

Update from ETRC

NTRG Members Meeting
23 March 2023, Copenhagen

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



In view of delay due to other parts of the package and EU elections in 2024, ETRC assessing options for EU Commission to consider Arrivals Duty Free as a standalone initiative.

We will need your support to communicate this message to EU Member States.

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

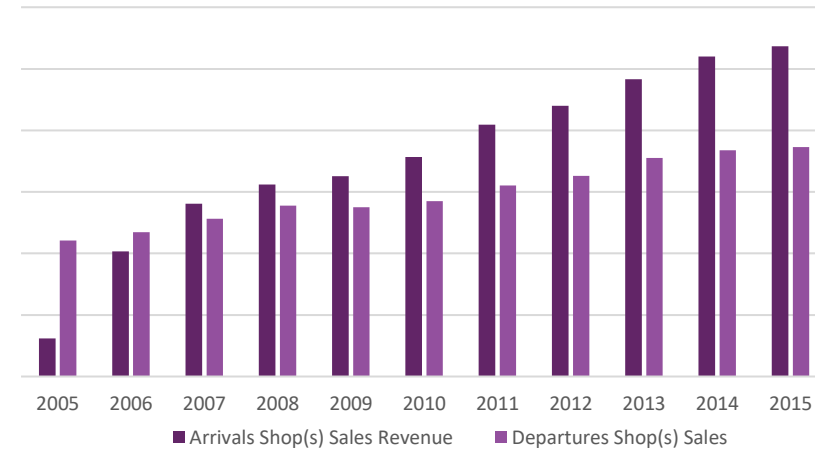
Norway, Switzerland, Turkey

How Have Arrivals Duty Free Shops Benefitted Other Countries?

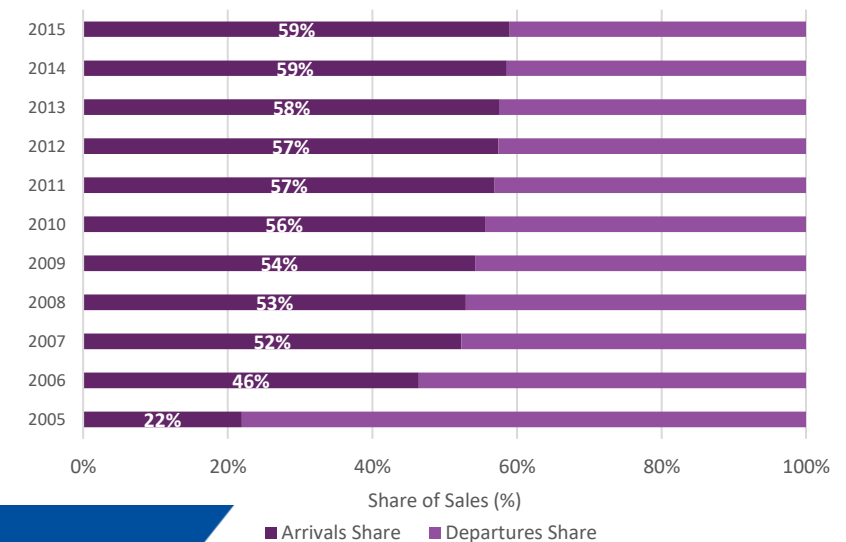
- There are a number of examples of countries on the borders of the EU that have introduced arrivals duty free shops
 - Success in driving airport commercial revenues
 - Funding growth
 - Supporting socio-economic goals
- Also, dispel some myths around arrivals shops



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: Italy, Greece, Cyprus, Spain, Belgium

Need to 'neutralize' potential opponents: Denmark, Netherlands

External factors (Olympic Games, Canada, UK)

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

Arrivals Duty Free – UK

Spring Budget adopted last week – no mention of arrivals duty free nor tax-free shopping

HMRC ongoing assessment of York aviation study to be sent to Treasury

Expect a political decision to be taken on Arrivals duty free within 8 weeks

A solid blue horizontal bar at the bottom of the slide, with a diagonal cut-off on the right side.

Digital labelling: Revive Duty Free Label



DUTY
FREE LABEL

Project to restart with Food & Confectionery category

Digital labelling for food and alcohol categories may be included in future revision of EU legislation 1169/2011

Delayed

H1 2023: Working group with suppliers to define parameters and timeframe to relaunch project

EU Packaging and Waste Proposal

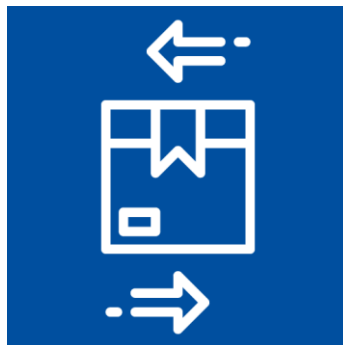
Legislative adoption process ongoing

A transformational impact on the whole supply chain



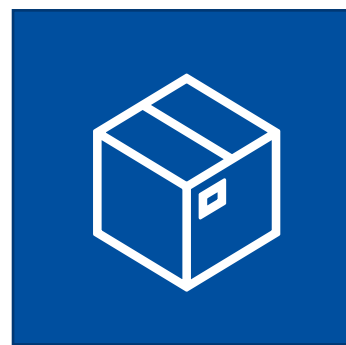
Logistics

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

ETRC Index

ETRC Airport Retail Index FY22 to be released on April 13 – NTRG members to receive presentation via NTRG

Based on similar methodology, ETRC trying to develop similar tool for tracking sales trends for ferry channel

Data company Pi Insight appointed by ETRC to collect and collate data for sole purpose of ETRC Index: Data input must come from retailers

Following two exploratory workshops late 2022, ETRC asking ferry retailers to confirm interest to join project: Critical retailer mass not reached yet

Thank You!

www.etr.org

 @ETRC_