# Trade bodies urge Chancellor to revive tax-free shopping amid risks to UK luxury retail



Four prominent trade bodies have urged Chancellor Rachel Reeves to reconsider the abolition of tax-free shopping for international tourists, a policy that was scrapped in January 2021. Their joint letter highlights the significant challenges facing British retailers and the broader economy amidst a global downturn and specific issues stemming from US tariffs. The representatives of the British Retail Consortium, the British Beauty Council, Walpole, and the British Fashion Council expressed concerns that these tariffs could severely hinder British competitiveness in the international market.

The luxury retail sector, in particular, appears disproportionately affected. Since the removal of the tax-free scheme, brands such as Hirsh London and Watches of Switzerland Group have reported notable declines in sales from international visitors. The letter indicates that the absence of tax rebates has made the UK a less attractive shopping destination, pushing American tourists to opt for European hubs like Paris and Milan, which still offer such incentives. According to the CEOs’ collective statement, it is vital not only to restore the tax-free shopping policy but also to consider it a foundational strategy for growth rather than a mere luxury.

Further compounding the issue, the tourism sector has highlighted that this tax removal has negatively impacted broader economic factors, including hospitality and transport. Bernard Donoghue, CEO of the Association of Leading Visitor Attractions, articulated this concern, noting that visitor numbers to top UK attractions remain below pre-pandemic levels despite some recovery. The absence of tax-free shopping is likely contributing to a reduced market share within a competitive European context, with VisitBritain having forecasted a decline in the UK's attractiveness to tourists, particularly from Europe and Asia, by 2028.

Industry advocates argue that reinstating tax-free shopping could not only reverse the decline but also stimulate approximately £10.7 billion in economic activity, as predicted by the Centre for Economics and Business Research. The report asserts that the previous fiscal strategy did not sufficiently account for the impact of lost tourist spending across various sectors, including hospitality, restaurants, and entertainment.

Moreover, the chancellor has come under pressure from over 300 business leaders, including those from significant retail names such as Mulberry and Selfridges, to abolish what has been termed the 'tourist tax'. They contend that this levy may be costing the economy upwards of £11 billion annually due to lost shopping-related expenditures. With tourists being essential to many sectors, industry leaders emphasise that Scottish whisky, luxury fashion, and other hallmark British goods are at risk as overseas visitors redirect their spending to competitor markets.

As the UK finds itself navigating these economic challenges, the collective call from the retail and tourism sectors presents a strong case for government reconsideration of tax policy. The persistence of this demand reflects a broader concern regarding the future viability of British high streets in a global marketplace that increasingly prioritises attractive consumer incentives. Encouraging greater tourist spending through tax-free shopping could be an essential step in revitalising the British economy during this turbulent period.

### Reference Map

1. Paragraphs 1, 2, 3, 4, 5, 6, 7
2. Paragraphs 2, 3, 4, 5
3. Paragraphs 3, 4, 5
4. Paragraphs 5, 6, 7
5. Paragraphs 3, 4, 7
6. Paragraphs 4, 5, 6
7. Paragraphs 2, 4, 6, 7

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.express.co.uk/news/uk/2057417/rachel-reeves-issued-high-street-warning> - Please view link - unable to able to access data
2. <https://www.ft.com/content/f77c8470-d4ac-4f6e-8a13-6ed81f9d5c5b> - Luxury brands in the UK are urging the government to reinstate tax-free shopping for tourists, a policy abolished in January 2021. The removal has significantly impacted luxury goods retailers, with brands like Hirsh London and Watches of Switzerland Group reporting declines in sales to international tourists. Over 300 business leaders have called on Chancellor Rachel Reeves to restore the scheme, arguing that its absence has made the UK less competitive compared to European cities like Paris and Milan, where such rebates are still in place. ([ft.com](https://www.ft.com/content/f77c8470-d4ac-4f6e-8a13-6ed81f9d5c5b?utm_source=openai))
3. <https://www.ft.com/content/a359e701-6453-4d9d-9dc3-ba7ca1e5658c> - The UK tourism industry is urging the government to reinstate tax-free shopping for overseas visitors, criticizing the 2021 decision to scrap VAT-free sales. The removal has made the UK less competitive and attractive, leading tourists to prefer shopping in other European cities. Bernard Donoghue, CEO of the Association of Leading Visitor Attractions, said this decision harms the economy, as new figures reveal that visitor numbers at top UK attractions have not returned to pre-pandemic levels. Despite a 19% increase in visits from 2022, there's an 11% decline from 2019 figures. While US visitor numbers have rebounded, European and Chinese tourists have yet to return fully. VisitBritain forecasts that the UK's market share of tourists will fall by 2028 compared to other Western European countries. To attract tourists, industry representatives advocate for reintroducing tax-free shopping for international visitors. The UK remains the only major European country not offering this scheme, with businesses arguing it would significantly benefit the tourism sector. The government had previously scrapped the scheme citing maintenance costs, but industry calls for reconsideration persist. ([ft.com](https://www.ft.com/content/a359e701-6453-4d9d-9dc3-ba7ca1e5658c?utm_source=openai))
4. <https://www.thisismoney.co.uk/money/markets/article-13483635/UK-businesses-urge-Labour-scrap-tourist-tax.html> - Leading UK businesses, including Mulberry, Marks & Spencer, Kurt Geiger, and Selfridges, are calling on Shadow Chancellor Rachel Reeves to abolish the 'tourist tax' if Labour wins the election. The tax-free shopping scheme for international visitors was abolished in 2021. The Centre for Economics and Business Research estimates that the levy is costing the economy more than £11 billion a year, as tourists who come on shopping trips also spend on hotels, restaurants, and theatre trips. ([thisismoney.co.uk](https://www.thisismoney.co.uk/money/markets/article-13483635/UK-businesses-urge-Labour-scrap-tourist-tax.html?utm_source=openai))
5. <https://www.proactiveinvestors.com/companies/news/1058770/budget-scrap-tourist-tax-to-boost-uk-economy-business-leaders-urge-1058770.html> - A coalition of business leaders from retail, hospitality, tourism, and arts sectors have called on Chancellor Rachel Reeves to abolish the controversial 'tourist tax'. In an open letter co-signed by bosses at Rocco Forte Hotels, British Airways, British Fashion Council, Fortnum & Mason, and many more, business leaders highlighted how the 2021 decision to end tax-free shopping for international tourists has negatively impacted the UK’s competitiveness in the global tourism market. They stated that the removal of the tax-free shopping scheme has reportedly pushed tourists to spend their money in other European cities like Paris, Milan, and Berlin, where such rebates are still in place. The policy is tantamount to a 'spectacular own goal' for the UK economy, said the letter, affecting not just luxury retail but also sectors like hospitality, transport, and tourism across the country. ([proactiveinvestors.com](https://www.proactiveinvestors.com/companies/news/1058770/budget-scrap-tourist-tax-to-boost-uk-economy-business-leaders-urge-1058770.html?utm_source=openai))
6. <https://www.forbes.com/sites/kevinrozario/2023/07/31/scrapping-tax-free-shopping-is-costing-britain-14-billion-in-lost-gdp-says-report/> - A report from the Centre for Economics and Business Research (CEBR) claims that the removal of tax-free shopping in the UK is costing the country £10.7 billion ($14 billion) and deterring two million tourists a year from visiting. The report suggests that reinstating the VAT rebate scheme would boost the economy by £10.7 billion in 2023 through increased tourist spending. The Treasury's calculations on the cost of tax-free shopping appear not to have factored in tourist spending in hotels, restaurants, theaters, museums, tourist attractions, and transport. Estimates from tourism agency VisitBritain suggest that about 25% of all tourist expenditure in the UK goes towards shopping, covering clothing, souvenirs, household items, books, and foodstuffs. ([forbes.com](https://www.forbes.com/sites/kevinrozario/2023/07/31/scrapping-tax-free-shopping-is-costing-britain-14-billion-in-lost-gdp-says-report/?utm_source=openai))
7. <https://www.bbc.com/news/uk-england-london-66741617> - A growing number of London businesses are calling on the government to reinstate VAT-free tourist shopping. Shops, brands, and Heathrow airport say London is losing tourists to Paris, Milan, and other European cities where they do not have to pay tax on items. Before 2021, visitors to the UK did not have to pay VAT when shopping here. Ross Baker, Heathrow's chief commercial officer, said: 'Tourist spend in the UK is eclipsed by our European neighbours where goods are up to 20% cheaper.' He is joined by more than 300 brands in signing a letter to the chancellor saying the UK is 'losing out' and that the impact is already being felt with some brands closing stores. They claim tourists from America, China, and the Gulf states are opting to travel and shop elsewhere in Europe where they can claim VAT back from purchases. ([bbc.com](https://www.bbc.com/news/uk-england-london-66741617?utm_source=openai))