

GOVERNMENT

UK does another U-turn on duty-free shopping in blow to retail sector

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Changes to the U.K.'s VAT-free policy have sent the industry into a tailspin and will make London less attractive for Chinese tourists when they return. Image credit: Shutterstock

By [Jing Zhang](#)

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Another blow has been dealt to the United Kingdom's flagging retail market already battered by the last two years' pandemic restrictions and absence of Chinese tourists.

Newly appointed chancellor Jeremy Hunt announced yesterday that he would be canceling duty-free shopping for international visitors, a U-turn on previous incumbent [Kwasi Kwarteng's pledge](#) to reinstate VAT-exempt shopping for tourists as recently as Sept. 23.

This means that the U.K. will remain one of the very few countries in Europe not to offer duty-free rates to foreign travelers.

This has major implications for luxury houses and the likes of Harrods, Selfridges, Liberty's and Bicester Village, which are all popular hotspots for foreign tourists particularly the Chinese, who love to shop in the U.K.

In pre-pandemic 2019, international visitors contributed [more than 28 billion to the U.K. economy](#), a figure that has risen 62 percent in the past 10 years. Now the likes of London will find it harder to compete with other European shopping havens such as Paris and Milan.

With the country's political scene a veritable merry-go-round of late, the industry has suffered.

Prime Minister Boris Johnson was forced to quit early this September following the resignations of his cabinet. Among the first of these was chancellor of the exchequer Rishi Sunak, who dramatically ended decades of duty-free shopping for international visitors in the U.K. at the end of 2020.

After Mr. Sunak lost out to the current premier Liz Truss in the contest for Britain's top political job, Ms. Truss appointed Kwarteng to Number 11 on September 6.

Mr. Kwarteng's first "mini-budget" saw him outline several contentious tax policies that led to a drastic drop in the pound sterling, market skittishness and, eventually, the end of his brief ministerial tenure.

However, by reintroducing duty-free shopping for foreigners on U.K. shores, his reversal of the Sunak policy delighted the retail and luxury sectors. It was a much-needed boost amid the country's tourist and retail sector slump. He was in part **responding to a campaign** led by stakeholders such as the Walpole Group, New West End Company and the Association of International Retail.

But now that is all undone. For brands and retailers, it has been a dizzying chain of events.

Comments from industry leaders have already emerged in a number of British publications.

"This shortsighted move is based on inaccurate and incomplete projections," said Paul Barnes, head of the Association of International Retail, as reported in *The National News*.

Helen Brocklebank, chief executive at Walpole, iterated in the same publication.

"We are disappointed that the government has decided not to proceed with its policy to return tax-free shopping, a policy which will quickly deliver growth," she said.

Those in the fashion, luxury and jewelry sectors will feel the pinch especially.

Major high streets in Britain's big cities, retailers such as Bicester Village famously the second most popular British attraction for visiting mainlanders after Buckingham Palace and London's luxury stores will all be hurt by this.

Mr. Hunt's U-turn has incensed many. It has made the U.K. less desirable to China's luxury-loving tourists, who might now find splashing the cash in Paris or Milan more appealing.

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