

By email only

Alice Habisreutinger and Alex Cooksley
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

20 July 2023

Dear Alice Habisreutinger and Alex Cooksley,

Re: Evidence of the impact of ending tax-free shopping for international visitors to the UK

This submission is being made on behalf of the London Property Alliance (LPA), which represents more than 400 of the leading owners, developers, investors and professional advisors of real estate across central London. It is the name used for the joint work of the two not-for-profit membership bodies City Property Association (CPA) and Westminster Property Association (WPA). The LPA sits at the heart of London's Central Activities Zone (CAZ+) which accounts for some 7% of England and Wales employment, generates 11% of UK GVA and contributes about one fifth of England's business rates revenue.

The LPA considers it imperative that the Government looks urgently at how to reinstate VAT-free shopping for tourists. As our Global Cities Survey highlights, London risks falling behind global rivals in attracting international visitors.

The LPA's Global Cities Survey analyses the performance of leading global cities London, New York, Hong Kong, Paris and Berlin across a range of indicators, including job vacancies, air passenger numbers, office rents and vacancy, public transport usage and Air BnB occupancy. The latest edition of the survey¹ – published last month - shows that in Q1 of 2023, despite the boost of the King's Coronation and events such as the Chelsea Flower Show, the number of international visitors is recovering more slowly than other leading global cities.

Analysis shows that air passenger numbers in New York rose to 32 million between January and March of this year, up 4% on pre-pandemic levels. In Paris air passenger demand was at at 90% of 2019 levels, with London behind at 89%.

London is also trailing some of its international peers in Air BnB occupancy, a key indicator of tourist demand. After a seasonal fall in Q1, occupancy in London reached 65.4% in April, in line with New York (65.7%) but significantly behind Paris (77.6%) and Berlin (76.7%).

Analysis from Oxford Economics for the Global Cities Survey shows that while London is expected to narrowly avoid a decline in economic output in 2023, and achieve a rise of 0.42%, the economic outlook for Paris (forecast 0.98% increase) and New York (1.24%) is brighter. International shoppers and visitors coming to London, with their secondary spending on hotels, arts and cultural

¹ <https://www.londonpropertyalliance.com/global-cities-survey-june-2023/>

experiences and restaurants (both the capital and other UK regions) would be a much-welcomed boost to London and the UK's economy.

In conclusion, the decision to end the VAT RES scheme leaves Britain as the only country in Europe not to offer tax-free shopping at the point of purchase. This has been damaging to London as a global city. We ask that the Government reconsiders its stance on restoring tax-free shopping in order to help stabilise and improve the UK's economic output.

Yours sincerely,



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