

Update from ETRC

CEETRA Travel Retail Forum
27 April 2023, Prague Airport

Not for external circulation

Arrivals duty and tax-free shopping

Key to competitiveness of European Travel Retail

ETRC identified Arrivals Duty and Tax Free shopping as one key measure to support European aviation ecosystem and level playing field post COVID by creating a new and sustainable revenue stream for travel retailers and airports.

- EU legislation currently restricts Duty Free sales to passengers 'leaving' the EU by air and by sea.
- EU legislative review needed to bring EU airports in line with global practice.



The EU VAT Tourism & Travel Package

Scope

Evaluate and assess revision of current rules applicable to travel and tourism to boost sector:

- ✓ Special scheme for travel agents
- ✓ Passenger transport (all modes of transport)
- ✓ VAT refunds to non-EU travellers (incl. tax-free shops)

Policy options

Tax-free shops:

- ✓ Status quo
- ✓ Extension to travel hubs other than airports and ports (e.g. certain railway stations)
- ✓ Extension for shops selling to airport inbound passengers within the limits of the personal allowances at import

The EU VAT Tourism & Travel Package: Timeline



- DG TAXUD announced that evaluation has not been fully completed (issues with other parts of package) and couldn't give an exact timeline – Also priority given to VAT in the Digital Age (ViDA) reform
- In view of delay, ETRC exploring options for EU Commission to consider Arrivals Duty Free as a standalone legislative initiative -> Risks and opps

The EU VAT Tourism & Travel Package: Key messages

Arrivals Duty Free, a proven business model with wider positive impacts

- Already in place in over 60 countries, including all EEA countries including Norway and Iceland.
- Situated before Customs Control.
- No access to public.
- Same eligibility controls apply as for departure passengers, i.e. boarding pass.
- No negative impact on government tax revenues: shift of sales from outside the country (departure airport) to inside the country (arrival airport) supporting local jobs and businesses.

Allowances at Destination do not change

Giving passengers a choice of where to buy

Supporting local airports and economies

Supported by two ETRC commissioned studies.

Arrivals Duty Free in the EU

Potential for a significant commercial opportunity

**Arrivals
Key Points**

Economic activity within the EU is boosted
BENEFITING PUBLIC FINANCES

Travellers allowances WILL REMAIN AS THEY ARE

Sales from arrivals shops could make up

20-30%

OF TOTAL TRAVEL RETAIL SALES

Shift sales from outside the EU to inside the EU

The Economic Impact of Duty Free and Tax Free Arrivals Shops at EU Airports by Country at 2019 Traffic Levels

Country	GVA Impact (€ million)	Jobs	Tax Revenue (€ million)
Austria	€ 75	550	€ 30
Belgium	€ 80	600	€ 35
Bulgaria	€ 15	150	€ 4
Croatia	€ 10	100	€ 4
Cyprus	€ 8	20	€ 3
Czech Republic	€ 35	350	€ 15
Denmark	€ 70	525	€ 30
Estonia	€ 5	50	€ 2
Finland	€ 45	350	€ 20
France	€ 775	6,775	€ 360
Germany	€ 830	7,850	€ 315
Greece	€ 55	450	€ 20
Hungary	€ 25	225	€ 10
Ireland Republic of	€ 44	385	€ 10
Italy	€ 255	2,500	€ 110
Latvia	€ 15	125	€ 5
Lithuania	€ 10	100	€ 3
Luxembourg	€ 5	25	€ 1
Malta	€ 5	25	€ 1
Netherlands	€ 220	1,650	€ 85
Poland	€ 75	825	€ 25
Portugal	€ 75	625	€ 25
Romania	€ 20	175	€ 5
Slovakia	€ 5	50	€ 2
Slovenia	€ 5	50	€ 2
Spain	€ 405	4,000	€ 140
Sweden	€ 60	450	€ 25
Total	€ 3,227	28,980	€ 1,287

Note:

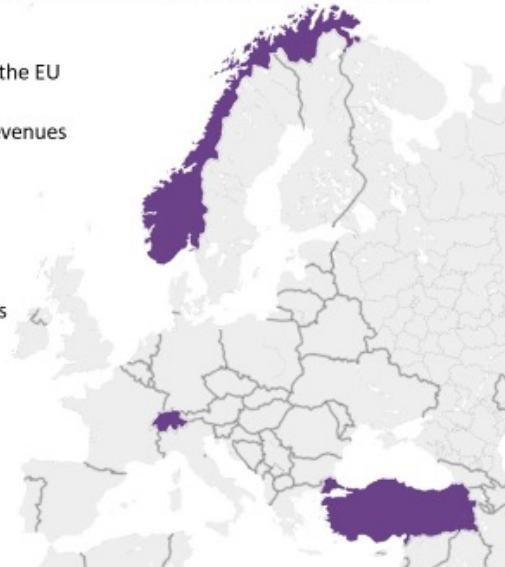
All impacts are subject to rounding.

Country case studies

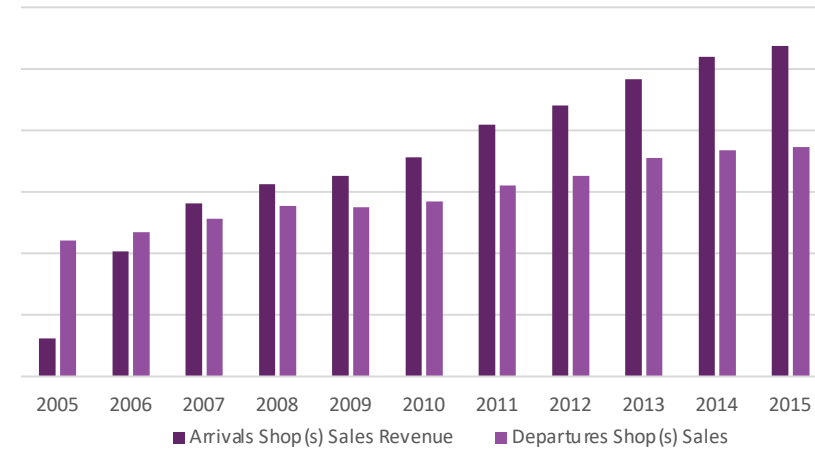
Norway, Switzerland, Turkey

How Have Arrivals Duty Free Shops Benefitted Other Countries?

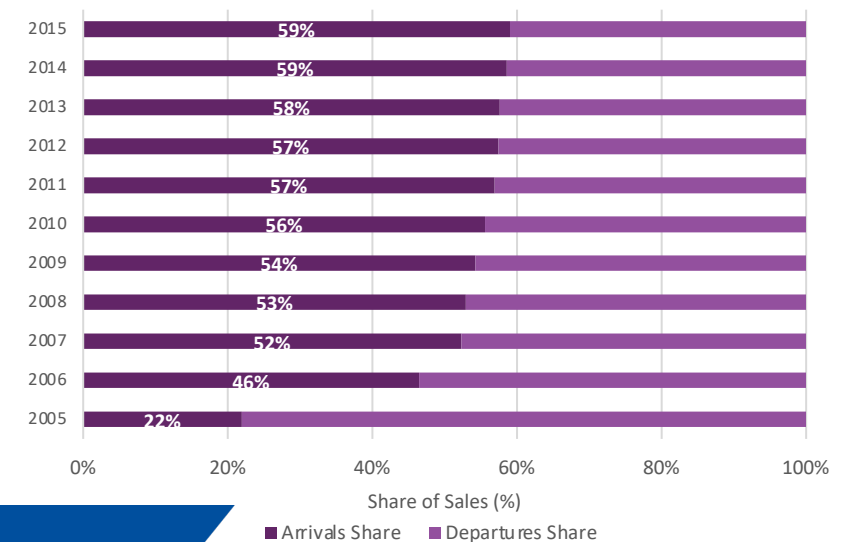
- There are a number of examples of countries on the borders of the EU that have introduced arrivals duty free shops
- Provide an insight into what could happen in the EU
 - Success in driving airport commercial revenues
 - Funding growth
 - Supporting socio-economic goals
- Also, dispel some myths around arrivals shops



Norway: Duty Free Sales Revenue by Shop Location



Norway: Historic Duty Free Sales, Share of Sales by Shop Location



The EU VAT Tourism & Travel Package: Strategy

Need to get potential positive countries more vocal

Need to 'neutralize' potential opponents

External factors
(Olympic Games,
Canada, UK)

Engagement ongoing in EU Member States led by ETRC with national associations and retailers

Arrivals Duty-Free in the UK

HMRC ongoing assessment of York aviation study

UKTRF continuing engagement supporting members with MPs and government

NB: Campaign on reinstating Tax-Free shopping in Daily Mail this week



Daily Mail, Wednesday, April 26, 2023

They're rubbing their hands with glee in Paris, Madrid and Rome – while luxury brands are shutting boutiques at Heathrow

by Fraser Brown

RETAIL DIRECTOR AT HEATHROW AIRPORT

Daily Mail CAMPAIGN
SCRAP THE TOURIST TAX

because we in Britain are giving them an economic gift.
In Rome's Fiumicino there's a sign that says: 'Shop like never before. Tax-free mall, 22 per cent full VAT refund.'
Charles de Gaulle, has one taunting British retailers: 'Travelling to the UK? Benefit from the best of Paris at Duty Free prices.'

Sustainability: A transformational impact on the supply chain

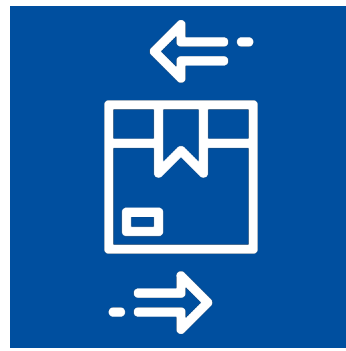
ETRC to commission a CSR & Sustainability Mapping Report available to members in September 2023

EU Packaging and Waste legislative adoption process ongoing



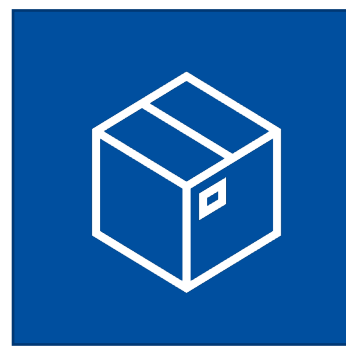
Logistics

Transport packaging:
Reuse pallets, pallet wrappings, straps



Circularity

All packaging recyclable by 2030,
Reuse and Refill, Less virgin materials



Reduction

Reduce packaging waste, restrict unnecessary packaging, limit void space



Information

Harmonised mandatory labelling on packaging:
QR codes, symbols for waste instructions

Thank You!

www.etr.org

 @ETRC_