

GOVERNMENT

Walpole seeks British luxury brands' support to contest UK government's decision to end tax-free shopping

September 16, 2020



An estimated \$5.84 billion, or 4.5 billion, in luxury sales was generated last year by international visitors to the United Kingdom. Image credit: Walpole, Heathrow Airport

By LUXURY DAILY NEWS SERVICE

Walpole, the sector body for U.K. luxury, is protesting the British government's move to end overseas visitors to the United Kingdom from obtaining a VAT refund on items they buy in the country and take home with them in their luggage.

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The government will end the VAT Retail Export Scheme for tax-free shopping for visitors from all countries in the U.K. on Dec. 31. The move comes as the U.K. is set to make a clean break from the European Union, with a trade deal between the two regions still in the air.

"International visitors are fundamental to the U.K. luxury sector's recovery," said Helen Brocklebank, Walpole chief executive, in a statement. "Right now, the government needs to be doing all it can to underline the allure of U.K. PLC and accelerating efforts to encourage affluent visitors to return to our shores rather than actively discouraging them with rulings like this.

"Globally, famous brands like Burberry, Johnstons of Elgin, Harrods, Glenfiddich whisky and Hendrick's Gin created a jewel in the crown' sector that was growing at nearly 10 percent each year before the pandemic, worth 48 billion [\$62.3 billion] to the U.K. economy. [Of that], 4.5 billion [\$5.84 billion] in sales was generated by international visitors alone," she said.

"The sector has been badly hit by the pandemic and sales in the capital are reported to be down by nearly 95 percent in some areas. These sales help to secure 160,000 highly skilled, sustainable jobs up and down the country.

"The lack of tax-free shopping will put those jobs at further risk. Paris ranks as number one destination for luxury shoppers, closely followed by London. We will have no chance of retaining that position or becoming number one unless this decision is reversed."

Taxing issue

The new government ruling is very clear in its intention.

"The VAT Retail Export Scheme is a costly relief which does not benefit the whole of GB [Great Britain] equally, with current use of the scheme largely centered in London," the ruling said.

"Retailers will instead continue to be able to offer VAT-free shopping, consistent with international principles of taxation, to non-E.U. visitors who purchase items in store and have them delivered direct to their overseas addresses."

Of course, **this line of reasoning does not fly with Walpole.**

The decision to withdraw VAT refunds for travelers carrying British purchases home in their luggage reduces the U.K.'s ability to remain competitive with Continental European countries.

Indeed, this would be a disaster at the best of times, but comes at a time when the British luxury sector is experiencing monumental challenges as domestic and international shoppers stay away and the country edges towards the changes brought on by Brexit.

Walpole points out that this decision will make the U.K. the only country in Europe not to offer tax-free shopping to international visitors.

London is the British luxury sector's international shop window. The removal of tax-free shopping will not simply affect sales in the capital, but will have a knock-on effect on jobs throughout the U.K. and other shopping and hospitality destinations in England, Scotland, Wales and Northern Ireland and regions within those nations.

"This is an unexpected and unwelcome announcement at a time when Britain's luxury brands are trying to remain resilient in the ongoing COVID-19 crisis," the London-based organization said in a statement.

"Walpole is extremely concerned by the decision's inevitable impact, not only in London and other key U.K. shopping destinations for affluent international visitors, but also on the sector's nationwide manufacturing hubs, where otherwise sustainable skilled employment will be affected by a further contraction in sales.

"The COVID-19 crisis has already dramatically reduced numbers of international visitors to Britain, and other European cities, and the removal of tax-free shopping for anyone visiting the U.K. will leave Britain at a profound competitive disadvantage post-Brexit.

"Walpole will send a letter to the Chancellor [British finance minister Rishi Sunak] and has joined forces with New West End Company along with the British Retail Consortium (BRC) the Association of International Retail (AIR), and colleagues in retail, tourism and airlines across the UK to express our deep concern and shock over the decision to the Chancellor.

"We are working to secure press coverage as part of our campaign and would be very grateful if you could supply us with supportive quotes and potential media interviews where necessary."

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