

RUSSIA TO IMPLEMENT TAX-FREE SYSTEM TO BOOST TOURISM



Russia is ready to implement a tax-free system on some retail goods starting from January 2018 for tourists. According to the authors of the initiative, this should become a driver of the inbound tourism in Russia as well as a boost for trade and retail in the country. However, they also warn that next year the system will only work in a pilot form in an attempt to understand the benefits of the project.

The tax-free system will be launched in six Russian cities - Moscow, St. Petersburg, Kaliningrad, Vladivostok, Sochi and Veliky Novgorod. **It is expected to apply mainly on luxury goods, clothes, souvenirs, but not cigarettes or alcohol.** One of the main aims of the system is to attract more tourists, particularly big-spenders from China.

In 2017, 1.5 million Chinese tourists visited Russia and the growth is constantly at about 30%. By 2025 the overall inbound tourism in Russia is expected to reach 93 million visitors, with one-third of all tourists being Chinese.

Chinese tourists represent an enormous chance for the Russian market. Just last year they spent 2 billion dollars in the country, with an expenditure of 530 dollars per day by person. Authors of the projects as well as experts do not expect massive growth immediately, but predict a modest 5-10% increase. This will, however, also depend on whether Chinese tourists will be well informed about the new tax-free system in advance.

The tax-free system will enable the tourists to buy some goods from a limited number of retailers without paying VAT. In Russia this number is expected to reach 18%.

This system has been working throughout Europe for some time now. **Sweden was the first country to implement it in 1980 and as of now, 55 countries worldwide use it.** The biggest compensation fee is in Hungary - 27%, while the smallest is in Lichtenstein - 7.6%.

Some experts in Russia say that the tax-free system is not a bonus and is a standard thing in a country that wants tourists to feel welcome. There also may be some issues at the beginning, considering that new procedures will be used, but this will also depend on the cooperation between the government and retailers.

However, this rough beginning will serve well to determine the product of desire for non-citizens in Russia. And as a result, improvements in the offer to make it more tailor-fit should for sure be expected. After this pilot form of the project comes to an end, conclusions will be made that will supposedly lead to improvements, new measures and perhaps expansions.

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