



HM Treasury



HM Revenue
& Customs

A consultation on the potential
approach to duty- and tax-free
goods arising from the UK's new
relationship with the EU:
Summary of responses

September 2020

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Chapter 1

Introduction

- 1.1 The UK has left the European Union (EU) and entered a transition period, which will end on 31 December 2020. In light of this new relationship the government has reviewed the excise duty and VAT treatment of goods purchased by individuals for their own use (passengers) and carried across borders in their luggage. Currently these reliefs are largely set out in EU legislation, with different rules for those travelling to or from the EU, and those travelling to or from non-EU countries. This will need to be aligned following the transition period, not least for the UK to remain compliant with World Trade Organisation (WTO) rules. These broadly require the government to treat goods carried by passengers bound for, or arriving from, different destinations equally.
- 1.2 At Spring Budget, on 11 March 2020, the government published a consultation on the potential approach to goods carried across borders by passengers. There were a number of policy options available, including new opportunities due to the UK no longer being a member of the EU.
- 1.3 The consultation asked for views on:
 - personal allowances for passengers travelling from the EU to 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
- 1.4 The consultation focused on the treatment in Great Britain (GB). The government continues to work with the Joint Committee on the implementation of the Northern Ireland Protocol. The government is also committed to providing guidance on how the Northern Ireland Protocol will work, including for duty-free and tax-free goods, ahead of the end of the transition period.

- 1.5 The level of personal allowance for bringing non-excise goods into GB and the means by which a customs declaration is submitted to UK customs authorities were out of scope of the consultation.
- 1.6 HM Treasury and HM Revenue and Customs (HMRC) worked with many stakeholders over the consultation period, which closed on 20 May 2020. The government recognises that many stakeholders have faced significant disruption due to COVID-19 and is grateful for the 73 responses that were received during this time – see Annex A for a full list of respondents. There were a range of views and evidence submitted and the government has had to balance competing policy objectives, while taking into account the views of stakeholders.
- 1.7 The government has a number of objectives relating to passengers travelling with goods:
- minimising disruption at exit and entry points
 - minimising delivery challenges as well as expensive and time-consuming infrastructure changes
 - minimising revenue loss, particularly via tax evasion or avoidance
- 1.8 Considering these objectives, WTO rules, and the diverse views from the consultation, the government is setting out in this document its response and final policies which will apply from 1 January 2021.
- 1.9 The government is taking advantage of the opportunity provided by the UK's new relationship with the EU to enable passengers travelling from GB to the EU to purchase duty-free excise goods once they have passed security controls at airports, ports, and train stations on international routes, on the same basis as currently applies to passengers travelling to non-EU destinations. This means passengers travelling from GB won't have to pay UK VAT and excise duty on these purchases of alcohol and tobacco products when they leave. They will also be able to purchase duty-free goods on-board planes on international routes, on international train journeys and ships sailing from GB to a destination outside the UK for consumption on-board and to take-away. This is something that many have raised as part of the consultation and the government will implement this as soon as the transition period ends.
- 1.10 At the same time, 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. Some stakeholders have expressed concerns about this change given many passengers are used to bringing back unlimited amounts of alcohol, tobacco and other goods from the EU. The government is using its new freedoms 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.

- 1.11 Many stakeholders have told the government about the benefits they see from tax-free sales (of non-excise goods) and have asked that this treatment be extended to passengers travelling to the EU. The government made clear in the consultation that it had a number of concerns over how the benefit is passed on to passengers and that in some instances the relief is not consistent with international tax principles, in which VAT and excise on goods should be paid in the country of consumption - for example, where tax-free goods are brought back into the country by UK residents or consumed in the airport. As such, the government is not extending tax-free sales to passengers travelling to the EU and is withdrawing tax-free sales for all passengers.
- 1.12 The VAT Retail Export Scheme will also 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. Many stakeholders have told us about the operational challenges of the current system, and that they do not want to see an extension of the scheme to the EU in its current paper-based form. By contrast other stakeholders have explained the benefits that they see from the VAT RES and that they would like to see the scheme extended to the EU in digital form, which the government continued to explore in parallel with the consultation. However, the VAT RES is a costly relief which does not benefit the whole of GB equally, with current use of the scheme largely centred in London. 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.
- 1.13 The government will make and lay a Statutory Instrument subject to the negative procedure before the House of Commons in due course to give effect to these changes from 1 January 2021. The following chapters summarise the responses to the consultation, the government's response and rationale for these changes.

Chapter 2

Travelling from the EU to the UK

Personal allowances for passengers travelling from the EU to the UK

Consultation questions

- 2.1 The consultation stated that the government was minded to reintroduce personal allowances in respect of tobacco and alcohol products for passengers arriving from EU member states. The current personal allowances for non-EU passengers are set out in EU legislation. Therefore, after the transition period, the government is free to consider whether the personal allowances for alcohol and tobacco products should be altered for all passengers. As such, the consultation asked the following questions in regard to personal allowances:

Box 2.A: Consultation questions regarding personal allowances

Q1. The government would welcome any evidence or views on reintroducing duty-free and tax-free personal allowances to passengers travelling from the EU to the UK, including the impacts that these could have.

Q2. The government would welcome views on whether the current personal allowances for alcohol and tobacco imports should remain the same or should be changed, and if so why?

Summary of Responses

- 2.2 Of the 43 stakeholders who gave a view on personal allowances for alcohol and tobacco, 21 responded to say that these should reflect the current allowances applicable to passengers entering the UK from non-EU countries. This would be simple for passengers to understand as they would be based on existing principles.

- 2.3 Three respondents felt that tobacco allowances should be set at zero on health grounds, two felt tobacco allowances should be reduced to the minimum possible level, and one felt that both tobacco and alcohol allowances should be set at zero. While not referenced in the consultation, one respondent suggested that the government introduce an allowance of 200 sticks for recently developed 'heated tobacco' products.
- 2.4 Of the remaining 16 respondents, 13 would like to see tobacco allowances kept at current levels applicable to passengers entering the UK from non-EU countries, but the alcohol allowance increased. Some respondents argued that introducing alcohol allowances at current levels would disrupt their business models, potentially impact flow at the border, and that passengers would lose out from no longer being able to bring back unlimited amounts of tax- and duty-paid goods from the EU. To mitigate these potential impacts, some stakeholders suggested a significant increase in personal alcohol allowances to the intra-EU minimum indicative levels (MILs).
- 2.5 One stakeholder requested a minimum increase in the still wine allowance from 4 litres to 4.5 litres, which would equate to half a case of still wine. Three suggested doubling the spirits allowance from 1 litre to 2 litres.
- 2.6 Nine stakeholders asked the government to increase the 'any other goods' allowance for non-excise goods, which was out of scope of the consultation. Some stakeholders felt that there should be two different allowances for duty-free and duty-paid goods that are brought into the UK.

Government response

- 2.7 The government notes that the majority of stakeholders feel that personal allowances should be extended to passengers travelling from the EU at the current levels for those travelling from non-EU countries. This would not affect passengers who are used to travelling to GB from non-EU countries but would be a change for those travelling to GB from the EU, especially for those who travel in their own vehicle by ferry or train.
- 2.8 The government also notes the health concerns raised by some stakeholders regarding the current levels of tobacco and alcohol allowances, and the feeling that they should be reduced. However, The UK has the second highest excise duty rates in the EU. This means that under current rules that people can travel to an EU Member State, buy tobacco and alcohol products and bring in unlimited amounts for personal use. Many passengers currently purchase significant quantities of alcohol and tobacco to bring into the UK because duty rates in the EU are typically below the UK's. Following the transition period, the introduction of allowances for those entering GB from the EU is therefore likely to reduce the amount of alcohol and tobacco being brought into GB from the EU.
- 2.9 While in the minority of respondents, the government recognises that some stakeholders who may be most impacted by the introduction of allowances have requested a significant increase in the alcohol allowance (while also

suggesting that tobacco allowances remain at current levels). Many of these respondents used the intra-EU MILs as a guide for the level of this increase. For example, such an approach would see an increase in the still wine allowance from 4 litres to 90 litres, and from 16 litres to 110 litres for beer.

- 2.10 MILs are one of a number of factors used by Border Force in determining whether alcohol and tobacco products imported from the EU are for a person's own use or are for commercial use. They are not allowances – a passenger bringing in less than the MILs to re-sell is still breaking the law, and a passenger who can evidence that they are bringing in more than the MILs for their own use would be unaffected. Furthermore, MILs are used only for tax- and duty-paid goods. As such, the government's view is that MILs are inappropriate to be used as the allowances for the amount of goods that passengers can bring into GB without paying tax or duty.
- 2.11 However, the government understands the impacts that the introduction of current non-EU allowances may have, particularly on those stakeholders that deal with large volumes of EU passengers travelling to GB in a vehicle by ferry or train. While passengers will no longer be able to bring in unlimited amounts of tax- and duty-paid goods for their own use, the government is using its new freedoms to significantly increase the current allowance levels for alcohol for all passengers. This means that each passenger will be able to bring back, for example, three crates of beer, two cases of still wine and one case of sparkling wine to GB without paying UK duties. The current non-EU allowances will apply to existing categories of tobacco and all other goods for all passengers.
- 2.12 The government also believes the suggested allowance of 200 sticks for 'heated tobacco' is appropriate, given that it is equivalent to the allowance for 'conventional' cigarettes, and will introduce this category of allowance following the transition period. Table 1.A outlines the allowances that will apply to all passengers entering GB from EU and non-EU countries from 1 January 2021:

Table 2.A: Personal allowances to apply in Great Britain from 1 January 2021

Alcohol	Tobacco	Any other goods
<ul style="list-style-type: none"> 42 litres of beer 18 litres of still wine 4 litres of spirits OR 9 litres of sparkling wine, fortified wine or any alcoholic beverage less than 22% ABV 	<ul style="list-style-type: none"> 200 cigarettes OR 100 cigarillos OR 50 cigars OR 250g tobacco OR 200 sticks of tobacco for heating Or any proportional combination of the above 	<ul style="list-style-type: none"> £390 or £270 if travelling by private plane or boat

- 2.13 Current allowances for non-EU passengers apply equally to goods purchased with tax and duty paid in the country of origin, and to goods purchased free of tax and duty in export shops in, for example, airports. This will continue to be the case for personal allowances for both EU and non-EU passengers

from 1 January 2021. This means that if passengers bring in goods over their allowance, they must declare them. Passengers will need to declare and pay tax on all goods they are bringing in within the relevant category, not just those that exceed their allowance within that category.

Chapter 3

Travelling from the UK to the EU

Duty-free sales

Consultation questions

- 3.1 The consultation stated that the government was minded to extend duty-free sales to passengers travelling to the EU at airports, ports, and international rail terminals, as well as on-board planes, trains and ships bound for EU destinations, both for consumption on board and to take-away. The following questions were posed:

Box 3.A: Consultation questions regarding duty-free sales

Q3. Do you agree that the government should extend duty-free sales to those travelling to the EU?

Q4. The government would welcome any evidence or views on the impacts that a return of duty-free sales for passengers travelling from the UK to the EU could have.

Q5. The government would welcome any evidence or views on the impacts that an introduction of duty-free sales for passengers travelling to the EU at ports, airports and international train stations could have.

Q6: The government would welcome any evidence and views on the impact of allowing duty-free sales for passengers to the EU on-board trains.

Q7: The government would welcome any evidence and views of the impact of allowing duty-free sales for passengers and crew on-board planes and ships destined for the EU.

Summary of responses

- 3.2 43 respondents, mainly in the travel, alcohol and tobacco industries, strongly welcomed the extension of duty-free sales, arguing that it will create direct and indirect benefits for the international travel industry, and parity with the EU. A small number of stakeholders in this group have also told the government about their concerns with the operational changes needed to set up export shops for the first time.
- 3.3 Six respondents did not want to see duty-free sales extended. Four of these are concerned about the potential health impacts of any increase in the availability of cheaper excise goods.
- 3.4 14 respondents asked the government to introduce 'duty-free on arrival' for all passengers when they arrive in the UK.

Government response

- 3.5 The government notes that the majority of respondents welcome the extension of duty-free sales to passengers travelling to the EU.
- 3.6 Following the transition period WTO rules broadly require the government to treat goods carried by passengers bound for different destinations equally, which would entail either removing completely duty-free sales or extending them for EU-travel. Offering duty-free sales to passengers travelling to the EU would ensure parity of treatment with passengers travelling to non-EU countries. It would also put GB on an even footing with the EU, which has said it will allow duty-free shopping for passengers travelling to GB from 1 January 2021.
- 3.7 The government is therefore taking advantage of the opportunity provided by the UK's new relationship with the EU to enable passengers travelling from GB to the EU to purchase duty-free goods at airports, ports, and international rail terminals. This means passengers travelling to the EU won't have to pay UK tax and excise duties on alcohol and tobacco products which they purchase and take abroad with them in their luggage. They will also be able to purchase duty-free goods on-board planes on international routes, on international train journeys and ships sailing from GB for destinations outside the UK for consumption on-board and to take-away. This is something that many have raised as part of the consultation and it is something that the government will implement as soon as the transition period ends.
- 3.8 The government also notes the health concerns raised by some stakeholders. Although passengers will be able to purchase duty-free goods on their way to the EU, passengers on most routes will be limited to what they can carry, and will be required to pay import taxes and duties on arrival in the EU if bringing in goods over EU personal allowances. This will also apply to any passengers returning to GB with duty-free goods as the government is

removing the ability to bring back unlimited duty-paid alcohol and tobacco for personal use.

- 3.9 As regards 'duty-free on arrival', this was not a policy that was posed in the consultation, nor is it a scheme the government currently offers for those entering the UK from non-EU countries. The government is therefore not considering implementing this scheme at this time.

The VAT Retail Export Scheme

Consultation questions

- 3.10 The consultation invited views on a broad spectrum of possibilities for the VAT Retail Export Scheme (VAT RES). This included exploring the benefits of the scheme to tourism and the high street, how effectively the scheme meets the UK's policy objectives, how any future policy could be made more effective or efficient, how the UK can manage the risk of fraud and non-compliance, and the impacts of abolishing the VAT RES. As such, the consultation asked the following questions:

Box 3.B: Consultation questions regarding the VAT RES

Q8. The government would welcome any evidence or views on the current structures, practices and benefits of the VAT RES.

Q9. What additional benefits would there be to an extension of the VAT RES to EU residents in its current, or digital form?

Q10. The government would welcome any evidence or views on alternative and/or more effective ways of operating the VATRES.

Q11. The government would welcome any evidence or views on the impacts of abolishing the VAT RES.

Summary of responses

- 3.11 43 respondents highlighted to the government their concerns with the current paper-based VAT RES, mainly over the potential for queues at the border. The majority of these stakeholders were concerned about the operational issues (for example, queues at exit points and the paper-based nature of the scheme) and infrastructure needed for an extension of the

scheme to the EU in its current form - two respondents asked specifically for the scheme to not be extended to the EU in current form due to this.

- 3.12 However, the majority of these same respondents also oppose abolition. The main arguments against abolition were that the scheme is felt to incentivise overseas visitors to spend more during their visit and there was a feeling that sales may be displaced to other countries. One stakeholder told the government about the potential impact on jobs.
- 3.13 Instead, these respondents want to see the VAT RES extended to the EU in digital form. One stakeholder suggested that, as passenger numbers have dropped due to the pandemic, there is little risk of disruption from an extension of the scheme in current form. Three others had a similar view but did not reference the pandemic.
- 3.14 Two stakeholders would like to see the scheme abolished to reduce the amount of excise goods purchased through the scheme.

Government response

- 3.15 The international norm, consistent with OECD guidelines and WTO rules, is that VAT (and excise) on goods should be paid in the country of consumption. The VAT RES is only one mechanism which aims to achieve this for eligible goods which are exported in the luggage of non-EU residents and consumed outside of the UK. However, the scheme is an imperfect way to ensure that VAT is paid in the place of consumption, not least due to the risk of fraud and non-compliance.
- 3.16 Many stakeholders have highlighted what they see as the benefits of the VAT RES and submitted evidence about the scale of those benefits for international tourism, the high street and other businesses. The direct impact of the scheme on the high street remains unclear, particularly outside of London. For example, evidence provided during the consultation and gathered by HMRC shows that the majority of purchases are made in London and following this, Bicester Village. Other regions, and particularly smaller high streets, do not appear to benefit as much, if at all.
- 3.17 The government recognises the operational challenges of the current VAT RES, and that many stakeholders are concerned about the practical implications of any extension of the scheme to the EU in its current paper-based form. Industry stakeholders have requested that the current scheme be replaced with a digital system for any extension to EU residents, which the government continued to explore in parallel with the consultation.
- 3.18 The government has also considered the risk of fraud and non-compliance of the scheme - for example, goods that do not leave the country which are instead consumed in GB, passenger adherence to eligibility rules (GB or EU residents using non-EU passports to benefit from the scheme) and passengers not declaring goods that are liable for import tax and duty in the

destination country. There is a risk that these issues would significantly increase with any extension to the EU.

- 3.19 As part of the government's EU exit contingency planning the VAT RES was not going to be extended to the EU on 31 October 2019, nor on 31 January 2020. Instead, the scheme was to be kept in its current form only for non-EU residents as a temporary solution. This differential treatment between non-EU and EU residents will not be possible on 1 January 2021 as it is not tenable as a long-term solution, nor would it be compliant with WTO rules which broadly require the government to treat goods carried by passengers bound for different destinations equally.
- 3.20 Considering the above and balancing the consultation responses with the government's policy objectives, it is clear that the VAT RES is an inefficient method of seeking to achieve taxation in the place of consumption. It is also a costly system to maintain with unclear economic benefits and is burdensome for exit points. While stakeholders feel the scheme has benefits for the high-street, it does not benefit the whole of GB equally, with purchases largely centred in London. The government is therefore withdrawing the VAT RES in GB from 1 January 2021. This means that non-EU residents 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

Consultation questions

- 3.21 The consultation indicated that the government was minded to extend airside tax-free sales to those travelling to the EU by air, sea and rail. However, the consultation document also indicated that there were concerns over the operation of the current scheme and that the government could remove airside tax-free shopping. The following questions were posed:

Box 3.C: Consultation questions regarding tax-free sales

Q12. Do you agree that the government should extend airside tax-free sales for non-excise goods to passengers travelling to the EU?

Q13. The government would welcome any evidence or views on the impacts of abolishing airside tax-free sales.

Q14. What additional benefits would there be to an extension of airside tax-free sales to EU bound passengers?

Q15. What do you think the impacts of introducing tax-free sales for non-excise goods for passengers travelling from the UK to the EU could have?

Q16. The government would welcome any evidence or views on the impacts that an introduction of tax-free sales at international train stations could have.

Summary of responses

- 3.22 33 respondents opposed the abolition of the scheme and supported the extension of tax-free sales, especially at a time when airside retailers are dealing with COVID-19 disruption. Those respondents who have not previously been able to use the relief, as they mainly deal with EU-bound passengers, were keen to use the relief for the first time. One respondent did not want to see tax-free sales extended to the EU.
- 3.23 Respondents argued that airside tax-free sales can offset their operating costs, can contribute to lower retail prices across the board and that customers expect this treatment to be extended to EU travel. They would prefer to see the current system under the HMRC extra statutory concession retained and do not want to see VAT RES in its current paper-based form used airside.
- 3.24 Other respondents argued that the more non-aeronautical revenue an airport receives (for example through both tax-free and tax-paid sales in retailers), the greater the opportunity for airport operators to be competitive and offset operating costs for their partners.

Government response

- 3.25 The consultation asked whether the government should legislate for tax-free sales to be available to both non-EU and EU-bound passengers. Currently, tax-free sales to passengers travelling to non-EU countries are permitted under an HMRC extra statutory concession (ESC). The legal scope for such an ESC is very limited and the ESC for tax-free sales, as it stands, could not apply after the end of the transition period, nor could it be amended. This was made clear in the consultation document. HMRC will therefore remove the ESC for tax-free sales across the UK with effect from 1 January 2021.
- 3.26 The government is concerned that the current rules under the ESC are applied inconsistently (for example applied to goods for immediate consumption that are not exported) and about how this would apply if legislation were implemented to permanently allow this relief. The rules also allow for tax-free sales to UK residents who can use the scheme for goods that will likely be brought back to the UK. For example, a UK-resident

passenger could purchase a camera VAT-free on departure, and then bring the camera back into the country on return for long-term use, without tax having been accounted for. This is not consistent with international tax norms, in which VAT and excise on goods should be paid in the country of consumption.

- 3.27 The government is also concerned that the VAT saving is not consistently passed directly on to consumers, and that this would continue to be the case. As such, the government will permanently withdraw tax-free sales from 1 January 2021.

Annex A

List of respondents

Aberdeen, Glasgow, Southampton Airports

Airport Operators Association

Airvat

ASH

Association of International Retail

Bacardi

Belfast City Airport

Belfast International Airport

Bicester Village

Birmingham Airport

Boots

Bristol Airport

British American Tobacco

British Ports Association

Brittany Ferries

Cancer Research

Cruise Lines International Association

DFDS

Dixons Carphone

Edinburgh Airport

Eurotunnel

Food NI

Fresh

Gatwick Airport

Global Blue

Harrods
Harvey Nichols
Heathrow Airport
Heineken
HS1
Imperial Brands
Innova
Inovat
Institute of Alcohol Studies
Japan Tobacco International
Largarde
Liverpool Airport
Luton Airport
Manchester Airport
New West End Company
Newcastle Airport
Northern Ireland Chamber of Commerce and Industry
P&O Ferries
Pernod Ricard
Philip Morris
Planet Payment
Port of Dover
Refund Giant
Refundit
Regional & City Airports
Royal Mail Group
Scotch Whisky Association
Scottish Health Action on Alcohol Problems
Selfridges
SolPay
Stenaline
Stop Stanstead Expansion

Swatch

The Wine and Spirit Trade Association

Tobacco Control Research Group

Tobacco Manufacturers Association

Tourego

Travelex

UK Chamber of Shipping

UK Travel Retail Forum

UTU

WeVat

WH Smith

Woonivers

World Duty Free/Dufry

The government also received responses from three individuals

Annex B

Current rules on duty- and tax-free goods

Passengers arriving from the EU

- A.1 Unlimited goods for personal use for alcohol and tobacco (applies to excise duty only) for passengers going from EU-UK.
- A.2 Minimum indicative levels act as guidelines for what constitutes personal use.
- A.3 The current minimum indicative levels for alcohol, derived from EU law, are:
- 110 litres of beers and
 - 90 litres of still or sparkling wine and
 - 20 litres of fortified wine and
 - 10 litres of spirit
- A.4 The current minimum indicative levels for tobacco, derived from EU law, are:
- 800 cigarettes or
 - 200 cigarillos or
 - 200 cigars or
 - 1 kilogram of hand rolling tobacco (or any pro rata combination of tobacco)
- A.5 VAT is paid in the member state of purchase for goods bought within EU (no UK VAT is paid by consumers – different rules can apply if goods are carried in a commercial context).
- A.6 No customs duty is due on goods bought in the EU and brought back to the UK as within EU customs union.
- A.7 Passengers use the blue channel to enter the UK.

Passengers arriving from the Rest of World (RoW)

- A.8 Quantitative 'tax and duty-free' allowances for VAT and excise duty for goods contained in personal luggage of passengers from RoW to UK and are for personal use (Travellers Allowances Order). Total value £390 or less, if the

person travelled by air or sea. Total value £270 or less, if the person did not travel by air or sea.

- A.9 For excise goods customs duty is not due if within the quantitative allowances.
- A.10 The current quantitative allowances for alcohol are:
- 16 litres of beer and
 - 4 litres of still wine and
 - 2 litres of sparkling wine or 2 litres of fortified wine or 1 litre of spirits (or any pro rata combination of these drinks)
- A.11 The current quantitative allowances for tobacco are:
- 200 cigarettes or
 - 100 cigarillos or
 - 50 cigars or
 - 250 grams of hand rolling tobacco (or any pro rata combination of tobacco)
- A.12 If within the allowance, declare using the green channel, but if carrying anything exceeding this amount, the goods must be declared using the red channel.

Tax/Duty-free Shops

- A.13 Referred to as 'Export Shops' in excise legislation and 'airside/tax-free shops' in VAT legislation and ESCs.
- A.14 UK export shops are permitted to supply excise goods to passengers without payment of excise duty or VAT and are located in ports and airports beyond security and customs controls.
- A.15 Tax-free shops can sell non-excise goods tax-free if the customer is traveling on a voyage or flight to a destination outside of the EU.

Sales on-board ships and aircraft

- A.16 There are differing rules for sales of goods on board ships (including cruise ships) and aircraft.
- A.17 For VAT -- all goods sold, otherwise than for consumption on board, on journeys taking place within the EU must be sold subject to VAT at the rate of the member state of departure.
- A.18 Goods sold on any journey to or from Non-EU countries are not subject to UK VAT.

A.19 Sales for on-board consumption:

- excise goods for consumption on any journey to a destination outside the UK may be sold duty-free
- all goods sold for on-board consumption are outside the scope of UK VAT for all journeys

A.20 Sales of excise goods to take-away:

- for journeys outside the EU no customs duty applicable. Customs duty only applies if goods bought on board are then imported into the UK – see above regarding allowances. If the passenger consumes the goods on board, no customs duty is due. VAT is similarly payable on import
- excise goods sold for take-away on journeys taking place within the EU must be sold excise duty-paid according to the rules of the member state of departure or destination, depending on where in the journey the goods are sold. There are rules for persons who intend to sell excise goods on board ships and aircraft making journeys between the UK and EU including, amongst other things, requiring those who sell excise goods on board ships and aircraft to be registered “mobile operators”
- excise goods sold on-board ships and aircraft on journeys from the UK to a country outside the EU for take-away are considered export shops and the same rules apply – goods may be sold duty-free to passengers travelling to a destination outside the EU

Cruise ships

A.21 There are three classification of cruises:

- intra-UK – these cruises do not call at any port other than those within the UK. As such they may only carry as stores or offer for sale UK duty-paid excise goods, such as alcohol and tobacco. UK VAT is due on all sales of goods at the normal rates
- intra-EU – these cruises call at ports within the EU. Stores may be loaded for consumption on board from bars and restaurants which may be duty-free. Any goods purchased from shops to take-away must have tax and duty applied
- non-EU – these cruises must make at least one call to a non-EU country port

A.22 Existing rules mean that cruise ships that call exclusively at EU countries may not sell duty free on-board for take-away.

A.23 If a cruise ship makes a stop at a non-EU country, it may sell duty-free from its shop on-board for the duration of the cruise. VAT follows the intra EU

rules till the vessel departs from the final EU port and commences an international journey, or vice versa.

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