Digital tax refund schemes set to reduce UK and European tourist spending by billions

According to research by Prosegur ChangeGroup, cash remains king for many travelers

Europe will miss out on more than €1.6 billion of spending from tourists of countries with restricted currencies due to tax refunds being paid digitally rather than in cash, according to research by Prosegur ChangeGroup.

With more than 40 countries, including India, China, Brazil, Malaysia and South Africa having a restricted currency, visitors from those countries are limited to how they can spend their money abroad and what they can bring home. This includes the tax refund they receive for shopping.

The research conducted by Prosegur ChangeGroup also found that 90% of tourists would prefer to receive tax refunds in cash instead of digital methods so they can spend it on further travels abroad. The problem is that if they receive their tax-free refund on their credit card, it is received in their home currency, thus making it more difficult to spend it whilst in Europe.

Most tourists from outside Europe visit more than one European country during their trips, and because the residents of countries with restricted currencies can't use their home currencies in Europe, any tax refunds made digitally means they can't spend that money in Europe or the UK.

Sacha Zackariya, the CEO of Prosegur ChangeGroup, predicts that this will significantly impact the UK and European retail and hospitality markets.

For example, in the UK, there were 1.72 million tourists from countries with restricted currencies in

2019. With the average shopping spend around £770, that means circa £1.3 billion was spent by tourists in the UK and £265 million worth of VAT paid, much of it eligible for refund.

If most refunds were made in British Pounds, those visitors would be more likely to spend that money in the UK on such things as culture, hospitality, and retail. This would be similar in Germany, France, Italy, and Spain if refunds were made in Euro banknotes instead of a digital refund in their local, restricted currency (and actually paid only after they had returned home).

“Whilst technology and digital payments have enhanced the shopping experience for many, in this case, it is turning off the tap to tourists from more than 40 countries,” Zackariya added. “Because it is becoming the norm for digital systems to manage tax refunds, tourists and the tourism trade are missing out. It is clear from the research we have done and what we evidence every day through our international currency exchange stores, that tourists prefer the cash in their pocket.

“Now is the time for European governments and the tourism industry to wake up and make a change that could drive further growth in our tourism and hospitality industries, as they continue to recover from the pandemic. Cash remains king for many people.”

Zackariya is a leading figure in the campaign in the UK to enable tax free shopping and is the author of award-winning book, Leading Travel and Tourism Retail.

About ChangeGroup & Prosegur Change

The group’s mission is to provide engaging and convenient financial services to international travelers and businesses worldwide. Founded in 1991, it has served over 50 million customers and operates more than 150 branches and 500 ATMs in 37 cities throughout the world.

The number one inbound FX provider in its key markets and the world’s third largest international bureau de change group, the company has developed a full range of premium products and services uniquely designed with international travelers and business customers in mind.