

250 LUXURY BRANDS CALL FOR TAX FREE SHOPPING IF UK IS TO RIVAL EUROPEAN RECOVERY

- Walpole tourism report launched today highlights the value of high-end tourism to the UK's economy and government action needed to ensure UK recovery matches European counterparts
- Walpole, which includes Burberry, Harrods, Claridge's and V&A amongst its members, is calling for reintroduction of the VAT RES scheme, which could result in direct retail sales of at least £1.2bn and attract an additional 600k visitors
- The decision to abandon the scheme is estimated to result in a 38% drop in retail sales to non-EU visitors
- High end tourism in the UK was worth £30bn in 2019 alone, but Britain is struggling to recover to pre-pandemic levels

LONDON, 23rd May 2022 – Luxury trade association **Walpole** and its 250 members today unveiled a report which calls on the UK government to encourage global visitors by reintroducing tax-free shopping in order to boost the British economy by at least £1.2bn. This, alongside a smoother tourist visa scheme, can help the UK's post-pandemic tourism economy match that of France, Italy and other EU countries, all of which are returning to pre-pandemic levels at a much faster rate.

The report, titled *What It's Worth: Enabling the Return of the £30bn High-end Tourism Sector*, which launched at the Walpole British Luxury Summit and includes testimonies from Gleneagles, Goodwood, Harrods, Historic Royal Palaces, Iconic Luxury Hotels, The Macallan and Wedgwood, outlines the role that tourism played in Britain's economy pre-pandemic, where tourism, both domestic and international combined, contributed to 4% of GDP and had an overall value of £85bn. £30bn of this was attributed to 'high end tourism' – defined as those who stay in luxury accommodation including five-star hotels.

These high-end visitors typically spend 14x more than the average visitor, amounting to around £30bn in economic value. £1 spent by those staying in high-end accommodation in the UK generates £8 of value in other industries, such as culture, entertainment and luxury shopping, which in turn supports the 160,000 jobs across the UK luxury sector.

Since Brexit and Covid however, Britain has undoubtedly lost its position as the favoured destination for high spending international tourists – largely due to the government decision to abolish tax-free shopping (the VAT Retail Export Scheme – VAT RES) in 2020, making Britain the only European country not to offer tax-free shopping to non-EU tourists.

Ahead of VAT RES officially ending, HMRC surveyed international visitors – 69% of whom confirmed that the opportunity of tax-free shopping influenced their decision to visit the UK. This has resulted in a significant shift for international visitors, who are heading to France, Italy and other EU destinations over the UK and is already reflected in the UK's international visitor retail spend post-Covid. Spending on shopping by visitors from Gulf Cooperation Council (GCC) in the EU in Q4 2021 was at 153% of Q4 2019 levels. In the same period GCC spending on shopping the UK was at just 60% of 2019 levels.

For US visitors, in the same period, retail spend in the EU had returned to 91% of pre-Covid levels, while in the UK it was only at 49%. By reintroducing VAT RES or a similar scheme, the UK stands to gain £1.2bn in direct retail sales, attracting 600,000 additional visitors annually. Due to these high-spending visitors are choosing Paris and Milan over London, the UK is losing their spending in hotels, restaurants and cultural centres costing the Treasury millions in lost VAT.

In addition, the UK's visitor visa has fallen behind that of Schengen making Britain a less attractive destination. In particular the UK's Electronic Visa Waiver Scheme for incoming tourists has made the UK a destination which is less easily accessible compared to EU countries. In addition to tax free shopping, the *What It's Worth* report explores the potential for other

initiatives to attract high end tourism and subsequent economic growth, including a wider international Electronic Visa waiver scheme and extended Sunday trading hours in the West End and Knightsbridge.

Walpole CEO Helen Brocklebank said: “To say that it has been a challenging few years for the UK tourism industry would be an understatement, however we are now in a position where the UK can open its doors to the world and welcome back international tourists – especially those high-end tourists who are looking to spend in our luxury hotels, restaurants, shops and cultural venues up and down the country, all the while aiding economic growth and job creation. By doing this, we can work together to make the UK the destination of choice for those looking to travel post-Covid and fuel the UK’s long-term recovery.”

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About Walpole

Walpole is the official sector body for UK luxury. Founded in 1992 as a not-for-profit organisation, it counts more than 250 British brands in its membership and is recognised in both Westminster and Brussels. As the voice of British luxury, Walpole’s purpose is to promote, protect and develop a sector worth £48 billion to the UK economy.

Walpole actively seeks out UK and international business opportunities, promoting growth in the industry. As founders of the European Cultural and Creative Industries Alliance (ECCIA), Walpole cements and champions relationships with Europe’s luxury and creative sectors to deepen cultural and commercial connections. Walpole lobbies the government on key policy issues like selective distribution, IP protection, international trade and tourism with the aim of making the UK the best country in the world to grow a luxury brand. Dedicated to creating a pipeline of growth for Britain’s luxury brands, Walpole also runs the annual mentoring programmes Brands of Tomorrow and the Programme in Luxury Management at London Business School.

About the report

Prior to launching today’s report Walpole, in partnership with its fellow luxury associations in the European Cultural & Creative Industries Alliance (ECCIA) commissioned Bain & Co (with support from Forwardkeys, Global Blue and Virtuoso Travel) to produce a pan-European study, *High-end Tourism – A Strong Driver For Europe*, which explores the impact and value of high-end tourism to the European economy. The report has been produced under the Presidency of Altagamma (Italy) and the full report will be published by ECCIA in summer 2022.

ECCIA is composed of six European cultural and creative industries organisations: Altagamma (Italy), Circulo Fortuny (Spain), Comité Colbert (France), Gustaf III Kommitté (Sweden), Meisterkreis (Germany) and Walpole (UK), who between them represent more than 600 brands – mostly SMEs – and cultural institutions.

Walpole’s report, *What It’s Worth: Enabling the Return of the £30bn High-end Tourism Sector*, draws on the key data points and insights from the European research and additionally includes UK based case studies and specific recommendations to support the return of high-end tourism in the UK.