

Sir Geoffrey Clifton-Brown MP
House of Commons

22 December 2023

Richard Hughes
Chair

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obr.uk

Dear Sir Geoffrey,

VAT RES and Airside Tax-Free Shopping Scheme

Thank you for your letter of May 17 asking for clarification on the OBR's examination of the costs and benefits resulting from the decision to end tax-free shopping schemes in 2020 and related questions.

Please first accept my apologies for the length of time it has taken to respond. It was our original intention to conduct a review of the initial costing of this measure and publish its results alongside our November 2023 *Economic and fiscal outlook*. Unfortunately, the significant personal and corporation tax changes announced by the Chancellor in last month's Autumn had to take precedence in the deployment of our, HM Treasury's, and HMRC's limited resources in the area of tax policy analysis.

With the Autumn Statement now behind us, I can commit to reviewing the original costing of this measure, including in the light of subsequent evidence on international visitor numbers and their consumption patterns and the analysis carried out by a number of outside bodies. We will undertake this analysis in the first months of 2024 with an aim of publishing its conclusions alongside the Spring Budget.

In the meantime, in response to the more straightforward questions posed in your letter:

- On the extent of the original 2020 costing, here your understanding is correct that the numbers discussed in the Treasury select Committee on December 1 2020 refer to only those impacts directly relating to goods previously eligible for a VAT refund rather than any wider consequences.
- On HM Treasury's £2 billion estimate for the costs of restoring VAT-free shopping, where I can confirm that this was not analysis undertaken by the OBR

I hope this response goes some way to answering some of your questions, and we will provide more complete analysis in the New Year.

Sincerely,



Richard Hughes
Chair
Office for Budget Responsibility