**WPQ**

**Kieran Mullan**: To ask the Chancellor of the Exchequer, what assessment he has made of the implications for his policies of the conclusions of the report by Oxford Economics entitled Assessing the impact of tax-free shopping in the UK, published in November 2022.

**James Cartlidge MP:**Following the initial withdrawal of VAT-free shopping in November 2020, the independent Office for Budget Responsibility (OBR) published their assessment of the withdrawal of the schemes. Their assessment showed that withdrawing the scheme would raise a significant amount of revenue and have a limited behavioural effect on decisions to visit, or spend, in the UK.

The Treasury has reviewed the Oxford Economics report and remains confident in the OBR’s analysis

In particular, the findings of the Oxford Economics report are underpinned by an assumption that introducing VAT-free shopping will generate an additional 1.6 million visitors to the UK.

We do not recognise these figures. The OBR, using a higher than usual price elasticity of demand to account for VAT-free shopping being targeted at luxury goods, put this figure at 20,000-30,000 for non-EU visitors, which would imply a figure of 60,000-80,000 of total visitors (EU and non-EU). That is about 5% of the report’s 1.6 million estimate. Reflecting this difference in estimates of additional visitors could lead to their report overstating the potential extra revenue by around £1 billion.