



SCOTLAND

Ask the Chancellor,
Please review tax-free shopping.



SCOTLAND

CALL TO ACTION

Scotland is asking the Chancellor - Please review Tax-Free Shopping”

Why review? Because of its £5.65bn growth potential supporting over 100,000 jobs

- A new £3.65bn EU shopping tourism market (based on Brits shopping tax-free in the EU).
 - Including £1.8bn outside London.
 - Create 73,000 new jobs.
- An additional £2bn boost for UK high streets.
 - Win back the £2bn spending by non-EU international visitor now diverted to France, Spain and Italy.
 - Create 40,000 new jobs.
- A £500m boost for the Exchequer in VAT alone.
- Regain Britain’s position as Europe’s top shopping destination.
- Fast growth delivered during this Parliament.

Why review? Because things have changed since 2020 forecasts – new evidence.

- New Government.
- New growth priorities.
- New evidence of behaviour change.
- New evidence of new markets created.
- New studies based on actual spending data.

Why review? Because neither the Treasury nor the OBR has ever reviewed the key Treasury forecast on the impact of extending tax-free shopping to all international visitors.

- In 2020, Ministers were persuaded to end tax-free shopping by a Treasury forecast on the cost of extending the scheme to EU visitors. This forecast has been undermined by all the subsequent evidence.
- The OBR has stated that it has never reviewed this forecast.
- The Treasury has never reviewed this forecast.
- Five years on, it needs to be reviewed.

Why review? Because a review is cost-free, with no commitment and will please thousands of high street businesses across the UK

- New Treasury and OBR forecasts are not a big cost
- No commitment required to any future policy
- Will win support from over 500 businesses across the UK, from Primark to Prada,



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The importance of the international visitor economy to Scotland.

The international visitor economy is hugely important to Scotland, both economically and socially.

Economic Impact

- Total Visitor Spend: Tourism contributes £10.8 billion annually to Scotland's economy, with a substantial portion coming from international visitors.
- GDP Contribution: This accounts for approximately 6% of Scotland's total economy.
- Events Sector: Scotland's share of the UK events industry is £5.5 billion, adding another 3% to the national economy.

Employment & Business

- Jobs: Tourism supports 245,000 jobs, which is about 1 in every 11 jobs in Scotland.
- Businesses: There are 16,045 tourism-related businesses, again representing 1 in every 11 registered businesses.
- Growth: Tourism employment has grown 18% since 2016, outperforming other growth sectors.

International Visitors

- Scotland attracts a significant share of the UK's international tourism:
- 7% of international trips to the UK are to Scotland.
- 8% of international tourism spend in the UK occurs in Scotland.
- Key international markets include North America, Europe, and China, with VisitScotland investing heavily in marketing to these regions.

Broader Benefits

- Tourism supports rural and island communities, helps preserve culture and heritage, and stimulates inward investment.
- It also fosters entrepreneurship, especially in sectors like accommodation, food, and transport.



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The Importance of tax-free shopping to Scotland.

While VisitBritain figures show that last year international visitor numbers for the UK were still 1% below 2019 levels and spending down 8% in real terms, Scotland bucked the trend, outperforming the rest of the UK.

Visitor numbers were up 26% on 2019 and visitor spend up the same amount in real terms to £4bn.

But Scotland could have done even better.

The Association of International Retail estimate could be worth an additional £457 million of international spending in Scotland annually, a further 11% growth, creating over 9,000 jobs.

- Additional non-EU spend on shopping in Scotland would be £92million
- Additional EU spend on shopping, accommodation, hospitality, travel, leisure in Scotland would be £365 million
- Combined additional spending in Scotland would be £457 million
- Combined additional jobs created in Scotland would be 9,140
- Scotland is the manufacturing home of many globally renowned British brands whose future is boosted by additional international spending across the UK



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The benefit to His Majesty's Treasury (HM Treasury).

The Treasury is rightly concerned about ensuring that tax-free shopping is not a cost to the Exchequer.

Initially, during the 2020 COVID-19 lockdown, it was forecasted that there would be a net cost of £1.6 billion in refunded VAT. However, recent evidence, particularly regarding the new market created when British citizens were able to shop tax-free in the EU post-Brexit, suggests otherwise.

Instead of incurring a cost, extending tax-free shopping to the 450 million EU residents could generate a net addition of over £500 million annually for the Exchequer in VAT alone.

The Treasury's original assumption that offering tax-free shopping would have minimal impact on international visitor behaviour, either in terms of choosing to visit a country or their spending levels, is not supported by the evidence.

While we do not expect the Treasury to accept this data without question, we believe that the significant difference between the old and new forecasts warrants a review. This time both the EU and non-EU elements should be scrutinised by the OBR.

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What Scotland Says.

Essential Edinburgh and

Edinburgh Tourism Action Group - China-Ready Initiative

Tax-free shopping is fundamentally crucial for Edinburgh city centre. We aim to promote Edinburgh as the must-visit destination and one of the most China-friendly destinations in Europe to increase the volume and value of Chinese visitors in Edinburgh.

Ending tax-free shopping has put the Edinburgh's position as a shopping destination in risk, which will lead to fewer visits and of those who do visit, fewer will buy good in Edinburgh.



Johnston's of Elgin

Johnstons of Elgin is a traditional textile manufacturer selling to the luxury market internationally.

Tax-free shopping was 52% of sales in our Edinburgh store and 43% in St Andrews. 33% of sales in all six of our stores were tax-free.

"This has damaged our store sales in London, Edinburgh and St Andrews and inhibits our ability to grow UK manufacturing jobs. The UK risks losing its position as a global retail destination. Brands that trade internationally based on UK heritage and cultural cache will find it more difficult to export without these touchpoints to global travellers that take their knowledge of UK brands back to their countries of origin."

Scottish Airports

The effect on Scottish airports is profound. Many regional UK airports are heavily reliant on retail revenue to support their ability to reinvest in infrastructure and attract new routes and carriers. Edinburgh Airport, for example, relied on retail sales for up to 38% of its total revenue in 2019, Aberdeen up to 20% and Glasgow 17%

With duty free alcohol and tobacco sales making up only a small portion of total airside sales, the removal of the Airside VAT exemption has put up to 70% of potential sales at risk at Scottish airports

