

BY EMAIL

Rt Hon Rishi Sunak
Chancellor
1 Horse Guards Road
London
SW1A 2HQ
United Kingdom

1 July 2020

Dear Chancellor,

Boosting Britain's International Centres

We look forward to your announcement later this month of measures to support a strong economic recovery from the COVID-19 lockdown and aftermath. We are very appreciative of the business support measures you have already introduced to ensure that companies can survive this initial period and contribute to the recovery.

The Association of International Retail (AIR) represents businesses that have an interest on growing the £6 billion annual retail sales to overseas visitors, Britain's 12th largest export sector and a vital part of the UK's attraction to international tourists. Our supporters are from across the UK, and while many are based in the international centres in London, Bicester, Manchester and Edinburgh, this significant level of international spending in major retail chains support their operations in stores throughout the UK.

Given our reliance on international visitors our sector was one of the first to be hit by the impact of COVID-19 and will be one of the last to start recovery. The low footfall in international centres such as the West End since the reopening of non-essential illustrate this well. While most UK high streets are seeing footfall at around 50% of normal levels, the West End is recording footfall at only around 30%.

It's because if this slow recovery, but linked with our sector's strong potential for future growth once international travel restarts, that we would urge you to consider these three key measures to support our recovery at no cost to the Government:

1. Extend tax-free shopping to visitors from EU member states

The Treasury is actively considering the option of extending the tax-free shopping scheme to visitors from EU member states when the transition period ends on 31 December 2020. We strongly urge you to adopt this measure.

EU citizens already form over 70% of all international visits to the UK¹ and are likely to be even more important than long-haul visitors for some period after COVID-19. Adding a tax-free shopping incentive would encourage further visits from our neighbouring countries.

Based on research by the Centre for Economic and Business Research (CEBR) we estimate that this measure would generate up to £1.4 billion in additional annual retail sales². The overall impact on the wider economy would be around £2.3 billion each year.

The current system costs HM Treasury around £500 million annually in tax refunds³ but, as the CEBR research showed, for every £1.00 refunded, the scheme generates £1.90 of additional tax and savings.

The fall in long-haul visitor numbers should provide a window of spare capacity at ports and airports for the paper-based reclaim system. But we still need the rapid implementation of digitalisation of HMRC's validation element of the process, which HMRC is currently considering. Stores do not want the additional cost, disruption and risk of a new, end-to-end bespoke HMRC digitalisation system to replace their existing infrastructure. We urge you to announce that the digitalisation process will build on "off-the-shelf" packages used by most of our international competitors to provide a bridge from retailers' infrastructure to HMRC for real-time validation.

2. Extend existing visa waiver schemes to high net-worth visitors to match and exceed Schengen's offer

High net-worth visitors account for a disproportional level of international retail spending⁴. They are also more likely to travel and return earlier to the UK, in many cases unhindered by additional burdens at airports and airlines.

The UK has offered a single-entry visa waiver scheme in certain Middle East countries which needs to be applied for 48 hrs in advance. We believe that this has now been overtaken by Schengen's visa free travel offer in these states.

We would urge the Government to review the visitor visa system in countries with high spending travellers to enable the UK to compete with our local international competitors.

¹ VisitBritain figures

² CEBR "Understanding the value of tax free shopping to destination economies" available on www.internationalretail.co.uk

³ Report by NAO on the UK's tax-free shopping scheme

⁴ Global Blue report that high net worth travellers are just 0.9% of Chinese visitors to the UK but account for 29% of retail sales to Chinese people with the average spend per trip of £40,000

3. Exempt the London International Centres from Sunday trading restrictions

The UK's international centres compete with global centres such as New York, Dubai and Tokyo. Our Sunday trading restrictions put our international centres at a competitive disadvantage. We support proposals for London's two, geographically defined International Centres to be added to the current list of exemptions in the 1994 Sunday Trading act.

We do not see this as a short term COVID-19 response but as a long term, economic growth measure to enhance the UK's international competitiveness. This is estimated to generate £260 million in additional annual sales and support over 2,000 FTE jobs.

In addition to these three-recovery policies measure we also urge you to review and refine the very welcome existing business support measures to account for sectors and businesses which rely on international visitors who are unlikely to start returning until early 2021.

In particular we would like to explore ways of selective extension of the furlough scheme to ensure that the huge investment that the Government has already made is not wasted through enforced redundancies by otherwise viable businesses that have not yet seen the return of their overseas visitors.

We would be happy to discuss all of their issues with you and your colleagues in greater detail. Thank you again for the Government's outstanding level of support to date which has helped to ensure that many businesses survive to create the economic recovery we all wish for.

With kind regards.

Yours sincerely



Jace Tyrrell
CHAIRMAN

cc

Rt Hon Alok Sharma MP, Busines Secretary
Paul Scully MP, Retail and London Minister
Nigel Huddleston MP, Tourism Minister
Nickie Aiken MP