

# Brexit Alert: Withdrawal of the VAT Retail Export Scheme and airside tax-free sales concession

## Who should read this Brexit Alert?

This Brexit Alert is relevant for:

- UK retailers that currently operate the VAT Retail Export Scheme
- businesses that make tax-free sales to non-EU visitors at UK ports and airports.

## Introduction

The transition period with the EU ends on 31 December 2020. In view of this the Government has reviewed the reliefs available to travellers to and from the UK.

Current reliefs available are largely set out in EU legislation, with different rules for those travelling to or from the EU, and those travelling to or from non-EU countries. From 1 January 2021, when the UK leaves the EU Single Market and Customs Union, World Trade Organisation rules require the UK to treat goods carried by passengers bound for, or arriving from, different destinations equally.

## What is changing?

Following public consultation the Government has announced that the VAT Retail Export Scheme and airside tax-free sales concession will be withdrawn in Great Britain (GB). Guidance for Northern Ireland under the Northern Ireland Protocol will be separately published.

The VAT Retail Export Scheme will not be extended to EU visitors and will be withdrawn for non-EU visitors to GB. This means that overseas visitors will no longer be able to obtain a VAT refund on items they buy in GB and take home with them in their luggage. Many retailers had hoped the scheme would be extended to EU visitors.

Retailers will instead continue to be able to offer VAT-free shopping to non-EU visitors who purchase

items in store and have them sent direct to their overseas addresses. Following the end of the transition period, this will also be available to EU visitors.

Tax-free sales of non-excise goods under the airside extra statutory concession will also be withdrawn from 1 January 2021. Currently tax-free sales to passengers travelling to non-EU countries are permitted at UK ports and airports under the concession, and many retailers had hoped this would be extended to EU visitors.

## What businesses need to do

Businesses affected by the withdrawal of these VAT measures need to consider the impact on their business and start planning for the process and IT changes required to comply with the new rules from 1 January 2021.

The announcement has caused controversy as the UK will become the only European country not to offer VAT-free shopping for international visitors.

UK retailers, tourism businesses and airport operators are understood to be seeking legal advice on challenging the abolition of the reliefs.

The Chair of the Treasury Committee has also written to the Chancellor of the Exchequer to ask for the cost benefit analysis behind the decision in view of the significant financial loss retailers serving the tourism sector are expected to suffer.

Businesses should therefore monitor any future developments in government policy in this area.

For further guidance on the withdrawal of these VAT reliefs please contact us on:

<http://www.rbcvat.com/> • +44 (0) 118 321 6823