

BRITAIN TO LOSE UP TO £6 BILLION FROM FALL IN TOURIST SPENDING AS GOVERNMENT AXES TAX FREE SHOPPING

- UK manufacturing, tourism and retail sectors urge the Chancellor to look again at his plans to tax tourists
- Cebr report highlights that Treasury's surprise move could cut annual international visitor spending by up to £6bn, produce a net loss to the Treasury and trigger up to 138,000 job losses

A major report from the Centre for Economic and Business Research (Cebr) into the cost of the Chancellor's surprise decision to end tax-free shopping from January 1st 2021 has forecast a net loss for the Exchequer. Up to £6 billion will be lost to British businesses through the fall in tourist numbers and spending in key regions such as London, Oxford, Edinburgh, Birmingham, Manchester and Liverpool.

The report also highlights new polling of 4,800 overseas travellers which reveals that six in ten (62%) would now be less likely to visit the UK as a direct result of the removal of tax refunds for overseas visitors from outside the EU, with 93 per cent unlikely now to buy goods here. Research from Visit Britain shows that shopping is one of the most popular draws for overseas visitors to Britain.

The figures will shock key tourist destinations across the UK, and could trigger up to 138,000 manufacturing, retail and tourism job losses across the whole of the UK. Destinations popular with visitors from the Far East, America and the Middle East, such as Edinburgh Castle and Manchester United's football ground Old Trafford, are expected to see especially large losses. Based on 2019 tax-free shopping figures, direct losses in key UK cities would be:

- Edinburgh loss of £92 million (1,800 jobs)
- Manchester loss of £60 million (1,200 jobs)
- Liverpool loss of £32 million (640 jobs)
- Leeds loss of £18 million (360 jobs)
- Birmingham loss of £14 million (280 jobs)

Douglas McWilliams, Cebr, commented:

"This decision makes no sense when both retail and tourism are under the cosh. It will cost the Treasury money – a minimum of £1/4 billion and probably a whole lot more. It will reduce tourism. And it will reduce retail activity draining jobs from suppliers all around the country. Instead it would be better to extend the scheme to EU tourists, bringing in nearly a million additional visitors to the UK and boosting tax revenues from the additional income tax, national insurance, corporation tax and VAT on other items of tourism and spending."

Paul Barnes, chief executive of the Association of International Retail said:

"The Government's aims for a strong Global Britain as we leave the EU will clearly be damaged by this decision. Making the UK the only European country not to offer tax-free shopping to international visitors sends totally the wrong message to the World. And it needlessly damages the UK's retail, tourism and manufacturing industries, already struggling to survive COVID-19. The cost to the economy, employment and the Government far outweigh any

illusionary tax income the Treasury hopes for as international visitors say they will abandon Britain's shops to spend their money in France and Italy."

Many brands that manufacture goods in bases throughout the UK have expressed concern about the impact on jobs both in their stores and factories.

Thierry Andretta, CEO of Mulberry, whose UK factory in Somerset supplies half of their handbags said: *"This latest unexpected and short-sighted manoeuvre of the Government will destroy the UK's ability to remain competitive with Continental Europe and comes at a time when our sector is already reeling from the effects of the Coronavirus pandemic and Brexit uncertainty.*

"We believe that the Government needs to be doing all it can to highlight the strengths of the UK and encourage visitors back to our shores, rather than actively discouraging them with rulings like this and encouraging foreign visitors to choose Paris and Milan."

93% of international shoppers are less likely to spend on their next visit to UK

The consumer polling, referenced in the report, surveyed respondents from countries in the Far East and Middle East as well as from the USA and Russia. It highlights that adding a fifth to prices will devastate tourist spending with 93% of international visitors saying they are less likely to spend on shopping on their next visit to the UK.

Before COVID-19, international visitors spent around £28.4bn in the UK, £2.5 bn of this on tax-free shopping. Visitors pay VAT on the other £26bn, raising £5.2 bn for the Treasury. The predicted fall in visitor numbers will eat into the Treasury's revenue. In contrast, were the government to extend the scheme to EU visitors after Brexit, Cebr's economic modelling indicates that visitor numbers would increase by 948,000, tourist spending by up to £890m and an additional 20,200 jobs would be created.

Net tax revenues would also rise by up to £276m annually.

- 96% of tourists from the Far East and Middle East have said they are less likely to spend on their next visit to the UK.
- While 97% of tourists from the USA, and 89% of tourists from Russia have said they are less likely to spend on their next visit to the UK.

High spending international visitors say they will abandon Britain as a shopping destination

Overseas destinations such as Paris and Madrid have welcomed the own-goal from Britain, reducing the minimum spend for tax-free goods, and actively marketing themselves to displaced tourists. France has announced that it will be lowering the minimum level for tax-free shopping purchases from 175 euro to 100 euros on January 1st in a bid to capture more international visitor spending.

An overwhelming majority (93%) of respondents said that they will change where they shop overseas as a result of the government's decision.

France (46%) is the primary European country that international visitors will look to as a result of the removal of tax-free shopping, followed by Italy (29%), Germany (11%) and Spain (9%).

Barnes concluded *"While the Treasury has proposed an alternative scheme it is inconvenient and unappealing to international travellers who will simply do their tax free shopping outside the UK, anywhere else in Europe."*

Notes to editors

The Impact of Ending Tax Free Shopping in the UK, A CEBR report (September 2020)
- <https://www.newwestend.com/wp-content/uploads/2020/09/Final-CEBR-Report-Impact-of-Ending-Tax-Free-Shopping-23.9.20.pdf>

Press Office contact details:

jralph@goodrelations.co.uk

020 7932 3681

About Association of International Retail

Launched in March 2020, AIR works together with businesses and organisations throughout the UK to ensure that the policy and economic environment allows international retail in the UK to realise its full growth potential.

Our aim is to help retailers throughout the UK enhance their sales to international visitors. AIR's focus is on communicating the importance to sector, identifying and promoting policy changes that will help drive growth and providing market and international competitor research.