

18 September 2020

Our Ref: HRS/JM

Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
1 Horse Guards Road
London
SW1A 2HQ

By Email: public.enquiries@hmtreasury.gov.uk



CADOGAN

10 Duke of York Square
London SW3 4LY
T. 020 7730 4567
www.cadogan.co.uk

Dear Chancellor,

I am writing to share my disappointment at the Treasury's unexpected decision to end the tax-free shopping scheme and set out why this will be detrimental to Britain's tourism sector and in particular to Chelsea, where we have a long term commitment to the success of the area.

Cadogan is a property manager, investor and developer with a modern and dynamic approach to estate management. We work hard to build a vibrant neighbourhood that spans 93 acres of Chelsea and Knightsbridge – renowned for its mix of over 300 international flagship stores, independent boutiques, hotels, restaurants, cafes and cultural attractions. This puts us in a unique position to step back and reflect on the impact this will have on the destination as a whole if Britain becomes the only country in Europe not to offer tax free shopping to international visitors.

Sloane Street in particular; a unique and iconic location renowned on the world stage as a premier location for many leading luxury brands and is the location of choice in London to shop for a mobile international clientele with the highest disposable income. In 2019, Sloane Street shopping generated 68,000 tax refund vouchers, over 5,670 transactions per month, with sales worth £128 million¹. This equates to just over a quarter of total sales for the street. Top source markets are China, South East Asia, Middle East and USA which account for almost £100 million of Sloane Street sales. These figures give a clear picture of the value of tax refund sales to Sloane Street alone.

Cont.../

¹ Global Blue and Planet data 2019

.../2

18 September 2020



CADOGAN

VisitBritain's own research shows that shopping is one of the major reasons why tourists come to Britain². This decision is effectively telling international tourists to go anywhere but the UK to spend their money. With EU visitors forming 70% of international visitors to the UK the decision changes a potential £2.1 billion tax free shopping bonus from the UK's departure from the EU into a £3.5³ billion loss of tax-free sales.

This decision has negative implications for Britain's tourism industry as a whole, hitting hotels, restaurants and cultural attractions across the UK as high-spending tourists instead choose to go to Paris, Rome or indeed any other European city.

The government says that the scheme is costly and that, when abolished, the Treasury will benefit by retaining the VAT on the (around) 50% of retail sales to international visitors that are currently tax free⁴. It will not. If the scheme is abolished, that element of sales will simply not take place in the UK. We know this because we work in close partnership with our tenants and their loyal international customers are telling them that they will go to Paris or Rome instead. HM Treasury's proposed alternative VAT-free scheme is not attractive or sufficiently appealing to international visitors who wish to walk out of a store, "bag in hand", with an immediate sense of satisfaction. International shoppers will be far more attracted by the traditional and well understood tax-free schemes offered by our European counterparts.

The economic value that international tourism derives goes far beyond the VAT that the government wishes to retain. With just over a quarter of Sloane Street's turnover jeopardised, the economic value that our Estate drives will also diminish proportionately. In 2019, the Estate's activities directly, or indirectly, employed over 21,000⁵ people accounting for over 10% of the Royal Borough of Kensington and Chelsea's workforce, predominantly through retail and hospitality. It is estimated that the Estate's commercial sites generate £1 billion⁶ GVA per year. Assuming that Sloane Street alone accounts for half of our commercial sites, with just over one quarter (28%) of the street's sales not happening, the GVA of our commercial sites could reduce by £140 million per year, almost 15% of our total GVA.

The decision could not come at a worse time. With the ending of both furlough and the business rates holiday looming, this will put additional cash flow pressures on retailers that will be hugely detrimental to their recovery and will directly, and indirectly, jeopardise thousands of jobs that depend on the activities of the Estate.

Cont.../

² "Shopping is one of the most popular activities for overseas visitors to Britain, with at least 57% of all visits involving shopping in 2014 (increasing to around 70% amongst leisure visitors)². VisitBritain "The Importance of Shopping to overseas visitors"

³ Total registered annual tax-free sales in the UK are £3.5 billion but the reclaim rate is around 65% (due to the failure of HMRC to digitalise the validation system). So, VAT is only actually reclaimed on only £2.5 billion.

⁴ Tax free refunds are claimed on around £2.5 billion of the £6 billion annual retail sales to international visitors - NAO report and VisitBritain figures

⁵ Volterra for Cadogan, *Socio Economic Impact Report*, May 2020

⁶ Volterra, May 2020

.../3

18 September 2020



CADOGAN

More importantly, Chelsea and Knightsbridge have a place on the world stage for attracting the very best brands, investors, talent and visitors from around the world. This decision will negatively impact their global appeal and international reputation.

As Britain is about to leave the EU, we should be working to maximise the level of international support, spending and investment in the UK.

We believe there is a way to work together on this important issue for the benefit of the UK's economy and we urge the government to reconsider their position on the matter.

Yours sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right. The signature is positioned above the printed name and title.

Hugh Seaborn
Chief Executive