

## UK issues response on consultation on duty-free and tax-free goods carried by passengers

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Following consultation with industry, the United Kingdom (UK) Government has reviewed the excise duty and value-added tax (VAT) treatment of goods purchased by individuals for their own use and carried across borders in their luggage.

Currently these reliefs are largely set out in European Union (EU) legislation, with different rules for those travelling to or from the EU, and those travelling to or from non-EU countries. These rules will need to be aligned following the transition period to remain compliant with World Trade Organization (WTO) rules which, broadly, require the UK to treat goods carried by passengers bound for, or arriving from, different destinations equally.

As background, the UK Government published a [consultation](#) on 11 March 2020 regarding the potential approach to goods carried across borders by passengers. The consultation sought views on:

- ▶ Personal allowances for passengers travelling from the EU to the UK
- ▶ Duty-free sales for passengers travelling from the UK to the EU
- ▶ Duty-free sales on-board planes, trains and ships for consumption on-board and take-away
- ▶ The VAT Retail Export Scheme (VAT RES)
- ▶ Tax-free sales for passengers travelling from the UK to the EU

The consultation focused on the treatment in Great Britain (GB). Different rules will potentially apply to Northern Ireland.

A [document](#) summarizing the responses to the consultation provides a review of the UK Government response and final policy decisions which include:

- ▶ Enabling passengers travelling from GB to the EU to purchase duty-free excise goods on the same basis as currently applies to passengers travelling to non-EU destinations
- ▶ Passengers travelling back from the EU will no longer be able to bring back unlimited amounts of alcohol, tobacco, or other goods for personal use without making a declaration and paying the relevant taxes. Passengers will instead have the option to bring in defined amounts of alcohol, tobacco and other goods purchased from duty- or tax-free shops or with tax and duty paid on the high street, in the EU without paying the relevant taxes and duties on entry to GB, subject to personal allowances
- ▶ The UK Government plans to significantly increase the current excise allowance levels for alcohol for passengers arriving from both EU and non-EU countries. The current levels of allowances will remain for tobacco products and all other goods
- ▶ The VAT RES will not be extended to EU visitors and will be withdrawn for non-EU visitors in GB. This means that overseas visitors will no longer be able to obtain a VAT refund on items they buy in GB and take home with them in their luggage. Retailers will instead continue to be able to offer VAT-free shopping, consistent with international principles of taxation, to non-EU visitors who purchase items in store and have them sent direct to their overseas addresses. Following the end of transition period, this will also be available to EU visitors
- ▶ Tax-free sales under the airside extra statutory concession will be withdrawn from 1 January 2021

The UK Government will enact legislation to give effect to these changes from 1 January 2021. More detailed information, may be found in HM Treasury's Press Release "[Duty Free extended to the EU from January 2021.](#)"

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