

FUNDS

Chinese tourists bemoan UK's tax-refund system

Time-consuming procedure, hidden fees dent Britain's image as shopping destination

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Tourism experts and overseas visitors, including those from China, have criticized the United Kingdom's tax-refund system for being too complex and time-consuming.

The system, in place since 1995, allows tourists from outside the European Union to claim back value-added tax on any purchases made in the country upon departure. Yet critics argue that it is threatening to hamper the UK's bid to become a major shopping destination.

"The poor VAT refund experience, as well as hidden fees, certainly decreases Chinese travelers' satisfaction about their UK travel and lowers the UK image as a destination," said Yang Jingjing, a lecturer on tourism development at the University of Surrey.

According to the rules, non-EU residents who buy goods in the UK can apply for a VAT refund when they leave the country. In theory, this involves filling out a form and presenting it with receipts to a refund booth, like those at the airport. In practice, however, the procedure can be time-consuming, proving an extra burden for passengers who already need to pass through lengthy security checks.

The complexities of the procedure, the number of companies that operate refund programs, and long lines at



Chinese tourists stand in a queue to get VAT refund at London Heathrow Airport Terminal 3. WANG MINGJIE / CHINA DAILY

“I may hesitate to shop again in London as the cost of getting a refund is too high.”

Chen Lizhi, a Chinese graduate of Loughborough University, who spent 4,000 pounds on luxury goods in London.

airport counters mean many tourists are either losing out or being charged what some say are exorbitant fees.

Chen Lizhi, a recent Chinese graduate of Loughborough University in the East Midlands, said that she spent 4,000 pounds (\$5,680) on luxury bags, clothes and skin care products during a London shopping trip, paying about 700 pounds in VAT.

"I ended up receiving a refund of just 368 pounds," she added. "I didn't expect there'd

be an additional handling fee at the airport counter, as a big chunk had already been taken out at the time of the purchase. Also, the currency exchange rate at the refund desk is low compared with high-street rates.

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To qualify for a VAT refund, tourists have to spend a minimum amount, which varies from retailer to retailer. At the point of sale, foreign custom-

ers can ask for a refund form and the retailer and/or the VAT refund operator will charge a service fee. Rates vary depending on the sum and the operator.

The main refund operators are Global Blue, Premier Tax Free, Tax Free Worldwide and Innova Tax Free, while companies such as Travelex, Moneycorp and International Currency Exchange act as agents to process the refunds and handle currency exchanges.

"I'm very confused by the different rates charged by the retailer and the VAT refund operators," said Qian Sujia, a frequent visitor to the UK from Hangzhou. "As a tourist, I can't do much, but I'd appreciate it if someone could provide a clear table for what will be charged."

Global Blue said the company does not share "refund tables" in any of its markets due to commercial sensitivity, adding that its services are optional and can be declined if travelers prefer not to pay its service fee.

"They can liaise directly with merchants and local authorities; however, this process is a very lengthy and complex one," the company said in a statement.

Selfridges, a popular store among Chinese visitors to London, would not comment on fees for VAT refunds, saying only that its tax-free shopping service is operated by Global Blue.

Harrods, another famous British department store, also declined to comment on fees, but said it is continuing to work with Global Blue to

improve the tax-free process by providing a selection of options for receiving tax refunds, including cash in store for sales under 10,000 pounds and instant refunds via Harrods Rewards Cards or Alipay, the third-party payment system owned by Chinese technology company Alibaba.

Customers are also charged a fee at the airport counter for cash refunds. And although there is no fee for credit or debit cards, overseas visitors have complained they find it hard to chase refunds that fail to make it to their account in time once they return to their native country.

"I had the experience of not receiving money from a card refund, and I couldn't do much about it when I returned to China," Qian said. "Plus, non-UK credit and debit cards will also impose their own exchange rates."

Lei Yamin, a Chinese tourist from Zhejiang province, said, "I was appalled that those who want a refund in sterling are asked to take out every single item they have purchased to be checked, while those who want a foreign currency don't. That is a clear indication that a sterling refund is discouraged, as the currency conversion rate at the refund booth is much lower than on the high street."

In response, Travelex said in a statement that it is reviewing its practices at airports to shorten waiting times, and added that it is legally required to conduct random checks on people's goods at VAT refund counters.

However, Hugo Jenney, a partner at British law firm Stephenson Harwood, says the lack of clarity in the system is ripe for criticism, as it allows various parties to potentially

exploit the naivety and lack of bargaining power of the average foreign tourist to the UK.

"It's fair to have certain charges, but whether they are clearly outlined to the buyers so they know what they are doing and what their choices are, or whether they are exploiting a muddy area in which they know the tourists will not complain is another matter," he said.

He added that he was shocked by one report that a Chinese visitor had lost about 50 percent of her VAT refund, arguing that various participants are "profiteering" from the complexities of the system.

Such inefficiency would not be tolerated in many other markets, he says, and the reason it is in the UK is because there is no transparency, and perhaps also a lack of competition or interest in competitiveness, he said. Jenney said the system would benefit from some scrutiny from a body that can impose guidelines.

"Shopping is a huge part of many tourists' visits to Britain," said Patricia Yates, director of VisitBritain, the UK's official tourism board. "A simple and slick VAT refund scheme would make us a more attractive destination for high-spending visitors, including the Chinese, who are some of our highest spenders."

Latest figures from VisitBritain show Chinese made 214,000 visits between January and September last year, up 37 percent on the same period in 2014. Each spent on average 2,688 pounds.

Tourism has become big business in the UK, with the number of people employed in the industry growing by almost 12 percent in the five years up to 2014, from 2.66 million to 2.97 million, according to VisitBritain.

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