

The case for introducing a new VAT-free shopping scheme for all international visitors to the Britain to create rapid growth across the whole of the UK, benefiting the economy and the Exchequer

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1. **Businesses are seeking commitment in the Government's forthcoming Visitor Economy Growth Plan to introduce a new VAT-free shopping scheme for all international visitors.** Within the lifetime of this Parliament, this would generate rapid growth across all the UK both by winning back those non-EU travellers who are diverting to France, Spain and Italy and by establishing a valuable new, VAT-free-shopping-led, EU tourist market, unique to Britain. This would create and support thousands of new, accessible jobs in all regions of the UK, and make Britain the number one choice for global shoppers and retail investors at no cost to the Exchequer.
2. **Britain is already a top ten global visitor destination** in the fast-expanding international visitor economy. From 2009-2019 average annual spending growth was 6% against 1.7% for the economy.
3. **Shopping is a major attraction for international travellers.** Britain's world-renowned shopping experience is a strong foundation for growing international visitor numbers and spending to meet the Government's ambitious growth targets.
4. **Britain could be the only large European country offering VAT-free shopping to the 450 million EU residents,** now the UK is no longer in the EU. These would be additional visitors, spending additional money in hotels, restaurants, and on travel, culture and entertainment, all of which generate additional VAT for the Exchequer. As an example, if EU visitor spending was at the same level as British tax-free shopping in the EU £730m despite six times the population, and the ratio of tax-free spending to taxed spending was the same as for non-EU visitors in 2019, this would suggest a total additional spend of £3.65bn, with VAT charged on 2.92bn
5. **Britain can create the best new tax-free shopping scheme,** with Government and business working in partnership to attract a fresh generation of international shoppers and increase their spending levels across the UK.
6. **The regions outside London would be big winners.** EU residents travel to the UK more often than long-haul travellers, often exploring outside London of using low-cost flights to regional airports. Already half of EU visitor spending is done outside London meaning that this new shopping-led market would be a £1.8bn economic boost to UK's regions outside London.
7. **Britain would be the number one choice for retail investors** seeking to open European flag ship stores or to grow their European presence due to its competitive advantage as the only major European destination to offer VAT-free shopping to all international visitors would make it the. And as retail investment grows, so does complementary investment in hospitality, leisure and travel.
8. **Britain's high streets would benefit,** with additional foreign spending and investment helping to revitalise town and city centres across the UK at a time of increasing costs and competition
9. **The sector's productivity will increase** as international visitor spending increases

10. **A new scheme would help to trump the tariffs.** International visitors can claim back the VAT paid because their goods are classed as “retail exports”. But most countries chose not to enforce import charges as travellers return home with their purchases, making these exports effectively tariff-free. AIR estimates that shopping would be Britain’s 11th largest export sector for goods.
11. **Britain’s soft power will be strengthened.** Evidence shows many high spending travellers, particularly from GCC states that are important investor partners for the UK, are diverting much of their spending and travel away from Britain and choosing instead to spend in France, Spain and Italy. Introducing a new VAT-free shopping scheme will reverse the decline in the soft power pull of shopping and the transfer of loyalty and familiarity by some of Britain’s major current and potential investors away from the UK and instead to EU competitors. In 2019, 62% of the £2.1 bn GCC spending in the EU was in the UK and 20% in France. In 2022, GCC retail spending in France had increased by 98% above 2019 levels while in the UK it had fallen by 35%.
12. **New data suggests a net benefit to the Exchequer, not a cost.** The previous government ended VAT-free shopping because of the forecast costs of extending the scheme to EU visitors. The evidence of British travellers now shopping tax-free in the EU shows a new market created, generating additional spending and VAT on accommodation, travel, leisure and shopping. AIR believes that the new data now available shows a net benefit to the Exchequer, not a net cost.
13. **Pressure to raise domestic taxes would be reduced.** Removing a tax on one small part of international visitor spending means less pressure to raise taxes at home. International travellers can choose where to visit and spend. The evidence is consistent in showing that ending VAT-free shopping has deterred a significant number from visiting and spending in the UK. Introducing a new VAT-free shopping scheme will encourage them back, spending more and generating more revenue for the Exchequer by bringing additional foreign money into the UK economy. Which reduces the pressure for tax-rises on British people and businesses.
14. **Industry will cover the costs of running the scheme.** The other cost-factor to consider is designing, installing and managing a fully digitalised system. But the industry has offered to provide this at no cost, meeting all the Government’s requirements without spending a penny of taxpayers’ money.
15. Retail, hospitality, leisure, culture, travel and tourism businesses across the UK are asking the Government to include a commitment to introducing a world-beating new VAT-free shopping scheme in the Visitor Economy Growth Plan to reap the benefits of growth from making Britain the world’s best place for international shopping.

You can see AIR’s submission on VAT-free shopping made to the Visitor Economy Advisor Council for potential inclusion in the Visitor Economy Growth Plan at www.internationalretail.co.uk or by contacting paul@internationalretail.co.uk