



Rt Hon Jesse Norman MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Minister,

Tax Free Shopping Consultation

We are writing to urge you to extend the tax-free shopping system to visitors from EU member states when the transition period ends on December 31st 2020.

Our letter is supported by over XX senior industry leaders from retail, hospitality, tourism, entertainment and culture as well as political leaders from across the UK.

Visitors from the EU account for around 70% of all international visitors to Britain. Even before COVID-19, making EU visitors eligible for tax-free shopping made perfect sense for boosting the UK economy after Britain leaves the EU. We estimate that it would generate around £1.4 billion additional annual retail sales throughout the UK and a total of £2.1 billion for the wider tourist economy. This would support over 28,000 retail jobs.

But COVID-19 has now made this measure even more important. Retail, hospitality and tourism are some of the worst affected industries. Retail sales to overseas visitors, usually £6 billion each year, have collapsed. Major stores that depend heavily on international shoppers have already announced redundancies and many hotels that rely on high value international guests have yet to re-open.

It is clear that the slow recovery of international visitor numbers will be led from Europe as traditional long-haul markets are slower to recover. America is still in the middle of its public health crisis and a worsening diplomatic relationship with China may slow any return of high spending Chinese visitors. VisitBritain is concentrating its marketing budget on European countries.

Extending tax free shopping would be a great additional incentive to visit the UK from Europe to complement VisitBritain's and the GREAT Britain campaign activities. Shopping is one of the top reasons for people visiting Britain.

Some EU member States have tax-free shopping regulations like the UK's which simply excludes visitors from EU member states. That means that, by default, British visitors will automatically be able to shop tax free in some EU countries when the UK ceases to be an EU member state, putting UK retailers at a competitive disadvantage.

While HM Treasury loses from making the refund, it gains much more from all the other taxed expenditure of the increased number of visitors, and additional taxes paid by businesses and

employees. Our study estimates that from every £1.00 refunded by HMT, it gains £1.90 in additional tax¹.

In parallel with extending the scheme to EU visitors, we urge the Government to introduce a quick, low risk, global standard scheme to digitalise the HMRC validation process, as virtually every other major country has already done. This is needed to create an enhanced reclaim system that will provide the additional capacity required to manage significantly higher number of claims and to reduce fraud.

We would appreciate the opportunity to discuss this with you.

Yours sincerely,

Sir Peter Rogers
Chairman

¹ CEBR Report "Understanding the value of tax-free shopping to destination economies. Study No 1: The United Kingdom"