



UNDERSTANDING THE VAT CONCESSION AT AIRPORTS



VAT law allows products that are normally subject to VAT to be sold free of any VAT past security at airports to customers travelling outside of the EU.

In order to meet HM Revenue & Customs' (HMRC) requirements, we ask our customers to scan their boarding passes to make sure their Non-EU destination is proven and recorded. This means that we can refund eligible customers the VAT savings.

Customers travelling outside the EU will not pay VAT on VATable items which are individually priced above £6 - and we need you to scan your boarding pass to make this saving. For products priced below £6, the net VAT benefit is reflected in lower prices for all customers on high volume products.

It's worth pointing out that over half of the products we sell in WHSmith in airports do not attract any VAT. These products include newspapers, magazines, books, most food items, lottery tickets, stamps and gift cards. In some stores this can be up to 70% of our range.

Further information on this is available at www.hmrc.co.uk.

FREQUENTLY ASKED QUESTIONS

WHAT IS VAT?

- Value Added Tax (VAT) is a tax imposed on goods and services sold to consumers. There are three basic rates of VAT applicable to goods and services in the UK: 20% (“standard rate”), 5% (“reduced rate”) and 0% (“zero rate”).
- Over half of the items sold in WHSmith are zero rated (0%), including: newspapers, magazines, books, and most food items; for example sandwiches, fruit, cakes, shortbread biscuits.
- Standard rated (20%) products sold in WHSmith include: stationery, travel accessories, travel toiletries, confectionery, soft drinks, digital products including headphones, souvenirs, toys and games.
- Some products we sell are exempt or “outside the scope” of VAT, including: lottery tickets, stamps and gift cards.

WHAT IS THE AIRPORT RETAILER’S VAT RELIEF CONCESSION?

- Existing VAT law allows for products that are normally subject to VAT to be sold free of any VAT at airside locations (past security at airports) to customers travelling outside of the EU.
- In order to meet HM Revenue & Customs’ (HMRC) requirements that we provide evidence of export VAT relief, WHSmith request that customers scan their boarding passes when making their purchases to ensure their Non-EU destination is proven and recorded.

HOW DOES WHSMITH USE ANY SAVING FROM THE VAT RELIEF?

- On individual, VATable products valued at £6 or over (excludes tobacco), customers travelling outside the EU pay no VAT on the sale price. These items are highlighted on the product’s price ticket.
- On individual items under £6, we charge a single price to all customers, irrespective of their destination. Any net VAT savings from the products sold to non-EU travellers are reflected in our prices and promotions to all our customers, regardless of their destination.
- Net VAT savings are calculated after deducting the operational cost of running the scheme and the additional rental payments to airports which specifically relate to sales to passengers travelling outside the EU.

WHY HAVE YOU CHOSEN £6 AS THE PRICE POINT FOR CUSTOMERS TO CLAIM VAT BACK?

- Our focus is on our customers and what they want. To apply the VAT saving involves additional steps in our till process and staff intervention at our self service tills. In some locations we have many thousands of transactions per day.
- Following customer focus groups and a trial at Heathrow Terminal 3, it was clear that £6 is the lowest point at which customers get a meaningful VAT refund without lengthening queues for tills.
- Over half of the items sold by WHSmith, including many products below £6, are not eligible for VAT, for example, all newspapers, magazines, books and sandwiches.
- For products priced below £6 which do qualify for VAT we offer a single price for all of our customers regardless of destination. As 72% of UK air passengers are staying within the EU, this benefits the vast majority of our customers.
- The net VAT saving from these products is reinvested in our single pricing policy through discounted promotions in store for the benefit of all of our customers.

CAN CUSTOMERS CLAIM THE VAT BACK IF THEY BUY THREE ITEMS THAT TOTAL OVER £6?

- No. Customers can only claim the VAT back on *individual* items priced at £6 or over (excludes tobacco), however given our categories, many products priced below £6 exclude VAT, for example, newspapers, magazines, books and sandwiches.
- Typical items that cost over £6 and are eligible for the VAT discount include travel accessories such as travel pillows or headphones, souvenirs, and gifting confectionary such as large boxes of chocolate.
- The net benefit obtained on individual items under £6, which only applies to sales within our airside stores (not landside stores) and only where customers are travelling outside of the EU, is reinvested in our single pricing policy and promotional offers for the benefit of all of our customers.

HOW DOES ANY BENEFIT FROM SALES OF ITEMS PRICED UNDER £6 GET USED?

- The net benefit on individual items under £6, which only applies to sales within our airside stores (not landside stores) and only where customers are travelling outside of the EU, is reinvested in our single pricing policy and promotional offers for the benefit of all of our customers.
- In addition, in many airports we pay additional rent relating specifically to non-EU VATable sales.

WHY DO I NEED TO SHOW MY BOARDING CARD?

- VAT law means products that are normally subject to VAT can be sold free of any VAT past security at airports to customers travelling outside of the EU.
- In order to meet HM Revenue & Customs' (HMRC) evidential requirements in respect of export VAT relief, WHSmith request that customers present their boarding passes when making their purchases to ensure their Non-EU destination is proven and recorded.
- Customers do not have to show their boarding card to complete their purchase, however if travelling outside the EU and spending over £6 on individual items, you must scan your boarding card to get the discount.

WHICH COUNTRIES ARE EU VAT TERRITORY COUNTRIES?

Austria – Belgium – Bulgaria – Croatia – Cyprus - Czech Republic – Denmark – Estonia – Finland – France (including Monaco) – Germany - Greece – Hungary - The Republic of Ireland – Italy – Latvia – Lithuania – Luxembourg – Malta - The Netherlands – Poland - Portugal (including the Azores and Madeira) – Romania - Slovak Republic – Slovenia - Spain (including the Balearic Islands) – Sweden - United Kingdom – Isle of Man.

EU VAT TERRITORY COUNTRIES EXCLUDE:

The Canary Isles (Gran Canaria, Fuerteventura, Lanzarote, Tenerife) – The Channel Islands – The Overseas Departments of France (Guadeloupe, Martinique, Réunion, St. Pierre and Miquelon, and French Guiana) – Gibraltar – Melilla.

I FLEW TO THE CANARIES BUT WAS TOLD I CAN HAVE MY VAT BACK, WHY IS THIS?

- Some countries in the EU, including The Canary Isles, are not classified in EU VAT territory and as such are classed as outside the EU for the purpose of VAT charging.

WHAT WILL HAPPEN AS A RESULT OF BREXIT AND WHEN?

- It is too early in the process of exiting from the European Union to say. At this stage there are no changes to the way VAT relief concession for non-EU travellers is applied.