

TourismAlliance

the voice of tourism

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VAT: Retail Export Scheme

Introduction

1. The Tourism Alliance was established in 2001 as the voice of the UK tourism industry. And comprises 50 tourism industry trade and marketing associations that together represent some 200,000 business of all sizes throughout the UK (see Appendix 1 for membership list). The Tourism Alliance's mandate is to work with government on issues relevant to the growth and development of tourism and its contribution to the economy. It is therefore responding to this consultation in that capacity.

Background

2. Britain's tourism industry is one of the largest and fastest growing sectors of the British economy. Last year inbound tourism receipts increased by 3.6% to £18.64bn and, with the successful hosting of the 2012 Olympics, data from the ONS's International Passenger Survey shows that tourism receipts are currently tracking at 13% above the same period in 2012 and will exceed £20bn for the full year. This increase is sufficient to generate an additional 28,000 jobs for the UK economy.
3. However, despite this growth, international tourism is an extremely competitive industry. And, while the World Economic Forum, in their biennial re view of global travel and tourism competitiveness, ranks the UK as the 5th most competitive destination in the world due to its highly developed tourism infrastructure and rich historic and cultural assets, it also ranks the 138th of 140 nations surveyed in terms of price competitiveness. The main reasons for this are that the UK, unlike most other European countries, charges full rate VAT on tourism accommodation and attractions, and imposes a very high level of Air Passenger Duty compared to other countries.
4. In the context of the very high levels of taxation imposed on overseas visitors to the UK, the VAT refund scheme is extremely important in maintaining the UK's price competitiveness in the global tourism. It is especially important when it comes to attracting visitors from visa-requiring growth markets such as China. In 2012, China became the world's largest source for international tourism with 82m people travelling overseas and spending £65bn).

5. The growth of this market has been nothing short of incredible, with the number of outbound travellers increasing by over 700% since 2000. What's more, the UN World Tourism Organisation predicts that this level of growth will continue for the at least the next 7 years.
6. What makes this market attractive for the UK is the spending power of Chinese visitors. While the average visitor spends £599 in the UK economy, Chinese visitors spend £1675 per visit meaning that every addition flight from China adds £1m to the UK economy and generates 20 full time jobs.
7. However, despite the UK being the second favourite destination for Chinese visitors, the UK has lost considerable market share to mainland Europe due to being outside the Schengen zone – in 2012 1.2m Chinese visited the Schengen zone while only 179,000 came to the UK.
8. As the UK will remain outside Schengen, we believe that reforming the VAT refund Scheme is extremely important in improving the UK's competitive position in markets such as China and urge HMRC to view the revision of the scheme as a tool for increasing the UK's international competitiveness and boosting growth and employment in the UK economy.

Responses to Specific Questions

Question 1 *Are you: a retailer; a refund company; a refund outlet; an overseas visitor; or another interested party?*

The Tourism Alliance is a Trade Association whose members represent around 200,000 businesses that cater for all aspects of a visitor's experience of the UK

Question 2 *Thinking about your experience of the current scheme, what are the best and worst elements of the scheme?*

Best Elements of the Current Scheme

The best elements of the current scheme are that it is currently widely used by retailers and eligible visitors are able to use the scheme to purchase a wide variety of goods across all price points.

Worst Elements of the Current Scheme

The VAT refund scheme is antiquated and needs to be modernised to improve make it more user friendly for visitors. One of the main problems is that customer have to have their passport details on them when making a purchase. This requirement significantly reduces the level of impulse buying, to the detriment of both retailers and visitors.

The process of gaining refunds at airports also needs to improved significantly. Due to the commercial requirements of airport operators, reclaim desks are often poorly situated and signed, while there are often complaints that the desks are understaffed and the process itself takes too long.

Question 3 *What changes would help to improve the experience of the scheme at the point of sale (that is to say, at the time the goods are sold to the overseas visitor)?*

One of the main problems with the current scheme is that visitors need to carry their passport with them when they make a purchase in order to satisfy the requirement that retailer must verify that customer is eligible to receive a refund.

This requirement is counter to the advice given to all people when they are travelling overseas, which is to leave their passport in a hotel safe and not to carry it with them when they are out sightseeing.

This means that visitors are unable to make spontaneous purchases when they are sightseeing and, due to the time pressures of travelling, are more often than not unable to return to the shop at a later time with their passport.

Question 4 *What changes would help to improve the experience of the scheme at the point of exit from the UK (that is to say, at airports and ports)?*

The resources that are allocated to processing refunds at airports needs to be increased in order to reduce queuing times and provide a quality service for customers. Visitors often feel that refunds are provided somewhat grudgingly rather than it being recognised that this is part of the visitors overall experience of the UK and therefore an important part of making visitors feel welcome and encouraged to return.

Improved service could be achieved by increasing staff numbers, streamlining systems (especially for refunds under a certain value) or increasing the number of locations where visitors could gain a refund.

Question 5 *What changes would help to improve the refund process for the overseas visitor?*

As mentioned in relation to previous questions, we believe that the system needs to be streamlined and made more user-friendly. If the requirement to complete the Retail Export Scheme form at the point of sale was removed, this would allow visitors to make purchases without having to carry their passports on them at all times.

It should also be possible to reduce the information requirement of forms, especially for low value sales and to increase the speed with which claims are processed and refunds provided at points of departure.

Question 7 *What other changes would help to improve the customer experience of the scheme?*

With overseas visitors, the main requirement is to have simple, clear information available at the start of their stay in the UK so that they can know the system in

advance and plan accordingly. HMRC needs to work with tour operators and airports to help ensure that this information is fit for purpose and available at obvious contact points.

Question 8 *What changes could be made to improve the compliance process of checking the overseas visitor's eligibility?*

We believe that there needs to be a review of the compliance process to make it more user-friendly. We are not convinced that the compliance process needs to be undertaken at the point of sale and believe that it should be undertaken at the point of departure.

Question 9 *What changes would help to ensure that forms are completed correctly?*

Many overseas visitors, especially from emerging destinations have a very limited understanding of English. Therefore, short of translating reclaim forms into a multitude of languages, the information requirement needs to be reduced as much as possible to help with accurate completion.

This means that the forms should only ask for essential information such as the visitors name, destination and passport number.

Question 12 *How could a digital Tax Free Shopping scheme benefit:*

The Tourism Alliance is very supportive of plans to consider moving the scheme to a digital basis. We believe that the exploration of a suitable process could identify significant opportunities to provide a better and more efficient service for customers.

However, any such scheme must be simple and low cost to operate so that it is not a barrier to small businesses or imposes costs on customers.

Question 14 *Should the UK introduce a minimum threshold for the Retail Export Scheme? Please give reasons for your answer.*

The Tourism industry is opposed to any move to increase the minimum spend threshold. As mentioned in the background section of this submission, the UK is currently ranked 138th of 140 countries in terms of tourism-related price competitiveness by the World Economic Forum, largely due to the very high levels of taxation imposed on overseas visitors.

Increasing the threshold would simply exacerbate this situation and help drive potential visitors to competitor destinations.

There are also arguments against lowering the threshold that related to equity as a higher threshold would disproportionately impact upon less wealthy visitors and be, in effect, a benefit for the rich. It would also favour luxury retailers over more mass-market operators.

Question 15 *If you think there should be a minimum threshold in the UK, what should it be?*

As stated above, the Tourism Alliance is strongly opposed to the introduction of a minimum threshold.

CONCLUSION

As stated at the outset, the tourism industry at the forefront of the UK's economic recovery and is strongly placed to provide continued increases in revenue and employment.

We are very supportive of the HMRC's review of the retail Export Scheme and believe that there is significant scope for improvements to be made that will enhance the UK's position as the world's 7th largest international tourism destination.

However, we would strongly caution against any view that overseas visitors do not "pay their way" or that not having a threshold for the VAT scheme is an unjustifiable benefit to visitors. The international tourism market is highly competitive and visitors to the UK already pay more tax than they would if they undertook a comparable holiday in any other major European destination.

As such, we need a simple, clear and efficient scheme which shows the UK to be a welcoming destination and encourages visitors to return.

If the Tourism Alliance, or its members, can be of any assistance in providing further evidence or expanding or clarifying tourism-related issues, please feel free to contact our Policy Director, Kurt Janson, at the address below.

Yours sincerely



Mary Rance

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Appendix 1: Tourism Alliance Members

ABTA - The Travel Association
ALMR
ALVA
ANTOR
Association for Tourism in Higher Education
BALPPA
Bed & Breakfast Association
British Beer & Pub Association
British Destinations
British Educational Travel Association
British Holiday & Home Parks Association
British Hospitality Association
British Marine Federation
Business in Sport & Leisure
Business Visits & Events Partnership
Camping & Caravanning Club
Confederation of Passenger Transport
Country Land and Business Association
Cumbria Tourism
EASCO
English UK
European Tour Operators Association
Farm Stay UK
Group Travel Business Forum
Heritage Railway Association
Historic Houses Association
Historic Royal Palaces
Holiday Centres Association
Institute of Tourist Guiding
Liverpool City Region LEP
Marketing Manchester
National Caravan Council
National Trust
New Forest Tourism
Outdoor Industries Assiation
Resort Development Organisation
South West Tourism Alliance
The Caravan Club
The Tourism Alliance Brighton and Hove
The Tourism Society
Tourism For All
Tourism South East
UKInbound
Visit Cornwall
Visit Kent
Visit Wiltshire
Visitor Attractions Group
Welcome to Yorkshire
Wyndham Worldwide

Observers

CBI
Local Government Association
VisitEngland
VisitBritain