



EUROPEAN TRAVEL RETAIL  
CONFEDERATION



SUPPORTING  
INTERNATIONAL  
COMPETITIVENESS OF  
EUROPEAN AVIATION

---

# Introducing Arrivals Duty & Tax Free in the European Union

NOVEMBER 2022

# Executive Summary

---

**Aviation remains of strategic importance to the European Union and Member States. The European aviation ecosystem continues to require significant support to relaunch in a post-COVID-19 world and maintain global competitiveness.**

The European Commission is exploring measures to support the travel and tourism sector. A key element of this is the Commission's work on the revision of VAT rules for the travel and tourism sector in the EU VAT Tourism Package expected in 2023.

Key findings from a recently published report from York Aviation<sup>1</sup>, commissioned by ETRC to look at existing examples where Tax and Duty Free on Arrivals have worked in a European context, underline the contribution Arrivals Duty and Tax Free could make to European aviation.

The study clearly shows that Arrivals Duty and Tax Free should be seen as a central element of the recovery of the aviation sector and of strategic importance to the transport value chain.

As the Country Case Studies of Norway, Switzerland and Turkey show, revenues enabled by Arrivals Duty and Tax Free have led to increases in growth and productivity, with no evidence to suggest adverse impacts on domestic markets or government revenue.

COVID-19 created the greatest crisis the European travel and tourism industry has ever experienced, with airports suffering substantial damage due to the capital-intensive nature of their business.

European airports rely on commercial (non-aeronautical) revenue for in the region of 50% of total income<sup>2</sup>. Airport commercial income is derived primarily from retail sales, most notably duty & tax free sales to international travellers, underlining the significance of Arrivals Duty and Tax Free to European airports.

<sup>1</sup> York Aviation: Implementing Duty Free Arrivals Shops: Country Case Studies , October 2022 [Link](#)


<sup>2</sup> York Aviation: The Impact of Arrivals Duty and Tax Free Shopping in the EU, September 2020 [Link](#)

*ETRC and the wider EU aviation industry believe that there is considerable scope to increase this commercial revenue by allowing duty and tax free sales on arrival to passengers arriving from third country airports:*


- ✈️ By allowing passengers arriving from third countries the right to buy duty and tax free before they go through customs control on arrival, research<sup>3</sup> estimates that average spend per passenger in EU airports will increase by 20-30% on average.
- ✈️ The vast majority of sales in Arrivals Duty Free shops will be displaced from non-EU airports – the airport of departure in a third country.
- ✈️ ETRC are not proposing any change to current EU Duty Free allowances so the amount of duty & tax free goods coming into the EU will not change significantly. The only real change is that these purchases are made in EU airports, supporting EU jobs and businesses, rather than those in third countries.
- ✈️ Overall, we estimate this to be worth over €3.2 bn in annual GVA to the EU economy which will potentially support almost 30,000 jobs.
- ✈️ Over 60 countries worldwide currently allow Arrivals Duty Free, including all EEA countries. Recently Switzerland and Norway both introduced Arrivals Duty Free to much success. In Norway for example, the introduction of arrivals duty-free, commercial income per passenger has grown at a compound average of 5.3% per annum.

*ETRC believes that allowing duty and tax free on arrival is a simple but effective way of creating a new and sustainable revenue stream for airports which is cost-neutral to governments.*

### Arrivals Key Points



**Economic activity within the EU is boosted**  
BENEFITING PUBLIC FINANCES




**Travellers allowances WILL REMAIN AS THEY ARE**

---


Research estimates that average spend per passenger in EU airports will increase by 20-30% on average

**20-30%**

OF TOTAL TRAVEL RETAIL SALES



Shift sales from outside the EU



to inside the EU

<sup>3</sup> York Aviation: The Impact of Arrivals Duty and Tax Free Shopping in the EU [Link](#)

# Introduction

Duty-free retailers are subject to rules and regulations set by Customs Authorities, Immigration and Border Control, and Aviation and Maritime Safety and Security authorities, none of which is in anyway applicable to domestic market retailers.

- All duty-free shops are situated in security-controlled areas. Our shops have no casual or passing customers.
- Our customers need to be travelling internationally to enjoy duty and tax free shopping.
- Our typical customer travels 1-2 times per year and enjoys duty and tax free shopping as part of their holiday experience.
- Duty-free shopping is rarely pre-planned and is very much driven by impulse and the search for a holiday bargain, not by the need for staple products.
- Passengers need to show proof of international travel before they can buy in duty-free, and they can only buy up to very strictly controlled allowances which are set by EU legislation.

For many brands, whether start-up companies or large established companies,

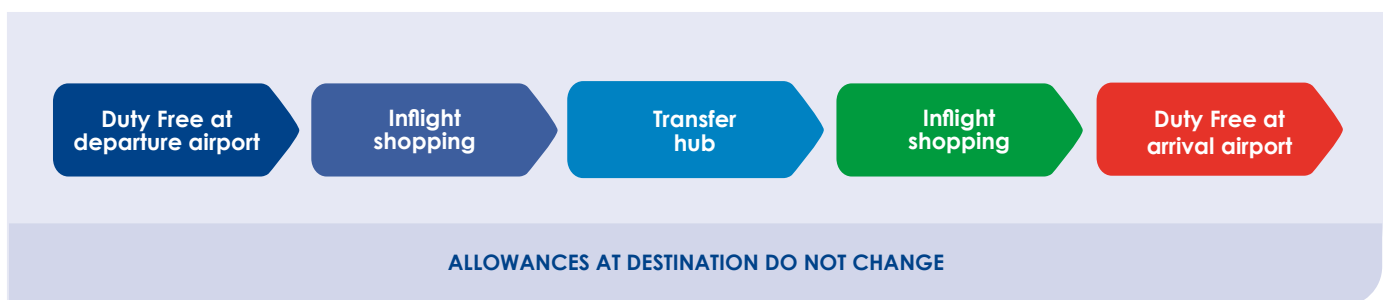
the duty-free retail channel is a unique marketing opportunity allowing them to launch brands to an international audience without the massive cost of a global product launch. A large percentage of the products we stock are made or adapted specifically for an international market. In many cases, success in global duty-free gives brand owners the confidence and the knowledge of national tastes and preferences to expand into new markets.

While 'Duty Free' is widely understood to mean the shopping experience at an airport prior to an international flight, the industry has developed in many ways since the first duty-free stores that pioneered that well known model almost 80 years ago.

Each step along the chain offers opportunities for passengers to choose where to avail from duty and tax free shopping during their journey.

Arrivals Duty Free shopping is a more recent industry development which has found success around the world wherever it has been adopted. An increasing number of international airports have now introduced Arrivals Duty Free shopping, including the neighbouring countries to the EU (Russia, Iceland, Switzerland, Norway, and Turkey amongst others).

**Even within the aviation industry a passenger can experience Duty Free shopping at a number of points in any journey:**



# What is Arrivals Duty Free?

European Union airports are distinct from their neighbours in that Arrivals Duty Free is not permitted under European legislation. All of the airports that border upon the European Union allow duty-free on arrival, as do most major airports in the Middle East, Far East and Australasia.

(see Case studies – recent decisions by Third countries to allow Arrivals Duty Free).

These non-EU airports have enjoyed a significant commercial advantage for many years now as they have allowed passengers to buy duty-free not only on departure, but also on arrival. On average that has increased total spend per passenger by 20- 30% - revenue that could have been spent in EU airports.

## Duty Free on departure airport

- ✓ Sales made to passengers leaving the EU.
- ✓ Passenger must be in possession of valid travel documents to third country.
- ✓ Allowances per passenger are set by the destination state.
- ✓ Primary source of commercial revenue for EU airports.
- ✓ Goods are carried as part of the personal luggage of passengers onto the aircraft and into the destination country.

- ✓ Sales made to passengers arriving from a third country.
- ✓ Passengers are subject to the allowances for Duty Free goods in the EU.
- ✓ Growing source of commercial revenue for EU airports.
- ✓ Sales take place before the passengers clear customs controls.
- ✓ Goods bought are part of the personal luggage of passengers.

## Arrivals Duty Free

## Allowances will not change

It is important to stress that Arrivals Duty Free does not change the allowances for passengers arriving in the EU from a third country. Under EU legislation<sup>4</sup> there is a strict set of allowances in place which allow adult passengers to carry a set amount of goods as well on their return from a non EU country.

**There is no change sought to these allowances, and the Arrivals Duty Free system will work within the existing limits.**

In adopting these allowances, governments have said they accept (theoretically) that each passenger would carry this level of products into the state when arriving from a third country. The reality is more likely to be less than this as not all passengers avail of their Duty Free allowance, with estimates suggesting that on average only 20-30% of passengers avail themselves on departure from the EU. It should be remembered that these allowances are part of an international framework securing the right of passengers to carry items for personal consumption without additional tax

<sup>4</sup> Directive 2007/74/EC on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries [Link](#)

burdens, and have facilitated travel, in one form or another, for more than 75 years.

Arrivals Duty Free does not increase the amount permitted to be carried by passengers, but rather it provides those passengers the option to choose whether to purchase at their point of departure outside of the EU or to purchase at the destination airport in the EU.

The sales at Arrivals Duty Free take place at the airport before the arriving passenger passes through customs controls. This ensures that passengers are still subject to the customs controls and have to pass through the customs channel as they do today.

## **No significant displacement of sales in the domestic market**

Inbound passengers will still only be able to bring the same amounts of any product into the EU as before. As stated above, it is also unlikely that the overall size of the global travel retail market will change significantly as there is not expected to be a significant change in price. Hence, it is highly unlikely that there will be any significant loss of business to domestic retailers.

This is supported by the York Aviation study which clearly shows there are no adverse impacts on domestic markets from the introduction of Arrivals Duty and Tax Free sales.

Duty free sales complement rather than compete with domestic market retail. This is especially true for the liquor industry, where sales in high-profile platforms such as airport Duty Free are a cornerstone of international brand development strategy.

## **No competition with domestic retailers**

EU Duty Free retailers do not compete with domestic retailers, they compete with other Duty Free operators in other countries. This has been recognised by the European Commission. The latest research also finds no link between the introduction of arrivals shops and consumption of relevant goods in domestic markets, and, consequently, there has been no discernible impact of government revenues.

In Case No COMP/M.5123 - AUTOGRILL / WORLD DUTY FREE of 2008<sup>5</sup>, the European Commission took the view that Duty Free & travel retail is a separately defined market to domestic retail and that the main competitive drivers in the industry are between retailers in different airports – and indeed the growing emergence of Arrivals Duty Free in non-EU countries.

Airport Duty Free shops therefore compete with the shops in the airport of departure or arrival on the same journey, or indeed airlines, not with domestic retail.

Furthermore, it is worth noting that Duty Free is a very small government-controlled retail channel which is so small that its potential impact upon the domestic retail sector is negligible.

Indeed, the York Aviation study on neighbouring countries found that in Norway, Switzerland and Turkey there is no evidence to suggest impacts on domestic markets or government revenue.

In his recent evaluation of the Irish Duty Free market, Professor Antony Foley estimated that total Duty Free alcohol products entering the Irish market amounted to much

<sup>5</sup> Case No COMP/M.5123 – Autogrill / World Duty Free [Link](#)

less than 0.5% of total national alcohol consumption. ETRC would agree with this finding and would suggest that it would be even lower for most other EU Member States, as Ireland has one of the highest propensities to travel rates in the EU.

Professor Foley also took the view that the bulk of sales in Arrivals Duty Free would be displacement sales from third country airports, but a small percentage – 10% could be sales that would otherwise have been made in the domestic market.

If that is indeed the case, then the impact of Arrivals Duty Free upon the domestic market would be so small, it would barely register. This has been corroborated with the findings of the York Aviation study.

If we take the example of Irish Duty Free alcohol sales as a percentage of total domestic consumption and then use Professor Foley's estimate of 10% of sales being substitutable in the domestic market – then the overall impact of Arrivals Duty Free would be 0.05% of total domestic alcohol sales. As Irish residents travel more than their EU counterparts, the statistics would suggest that this figure would be significantly lower for other EU Member States.

The economic analysis shows clearly that the wider economic benefits would more than outweigh the negligible impact on the domestic market.

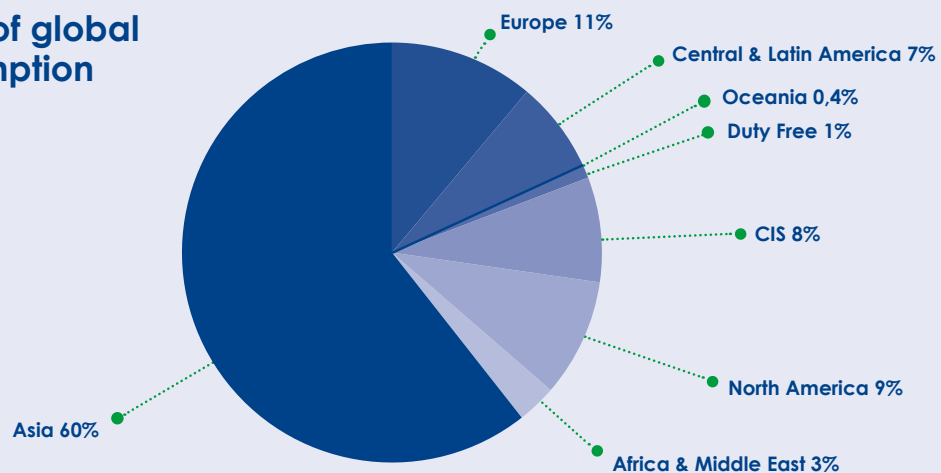
## A shop window for European products

On average duty-free represents less than 1% of global sales when it comes to excisable products. Hence, it is highly unlikely that there will be any significant loss of business to domestic retailers and its potential impact upon the domestic retail sector is negligible.

Yet, the Duty and Tax Free channel constitutes an essential shop window for EU products in key product categories such as Beauty (Perfumes and Cosmetics), Wine & Spirits, Foodstuffs and Luxury/Fashion.

The product offer in European duty-free is largely dominated by European brands. This is especially true for the liquor industry, where sales in high-profile platforms such as airport are a cornerstone of international brand development strategy, driven by premiumisation and luxury / gifting packaging. For example; spiritsEUROPE estimates that 20% of spirits produced in Europe are sold in airports.

### Breakdown of global spirit consumption by region



Introducing Arrivals Duty Free in EU airports will increase the exposure products can achieve with an international audience. It will also create a new market and a new high-profile shop window for locally produced goods.

Many locally produced goods are not available in airports on the other side of the world, and passengers appreciate the opportunity to buy their favourite products rather a brand they don't know. Arrivals Duty Free gives retailers a much better opportunity to cater for national or regional preferences, supporting employment and growth in the local community.

Arrivals Duty Free at EU airports would provide an additional shop window for those European brands and directly benefit EU-based suppliers.

## No loss of excise and tax revenues as a result of Arrivals Duty Free shops

Again, the system of allowances for duty and tax free products will not change as a result of the implementation of arrivals shops. This has been backed up by the most recent research which found no evidence to suggest there is any impact on government revenues as a result of introducing Arrivals Duty Free.

As a consequence, there will be no change as regards the excise duty and tax revenues that can be collected in relation to Duty Free sales.

In direct revenue terms, implementation would be neutral for Governments, with possible gains from those sales now taking place within the Member State rather than at departure in a third country.

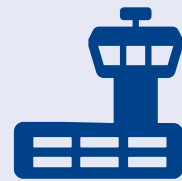
### Who will Benefit



Benefitting travellers

- ✓ Greater choice, option to purchase on arrival

EU airports



- ✓ Establishing a brand new commercial revenue source

Environmental benefits



- ✓ Reduced shopping carried by passengers means less weight on the aircraft



EU based retailers

- ✓ New commercial opportunities

EU public finances



- ✓ Creating new jobs and driving ancillary economic activity to benefit the economy



# Arrivals Duty Free in the EU – profile of our future customers

---

Arrivals Duty Free is commonplace across the world and the industry has learned many lessons on how best to present arrivals Duty Free as an alternative to shopping at the departure airport. Whilst there are huge differences between regional and national spending patterns with European passengers, there are also many common traits.

Overall, business and frequent travellers spend least in Duty Free shops. In most cases these travellers don't even visit the shop and have little or no interest in shopping. We do not foresee any major change to this passenger group and global experience with Arrivals Duty Free has shown that to be the case.

Leisure passengers are the main purchasers. Travellers going on holiday or to visit friends and relatives make up the majority of customers in Duty Free and travel retail.

For these passengers, travelling is much more of an 'occasion' and they like to take advantage of the little perks of international travel such as a duty and tax free allowance. It is this particular group where the bigger changes might be expected in terms of their buying behaviour, who will wait until they get to their arrival airport before purchasing Duty Free. There are a number of reasons for this:

- **Hand baggage rules**

Airlines are getting stricter on penalties for bringing too much hand luggage onboard. Passengers are frightened of having to leave their goods behind or having to pay a 'fine' to bring their purchases on board. Stricter baggage rules have depressed passenger spending. Arrivals will allow these passengers to shop with confidence.

- **A hassle-free way to shop Duty Free**

Arrivals Duty Free means passengers won't have to carry their purchases throughout their journey, which may involve transfers at other airports. With arrivals stores, passengers can conveniently shop as they wait for their baggage.

- **Supporting your 'home airport'**

Many EU travellers are proud and supportive of their local airport. Arrivals Duty Free means they can buy when they land home, supporting local employment for their community, rather than spending their money at a third country airport.

- **Environmentally friendly shopping**

Not having to carry your goods onboard means reducing weight and fuel burn. Whilst minimal, this will have an impact on airline fuel consumption.

## Covid-19 and EU Airports

---

The COVID-19 pandemic had a devastating impact on the European air transport industry and its partner sectors. Reports from EUROCONTROL<sup>6</sup>, the organisation that oversees air traffic management across Europe, suggest that in 2022 the level of

<sup>6</sup>Europe's airport 2020 passenger traffic back to 1995 levels. ACI Europe [Link](#)

aviation in Europe corresponds to 85% of that in 2019.

It is now expected that the recovery to 2019 levels will take place during 2024. However, there are still significant risks surrounding the forecast, not least as a result of rapidly evolving events.

EU airports were most impacted compared to non-EU airports – due to smaller size of their domestic markets and tighter lockdowns and travel restrictions.

The industry suffered an extreme shock and will require continued support to survive, to rebuild air connectivity and support local and regional communities and tourism.

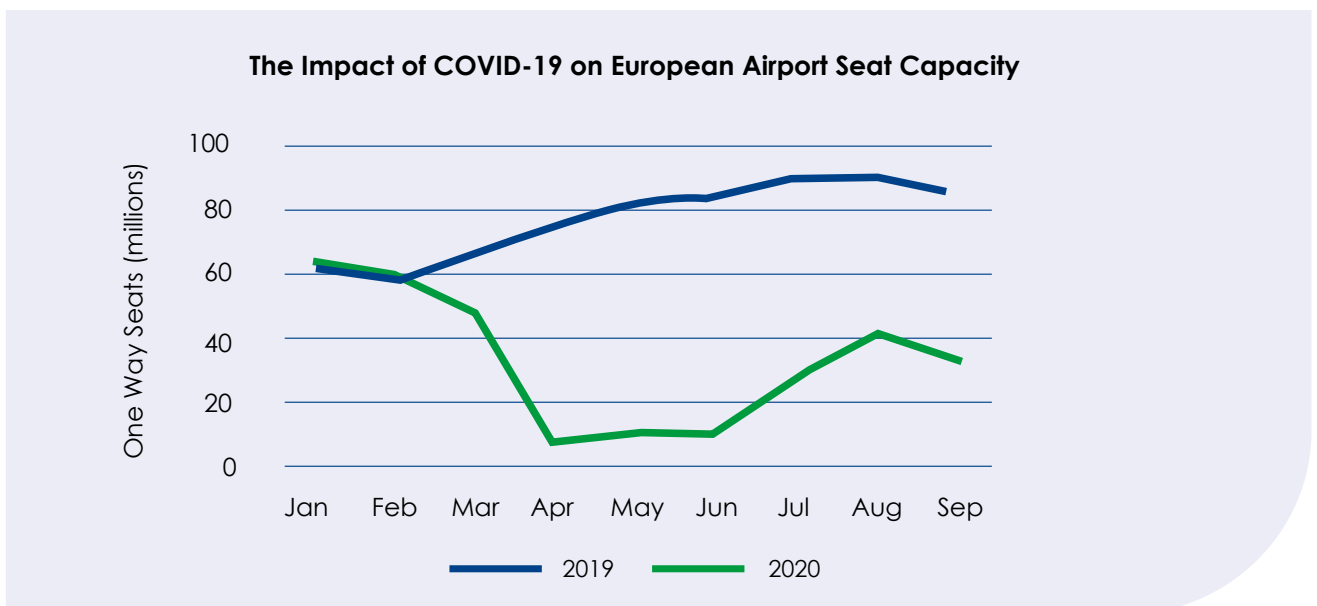
There is, therefore, a need for cohesive action by Governments across the EU to both directly support the sector but also to put in place a regulatory framework that allows the sector to help itself to recover.

One area of potential regulatory change that has been identified by the industry is to amend current EU legislation to allow airports to operate duty and tax free arrivals shops.

This change would enable retailers and their airport partners to build a new stream of non-aviation revenues, which are vital to the commercial sustainability of airports. Non-aviation revenues for airports include those derived from activities such as car parking, advertising, food and beverage sales, property rental or, of course, the letting of retail concessions.

These revenues are often a significant proportion of overall airport revenues, typically they make up around 50% in Europe.

Ultimately, this would enable the sector to provide more jobs and support greater levels of Gross Value Added (GVA) in the economy and support recovery. This research considers these potential economic impacts in four major EU markets, Spain, Italy, Germany and France. Together these four countries accounted for around 49% of seat capacity from EU airports to non-EU destinations<sup>7</sup>.



Source: OAG

<sup>7</sup>York Aviation: The Impact of Arrivals Duty and Tax Free Shopping in the EU [Link](#)

# EU aviation industry united in support for Arrivals Duty Free

In 2020 the European Commission gathered all of the major representative groups of the European aviation industry to define key actions required to help the EU aviation industry recover post-COVID 19. The introduction of Arrivals Duty Free was identified as a key recommendation.

The **European Aviation Round Table Report**<sup>8</sup>, was released in November 2020 and supported by over 20 European associations<sup>9</sup>, collectively representing the entire European aviation ecosystem, including airlines, airports, workers, and wider economic partners.

The **Aviation Round Table Report** highlights the fact that “practically all major airports in Asia, the Middle East, Australasia, Switzerland, Iceland and Norway, as well as Eastern Europe now have Arrivals Duty Free. Changing legislation to allow for arrivals Duty Free shops at EU airports would bring the industry into line with global airport practice. This would allow passengers to buy Arrivals Duty Free at an EU airport if travelling from a non-EU country. The allowances are not changed; the place of purchase simply shifts from the departure airport outside the EU, to the arrival airport in the EU; bringing the benefits of the economic activity to the EU and helping

to increase the international competitiveness of EU airports.

By reducing the weight carried on the flight, Arrivals Duty Free shops also contribute to environmental goals of reducing aviation emissions. Passengers are simply given the choice to buy on departure or on arrival. The measure will also support employment at European airports. Creating new retail areas at EU airports may trigger investment for building works in the airport as infrastructure is adapted to take advantage of the new opportunity.”

## The report also highlights the following key points:

- ✈ Typically, sales in arrivals Duty Free where they exist make up between 20% and 30% of total sales.
- ✈ Given the existence of Duty Free and tax-free allowances, these additional sales at EU airports would primarily be diverted from origin airports outside the EU and would not merely replace sales elsewhere in Europe.
- ✈ Broadly, arrivals shops could boost EU airport Duty Free sales by between EUR 2.2 billion and EUR 3.7 billion each year (at 2019 traffic levels). This would translate into additional annual concession fee income of potentially EUR 1 billion+ to EU airports.
- ✈ This increase in revenue would benefit both major hubs and regional airports in all Member States.

<sup>8</sup> Aviation Round Table Report on the Recovery of European Aviation, Section 4: Preserving the integrity of the Internal Market and the international competitiveness of European Aviation, P. 32- 40, November 2020.

<sup>9</sup> Airlines for Europe (A4E), Airline Catering Association (ACA), Airports Council International Europe (ACI Europe), Airport Regions Council (ARC), Airport Services Association (ASA), Aerospace and Defence Industries Association of Europe (ASD), The European Consumer Organisation (BEUC), Civil Air Navigation Services Organisation (CANSO), Conference of Peripheral Maritime Regions (CPMR), European Business Aviation Association (EBAA), European Cockpit Association (ECA), European Travel Agents and Tour Operators Associations (ECTAA), European Express Association (EEA), European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT), European Regional Airline Association (ERA), European Travel Commission (ETC), European Transport Workers Federation (ETF), European Travel Retail Confederation (ETRC), European Airport Coordinators Association (EUACA), EU travel tech, General Aviation Manufacturers Association (GAMA), European Trade Unions (industrial), Global Tourism Union (UNI), Transport and Environment (T&E).

## Arrivals Duty Free – who benefits?

**Arrivals Duty Free shops have the potential to provide positive economic impacts across the European Union.**

Duty Free retail is a very different business to domestic retail in terms of who is the major beneficiary of the economic activity.

On average, for duty and tax free sales, airports receive approximately 35% of the

value of total sales in concession fees. The introduction of Arrivals Duty Free will immediately create a substantial new revenue stream for European airports.

Furthermore, as a direct result of Brexit, many regional airports will be able to avail of this new revenue stream as they have direct links to the UK. This is especially true for those airports that have grown in recent years due to the increased services offered by low cost carriers.

### The Economic Impact of Duty Free and Tax Free Arrivals Shops at EU Airports by Country at 2019 Traffic Levels

Country	GVA Impact (€ million)	Jobs	Tax Revenue (€ million)
Austria	€ 75	550	€ 30
Belgium	€ 80	600	€ 35
Bulgaria	€ 15	150	€ 4
Croatia	€ 10	100	€ 4
Cyprus	€ 8	20	€ 3
Czech Republic	€ 35	350	€ 15
Denmark	€ 70	525	€ 30
Estonia	€ 5	50	€ 2
Finland	€ 45	350	€ 20
France	€ 775	6,775	€ 360
Germany	€ 830	7,850	€ 315
Greece	€ 55	450	€ 20
Hungary	€ 25	225	€ 10
Ireland Republic of	€ 44	385	€ 10
Italy	€ 255	2,500	€ 110
Latvia	€ 15	125	€ 5
Lithuania	€ 10	100	€ 3
Luxembourg	€ 5	25	€ 1
Malta	€ 5	25	€ 1
Netherlands	€ 220	1,650	€ 85
Poland	€ 75	825	€ 25
Portugal	€ 75	625	€ 25
Romania	€ 20	175	€ 5
Slovakia	€ 5	50	€ 2
Slovenia	€ 5	50	€ 2
Spain	€ 405	4,000	€ 140
Sweden	€ 60	450	€ 25
<b>Total</b>	<b>€ 3,227</b>	<b>28,980</b>	<b>€ 1,287</b>

Note: All impacts are subject to rounding

## Benefit for EU Airports

There is a significant range in the impact in different EU countries. In many cases this can be attributed to the relative sizes of the air transport markets. It is important to note that all countries benefit if to varying degrees.

Germany is estimated to be the largest beneficiary, with around €830 million in GVA, whereas Estonia, Luxembourg, Malta, Slovakia and Slovenia only receive an estimated boost in GVA of around €5 million.

The importance of hub airports with significant traffic coming from outside the EU is notable, with France, Germany and the Netherlands, the home countries for the EU's largest hub airports, featuring heavily.

## The Potential Economic Impact of Duty and Tax Free Arrivals Shops

Arrivals duty and tax free will act as an important element of the aviation industry recovery in the EU. This has been recognised by the entire European aviation community. The path to recovery will take time and new commercial revenue opportunities must be leveraged to support the recovery.

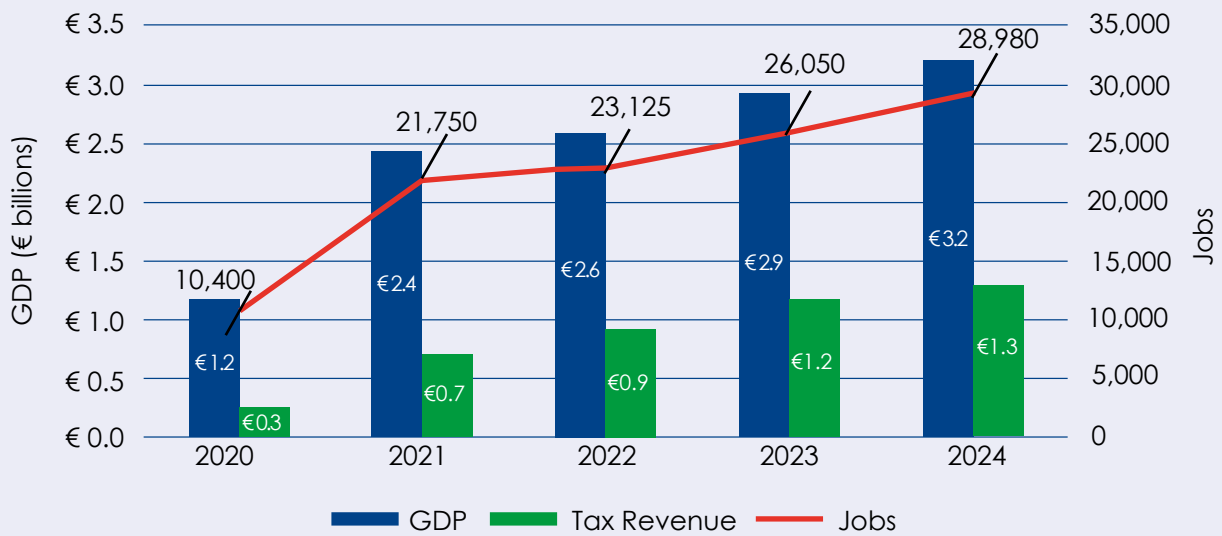
The damage to the air transport industry from COVID-19 means that traffic levels across Europe are not expected to recover until around 2024. This means that it will take

time for the economic benefits from duty and tax free arrivals shops to reach their full potential.

**However, as demand recovers, they will boost each country's economy, providing jobs and prosperity:**

- in Spain, implementing arrivals shops in 2021 would support around €300 million in additional GVA, 3,000 jobs and around €100 million in tax revenues through direct, indirect, induced and wider effects. By 2024, this would increase to around €400 million in GVA, 4,000 jobs and €140 million in tax revenues.
- in Italy, implementing arrivals shops in 2021 would support around €190 million in additional GVA, nearly 2,000 jobs and around €80 million in tax revenues through direct, indirect, induced and wider effects.
- in Germany, implementing arrivals shops in 2021 would support around €620 million in additional GVA, nearly 6,000 jobs and around €240 million in tax revenues through direct, indirect, induced and wider effects. By 2024, this would increase to around €830 million in GVA, nearly 8,000 jobs and €320 million in tax revenues.
- in France, implementing arrivals shops in 2021 would support around €580 million in GVA benefits, over 5,000 jobs and €270 million in tax revenues delivered in 2021 through direct, indirect, induced and wider impacts. By 2024, this would increase to around €780 million in additional GVA across France supported, nearly 7,000 jobs provided and around €360 million in tax revenues to Government.

**Estimated Impact of Duty and Tax Free Arrivals Shops across the EU**



## Case studies

### Recent decisions by Third countries to allow Arrivals Duty Free

#### Switzerland

In 2011 Switzerland brought in a new Customs arrangement which allowed Arrivals Duty Free at the five Swiss International airports. These arrivals stores have been operating very successfully since then, with total retail space allocated to arrivals shops currently around 2,400 square metres, or around half of the total retail space allocated to departures.

In bringing in these changes, the Swiss government announced that they did not expect any impact upon domestic retail <sup>10</sup>

The introduction of Arrivals Duty Free has in fact served to boost duty free sales at Swiss Airports. The sales from these newly created arrivals shops provided airports with an increase in commercial income.

The last 11 years have clearly shown an increase in profitability, enabling infrastructure expenditure and higher competitiveness. There is no evidence to suggest any impact on domestic markets or government revenue.

There is also no evidence from Swiss Customs Authorities that Arrivals Duty Free has resulted in more cases of people exceeding their duty & tax free allowances.

#### Norway

In 2005 Norway introduced Arrivals Duty Free. Arrivals Duty Free now constitutes more than 59% of total duty free sales in

<sup>10</sup>Duty free for airline passengers arriving in Switzerland: federal law will come into force on 1 June 2011 », Federal Council of the Swiss Confederation, 20 April 2011 [Link](#)



Norwegian airports. The largest of these are in Oslo, Bergen, Stavanger and Trondheim. When the first arrivals duty-free shop opened in Oslo, it was 150 square meters. It has since been expanded and is now 4,000 square meters – the largest arrivals duty free shop in the world.

A 2012 report<sup>11</sup> on the efficiency of airport operations in Norway found that as a result of changes to their duty free regime, particularly the introduction of arrivals duty free in 2006, duty free revenues tripled between 2002 and 2010.

This was driven by passengers switching from purchasing at EU airports on departure and opting to instead purchase at Norwegian airports on arrival.

There is no evidence from Norwegian Customs Authorities that Arrivals Duty Free has resulted in more cases of people exceeding their duty & tax free allowances or has any impact on domestic markets or government revenue. These three case studies are from three very different countries.

***In all cases the following happened:***

- Sales in EU airports dropped overnight to passengers travelling to these countries
- No evidence in any of these countries that domestic retailers lost any business
- No evidence that the availability of duty free on arrival led to smuggling or abuse of allowances
- Sales in all of these third country airports increased substantially (20%+) and a new and sustainable revenue stream was created for their airports – revenue that was previously spent in EU airports.

## Turkey

Arrivals duty free shops have been a major feature of the Turkish duty free market for a long time and are central to the commercial revenues that accrue to Turkish airports.

The largest duty free operator in Turkey, is ATU Duty Free, a joint venture between TAV Airports and Unifree/Heinemann Duty Free established in 1999. ATU currently operates duty free stores in Istanbul International Airport (IST), Ankara Esenboga Airport, Izmir Adnan Menderes Airport, Milas Bodrum Airport, Alanya Airport and Istanbul Galataport Airport.

Istanbul Sabiha Gokcen Airport has significant space for duty free shops with around 3,700 square metres allocated to departures and 1,200 square metres to arrivals. In Antalya, departures duty free takes up around 3,600 square metres of space, while there is a relatively smaller arrivals area.

Passenger volumes at Turkish Airports have been growing rapidly, with an average growth rate of 11% per annum since 2002. Passenger volumes have doubled from 103 million passengers in 2010 to 210 million passengers in 2018. This growth coincided with the fall in aeronautical revenues per passenger around the same time.

Commercial revenues, including the contribution from arrivals shops, have helped Turkish airports maintain airport charges at competitive levels and allowed airlines to invest in growth.

Especially in the context of the newly created Istanbul International Airport, it was essential that profits were maintained

<sup>11</sup> Comparative study (benchmarking) on the efficiency of Avinor's airport operations. Revised report submitted to the Norwegian Ministry of Transport and Communication [Link](#)

at higher levels due to the long term concession agreement in place between Unifree and the Turkish Government. The existence of arrivals shops has thus ensured Unifree's ability to meet its commitment to invest in retail space with over 400 domestic and international brands and create over 3,000 jobs at the Airport.

On average, between 2013 and 2018, arrivals duty free shops at TAV airports accounted for around 30% of total duty free sales. At other airports in Turkey where data is available, including for the new Istanbul Airport that opened in 2019, arrivals duty free shops accounted for around 29% of sales in 2019.

This demonstrates clearly that arrivals duty free shops are a key part of the market.

## Changes required to allow for Arrivals Duty Free at EU airports

---

Current EU Legislation restricts duty and tax free sales only to passengers 'leaving' the European Union. Duty and Tax Free shopping on arrival from a third country will require legislative elements to be amended to bring the EU airports industry in line with global industry practice.

This will require two changes to EU legislation – the Excise Duty and VAT Directives.

The European Commission is examining a revision of VAT rules for the travel and tourism sector. Enabling Arrivals Duty and Tax Free sales for travellers coming into the EU should be a key part of the measures put forward in the EU VAT Tourism Package, to support the recovery of the aviation sector and support international competitiveness.

The package presents an opportunity to rethink the EU approach to Arrivals Duty Free - an approach that is outdated and is leaving EU airports at a major commercial and environmental disadvantage.

We believe amending this legislation will have an immediate and lasting impact upon the financial stability of EU airports – a key immediate goal for the European Union and Member States post-Covid-19.

The EU airports industry will be driving the biggest ever industry recovery effort in the coming years. Given the importance of airports to local and national economies, it is imperative that governments do all they can to support the transport sector and level the competitive playing field with the rest of the world.

Ultimately this decision has to be taken at EU level. We believe introducing Arrivals Duty Free within the EU should be a core component of the EU COVID-19 recovery strategy to protect its aviation industry.

**EU Member States must prioritise this as a positive measure for their airports and aviation industry.**



# Conclusion

---

As the most recent York Aviation study has shown, introducing duty and tax free shopping on arrival will create a new and sustainable revenue stream for EU airports.

International and wider-European experience has shown that this will be overwhelmingly displacement of sales from third country airports. Duty free retail complements rather than competes with domestic retail.

Arrivals shops have been a significant success in the case study countries. They have provided an additional commercial revenue stream for airports to support viability, investment and growth.

By diversifying airports' commercial revenue streams, arrivals duty free shops are an important factor in reducing risk to the airports' businesses.

The available evidence does not suggest that there is any link between the introduction of arrivals shops and

consumption of relevant goods in domestic markets, and, as a consequence, there has been no discernible impact of government revenues.

EU airports compete with their international counterparts and commercial revenue is the driving force behind airport investment and development across the globe.

By not allowing Arrivals Duty Free, the EU is simply handing our competitors a major competitive advantage.

With the Commission's ongoing work on the revision of VAT rules for travel and tourism, ETRC is calling for the option to enable Arrivals Duty and Tax Free shopping to be included in the future EU VAT Tourism Package as an important step to allow EU airports and their travel retail partners to compete on a level playing field with third country airports and further support the EU's competitiveness.

# Contact

---

**For more information  
please contact:**

**Julie Lassaigne**

**Secretary General, ETRC**

Email: [julie.lassaigne@etrc.org](mailto:julie.lassaigne@etrc.org)

[www.etrc.org](http://www.etrc.org)

## **About ETRC**

The European Travel Retail Confederation (ETRC) represents the European Duty Free and Travel Retail industry. ETRC is composed of national and regional affiliated trade associations representing over 200 European companies, Tax Free World Association (TFWA) representing 520 brand companies, and direct corporate membership from individual companies working in the Duty Free and Travel Retail trade across Europe and beyond.



EUROPEAN TRAVEL RETAIL  
CONFEDERATION

[www.etrc.org](http://www.etrc.org)