurate*
- *Treasury set to benefit by £350 million each year through the direct cost, additional spending and job creations*

10th November 2022 – A new report released today, commissioned by the Association of International Retail, has revealed that the Treasury's estimate of a £2 billion annual cost to reintroduce tax-free shopping in the UK is inaccurate, with the Treasury actually set to benefit by £350 million each year.

Oxford Economics' report estimates that the real direct cost to the Treasury of refunded VAT would be £590 million, less than one third of HMT's estimate. The measure would bring in an additional 1.6 million visitors in the first full year, spending an extra £2.1 billion. The total economic impact of the boost in foreign visitor numbers and spending across the country would be £4.1 bn annually, which would support 78,000 jobs across the UK.

While the direct cost is set to be £590 million, tax-free shopping is expected to generate additional economic activity worth £940 million in tax take, leaving a net positive impact to the Treasury of £350 million. Because this additional spending is generated from international visitors, this estimated impact on GDP and tax take will be significantly higher than from a policy that incentivises UK spending

Paul Barnes, Chief Executive of the Association of International Retail, said: *"Today's report strongly indicates that tax-free shopping will have a net positive impact on the UK economy, providing the Treasury with an additional £350 million in revenue, rather than costing £2 billion.*

"At a time when the economy is facing a major downturn, and businesses across the country are looking for any opportunity to boost their income, we have an additional 1.6 million affluent visitors ready and waiting to flock to our shores and spend money in our shops, restaurants, hotels and tourist attractions."

The report highlights that the projected difference from the Treasury's own figures is likely due to an assumption that the average value of refunds would be the same for both EU and non-EU visitors, an overestimate in the total value of tax-free shopping refunds that would be claimed, alongside a failure to include the tax-free shopping policy's impact on visitor behaviour.

Sir Geoffrey Clifton-Brown MP for the Cotswolds and Deputy Chair of the Public Accounts Committee, said: *"The Chancellor has thrown away one of the few measures in the Growth Plan*

that had been widely welcomed – the reintroduction of tax-free shopping. Today's research demonstrates that restoring the low-cost measure would deliver a significant and instant boost to our economy. I urge the Chancellor to reconsider tax-free shopping as he looks for future growth policies that improve our economic outlook."

The Association of International Retail, alongside other leading industry figures, is calling on the Chancellor to request that the Office of Budget Responsibility (OBR) reviews the Treasury's original estimates, so that the Government might make a decision based on full and accurate information as to the economic impact of tax-free shopping.

Barnes added: *"We cannot afford to throw away a policy that would likely prove to be a huge financial lifeline for the livelihoods of countless hard-working British people, alongside the wider economy. We urge the Chancellor to ask for an independent review into the full economic impact of tax-free shopping, preferably by the OBR, so that a considered decision can be reached that is based on complete and accurate information."*

Since the Government ended tax-free shopping in 2020, Britain is now the only European country not to offer tax free shopping to international visitors.

Today's figures follow the Department for Digital, Culture, Media and Sport's Select Committee's (DCMS) *'Promoting Britain abroad'* report, published on Monday 24th October 2022. The report suggests that the decision to remove tax-free shopping has made Britain less appealing to international tourists, while increasing the appeal of competitor cities in Europe. The Select Committee also recommends that the Government should publish an assessment into both the direct and indirect impact that tax-free shopping will have on the economy.

Derrick Hardman, Managing Director, UK & Ireland at Global Blue said: *"With access to behavioural data for over 13 million international shoppers, we know that tax-free shopping is a powerful driver that can enhance the visitor experience and encourage tourists to spend more money when abroad. The UK Government is missing a valuable opportunity by not considering the reintroduction of tax-free shopping, which would be a real 'Brexit Bonus' and strong growth lever, particularly in the regions to support its levelling-up agenda. It could make the UK the premier shopping destination of Europe."*

Nick Brooks-Sykes, Director of Tourism for Marketing Manchester, said: *"Pre-pandemic Manchester's visitor economy supported almost 55,000 jobs in Manchester. The reversal of tax-free shopping is a hammerblow and makes Manchester, and other local economies across the UK that are so dependent on tourism, a less attractive place for important international visitors."*

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Notes to Editors

About Association of International Retail (AIR)

Launched in March 2020, AIR works together with businesses, organisations and Government to ensure that the policy and economic environment allows international retail in the UK to realise its full growth potential.

Our aim is to help retailers throughout the UK enhance their sales to international visitors. AIR's focus is on communicating the importance to the sector, identifying and promoting policy changes that will help drive growth and providing market and international competitor research.