



SOUTH EAST

Ask the Chancellor,
Please review tax-free shopping.



SOUTH EAST CALL TO ACTION

The South East 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 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,



SOUTH EAST

CALL TO ACTION

The importance of the international visitor economy to the South East.

The international visitor economy is highly significant to South East England, contributing substantially to regional growth, employment, and investment. Here's a breakdown of its importance:

Economic Contribution

- Inbound visitor spend in the South East was £2.5 billion in 2019, making it the second most visited region in England after London.
- International visitors accounted for over 4 million trips to the region annually pre-pandemic, with strong recovery trends post-2021.

Sectoral Impact

- The region benefits from a diverse tourism offer, including heritage cities (e.g. Oxford, Winchester), coastal destinations (e.g. Brighton, Portsmouth), and countryside escapes (e.g. the South Downs).
- International visitors support a wide range of sectors:
 - Retail: High-spending tourists, especially from the US, China, and Gulf states, drive luxury and outlet shopping.
 - Hospitality: Hotels, restaurants, and attractions see significant revenue from overseas guests.
 - Transport: Regional airports like Southampton and Gatwick (just outside the region) serve as key gateways.

Employment

- Tourism supports over 300,000 jobs in the South East, with a notable share linked to international travel and spending.
- In cities like Brighton and Oxford, tourism-related employment can represent over 15% of total jobs.

Strategic Value

- The region's proximity to London and major ports (e.g. Dover, Portsmouth) makes it a gateway for European and long-haul visitors.
- International tourism helps extend the season and diversify local economies, especially in rural and coastal areas.



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The Importance of tax-free shopping to the South East.

If Britain introduces tax-free shopping, research by the Association of International Retail suggests that for the South East:

- Additional non-EU spend on shopping would be £200m
- Additional EU spend on shopping, accommodation, hospitality, travel, leisure would be £365m
- Combined additional spending would be £565m
- Combined additional jobs created would be 11,320

In addition, introducing tax-free shopping for EU visitors would enhance the business case for reopening Ashford International Station.



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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.

