

Key figures

November 2020

1. Impact of ending the VAT RES

Key message: even by the most conservative estimate, abolishing VAT RES will:

- *cut visitor numbers by 600,000*
- *cost over 20,000 job losses (on top of any COVID-19 redundancies)*
- *lose nearly £1.4bn of GDP*
- *result in virtually no tax gain for the Treasury.*

Cebr

Visitor numbers - 1,168,000

GDP - £1.8bn

Jobs - 27,000

Flint more conservative scenario

Visitor numbers - 609,000

GDP - £1.36bn

Jobs - 20,000+

Tax revenue +£6 million, taking into account all tax implications (e.g. loss of VAT on other sales, employment taxes turned into unemployment benefit). Far less than the £500 million VAT HMT believes it will gain on the assumption of no changes to consumer behaviour.

Across the whole UK

£225 million annual tax-free sales in Edinburgh, Manchester, Liverpool, Glasgow and Leeds.

160,000 manufacturing jobs in British luxury brands across all the UK supplying their London shop-windows – many at risk.

2. Impact of extending the VAT RES to EU Visitors

Flint estimates

Visitor numbers +730,000

GDP + £569 million

Jobs + 8,500

Tax £-96 million (not £900 million)

3. Benefits of extending the VAT RES to EU visitors compared to abolishing the scheme

Key message: If the Government extended the scheme to EU visitors rather than abolishing the difference it would result in

- *over 1.3 million more visitors*
- *GDP being £1.9 billion better off*
- *more than 28,000 jobs saved and created.*

4. Cost of extending the VAT RES to EU visitors

Key message: The cost of extending the scheme is not £900 million. By the Government's own figures, it is less than £300 million. And based on industry sales figures, it would be only around £50 million.

HMT estimate based on ONS relative visitor numbers (EU v non-EU)

HMT figure is based on the current cost of £500 million VAT refunded to non-EU visitors and there being 1.7 EU visitors for every 1 non-EU (ONS figures).

£500 million x 1.7 = £900 million.

Note – HMT error - actual relative numbers is 1.55 not 1.7 (28.4 million EU/16 million non-EU = 1.55).

But this omits relative levels of spending between EU and non-EU visitors.

Realistic estimate based on ONS relative visitor numbers and relative spending (EU v non-EU)

ONS figures show average EU visitor spending on all goods and services is just 38% of average non-EU visitor spending (EU average =£427, non-EU average = £1,112).

So, the actual cost of extending the VAT RES to EU visitors, based on ONS figures, is £500 million x 1.55 x 0.38 = £294 million.

Industry estimate based on actual sales data

But industry sales data shows that EU visitors account for just 10% of total shopping sales to all international visitors.

So, the cost of extending the scheme to EU visitors is likely to be £500 million x 0.1 = £50 million

5. VAT RES user numbers

Key message: HMT has miscalculated VAT RES user numbers by over 400%, so underestimating the negative impact of ending the scheme.

HMT says that 1.2 million VAT RES refunds means 1.2 million users, 8% of non-EU visitors. This is wrong.

Only 75% of VAT RES sales are claimed for refund (mainly because of reclaim difficulties at Heathrow due to the HMRC paper-based system). So, the actual number of VAT RES sales are 1.6 million.

But each sale represents an average 3 users (most people travel in groups, not individually) so the number of users is 4.8 million, 30% of total non-EU visitors.