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POSSIBILITY TO RECOVER VAT IN A JOURNEY AS A DETERMINANT OF THE SHOPPING TOURISM

MOŻLIWOŚĆ ODZYSKANIA PODATKU VAT W PODRÓŻY JAKO DETERMINANTA TURYSTYKI ZAKUPOWEJ

Introduction

The development of shopping tourism is perceived as one of the new global forms of travel. In Poland, it has begun to develop more intensively since joining the European Union. There are various determinants of the development of this type of tourism. One of them is an offer of shopping malls, but also other encouragements for shopping while travelling can be found. Among the most well-known are: travelling during the Christmas season to visit Christmas markets, visiting cities with traditional markets used by local people on a daily basis, which have become a tourist attraction, or participating in shopping festivals. Another factor encouraging to travel for shopping purposes, may be the legal possibility to recover VAT by travellers. This possibility is given by the so-called tax free system, thanks to which foreigners from outside the European Union have a chance to refund the VAT paid on the purchase of goods in Poland. Also Polish tourists can apply for VAT refund for purchases made abroad.

The aim of the article is to review the legal possibilities of VAT recovery by travellers, to examine whether Polish tourists are aware of this possibility and whether VAT recovery has a chance to become a factor encouraging travel for shopping purposes. The subject matter is very important due to the fact that shopping is one of the main categories of tourist expenses. It constitutes a significant source of

income for national economies, both directly and indirectly, through numerous connections with other sectors of the economy¹.

1. Shopping tourism and its determinants

Shopping tourism is defined in the literature in various ways. The World Tourism Organization (UNWTO) defines it as a modern form of tourism, chosen by people for whom the purchase of goods outside their usual environment is a decisive factor in travel. Tourists during this type of travel are guided by the possibility of purchasing goods due to its availability, exclusivity or price². According to the definition given by the Institute of Tourism, these are all kinds of travel for shopping purposes, but they must be purchased for own needs, excluding shopping related to satisfying tourist stay³.

Shopping tourism can develop due to various factors. Both stimulants and barriers to the development of this type of tourism are noticed. Determinants in this field occur on both the supply and demand sides. Nowadays, the tourist markets of individual cities are strongly competitive. A necessary condition for the city's success in the field of tourism is cultural, architectural or natural heritage. However, in the era of high competition and globalization, cities must look for creative and innovative offers⁴. A new alternative on the tourist market may be the offer of shopping tourism. The benefits of creating adapted infrastructure are mutual, because on the one hand shopping is an economic profit for traders, on the other hand, it can be an element of pleasant leisure time for tourists⁵. One of the basic conditions for the development of the shopping tourism are shopping malls, which have become tourist attractions of many cities. More and more often, various sales promotion tools are introduced in shopping centres. These places are not only used to make purchases, but also become an important centre of social life⁶. Currently, these objects can be described as multi-functional centres of trade and culture⁷.

In addition to the aforementioned galleries, tourists can also be attracted by other shopping places such as: Christmas markets, shopping festivals, medieval fairs and bazaars. The reason for travelling may also be the offer of shops at airports or outlets⁸. The factor affecting an increase of tourist traffic is also the appropriate travel time and circumstances associated with it, such as the pre-Christmas period or the

¹ *AM Reports, Volume eight – Global Report on Shopping Tourism*, UNWTO, Madrid 2014, p. 4.

² *The new area of travel retail: Impact and challenges*, EY Centro de Estudios, 2015, p. 9.

³ A. Niemczyk, *Turystyka zakupowa – istota i uwarunkowania jej rozwoju*, „Handel Wewnętrzny”, 2015, 3, p. 176.

⁴ P. Zmyślony, *Problemy zarządzania turystyką na szczeblu mezoekonomicznym w dużych miastach*, [in:] *Turystyka i Hotelarstwo*, A. Stasiak (ed.), 2010, 16, p. 74.

⁵ D.J. Timothy, R.W. Butler, *Cross-border shopping. A North American perspective*, *Annals of Tourism Research*, 1995, 22 (1), p. 29.

⁶ A. Chrzanowska, A. Rochomińska, *Zachowania nabywcze i przestrzenne klientów Galerii Łódzkiej w Łodzi*, *Acta Universitatis Lodzianis, Folia Geographica Socio-Oeconomica*, 2012, 12, pp. 203–204.

⁷ G. Śmigielska (ed.), *Źródła konkurencyjności przedsiębiorstw handlowych w gospodarce opartej na wiedzy*, Difin, Warszawa 2013, p. 181.

⁸ B. Paliś, *Turystyka zakupowa w ofercie biur podróży*, [in:] *Marketing przyszłości Trendy. Strategie. Instrumenty Przeobrażenia i kierunki zmian*, G. Rosa, A. Smalec (eds.), *Marketing i Zarządzanie*, Zeszyty Naukowe Uniwersytetu Szczecińskiego, *Problemy Zarządzania, Finansów i Marketingu*, Szczecin 2018, 3 (53), p. 145.

period of sale. The main barrier to shopping tourism is certainly e-commerce. Its dynamic development is an important process that has recently occurred in the economy⁹. The Internet is currently used for many activities, including searching for information about products and their purchase¹⁰.

2. Legal possibilities of VAT recovery by travellers worldwide

The right to recover tax on goods and services by travellers in Poland is governed by the Act of 11 March 2004 on Value Added Tax. The act defines a “traveller” who is entitled to a VAT refund. According to the Act, the right to receive a tax refund for goods and services paid during a purchase in Poland, have travellers who are natural persons who do not have a permanent place of residence in the European Union. The tax refund can therefore be made only to the traveller residing in the so-called third country (states that do not belong to the territory of the EC). The basis for establishing a permanent place of residence is a passport or other identity document. The Act also specifies the “seller” who is entitled to a tax refund. It is a necessity for the sellers to be registered as taxpayers, keep records of turnover and amounts of tax due using cash registers and conclude tax refund agreements with at least one of the entities referred as listed per art. 127 par. 8. Such sellers, according to the Act cannot be, among others, taxpayers whose sales are exempt from tax¹¹. All necessary documents for sellers who want to participate in the tax free system and a graphic sign informing travellers about the possibility of using this offer (figure 1) can be downloaded from www.granica.gov.pl.



Figure 1. Designation of the TAX FREE point of sale in Poland

Source: (www.granica.gov.pl).

⁹ P. Chaber, *Rynek e-commerce w Europie*, www.pi.gov.pl, (3.02.2019); European Ecommerce Report 2018 Edition, Ecommerce Europe, www.outofseo.com (11.02.2019).

¹⁰ N. Terzi, *The impact of e-commerce on international trade and employment*, *Procedia – Social and Behavioral Sciences*, 2011, 24, p. 745.

¹¹ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax; H. Dzwonkowski, *Prawo podatkowe*, Wydawnictwo Beck, Warszawa 2013, pp. 271–272; VAT Act of 11 March 2004 (Journal of Laws No 54, item 535).

Tax refund may take place when the traveller transports the purchased goods in their personal luggage intact outside the European Union, no later than on the last day of the third month following the month in which he made the purchase. However, the Customs and Tax Office has to confirm the export of goods on a document issued by the seller. It is necessary for the passenger to present a document issued by the seller in order to recover goods and services tax, on which the customs and tax office has confirmed with the stamp¹². Confirmation of this, outside the territory of the European Union, will not always be performed by an office in Poland. In a situation where the export of goods outside the European Union takes place across the border with a third country, in a Member State other than Poland, confirmation of export of goods will be carried out by the customs office in the Member State where the goods have been exported. The document should be attached to a receipt from the cash register issued by the seller¹³. The condition for refunding the tax paid on the purchase of goods by the traveller is the total value of purchases together with VAT resulting from a document issued by one seller in the amount of minimum PLN 200. It is important for the traveller to ask the seller about the exact VAT rate for the purchased goods. The refund amount is the amount of VAT after deduction of service costs. This amount is calculated and entered by the issuer of the document in the appropriate place on the form¹⁴. The necessary data of the document constituting the basis for the refund of tax on goods and services to travellers is specified in the Ordinance of the Minister of Finance of 28 March 2011¹⁵.

Polish tourists, who intend to go on a foreign trip for shopping, should check the possibility and the procedure of VAT recovery for Polish citizens (for example the refund is not possible in case of purchases made in the European Union, because this area is covered by the common market). In Europe it is possible to refund VAT for purchases in countries that are not EU members, such as Norway, Switzerland or Russia. Most of the countries of the former Soviet Union do not refund VAT. Table 1 shows the rules of recovering VAT on purchases in selected countries.

¹² www.e-prawnik.pl (3.02.2019).

¹³ *Ibidem*.

¹⁴ www.krakowairport.pl (3.02.2019).

¹⁵ A. Maksimczuk, I. Sidorowicz, *Graniczny ruch osobowy i towarowy w Unii Europejskiej*, AlmaMer, Warszawa 2007, pp. 306–308; Ordinance of the Minister of Finance of 28 March 2011.

Table 1. The possibility of VAT refund by Polish tourists in selected foreign countries

Country	Minimal expense	Standard VAT rate	VAT refund policy
Norway	315 NOK on regular goods (ca. 139 PLN), 290 NOK on food	25%	The basis for the return is a completed customs declaration, which should be sent to the store's address. The refund is transferred into bank account when the traveller is leaving Norway. Returns points are located in various places, such as airports, road borders, special points on board ferries and cruise ships. Restrictions on the goods: fuel, vehicles and books. If the tourist has a permanent residence outside of Norway, Sweden, Finland and Denmark, he can recover VAT up to 183 days after purchase.
Thailand	5000 THB (ca. 606 PLN)	At present – 7%, from 01.10.19 – 10%	On the day of purchase, the traveller must show the passport and ask the seller in the store to complete the tourist tax return form. Before leaving purchased goods and form (with an original VAT invoice attached to the store) must be presented to the customs services for inspection. The tax is refunded after deducting the handling fee in cash or by transfer to a bank account. VAT refunds can be recovered within 60 days of exporting the goods from Thailand.
Tunisia	less than 200 TND (ca. 251 PLN) per store	19%	VAT can be recovered by foreigners who have not lived in Tunisia for more than three months. Tourist returning must cross the border by plane or by boat. At the time of departure, the sales documents must be presented to customs authorities. VAT refunds are made by bank transfer. Restrictions on the goods: food, alcoholic beverages, tobacco. It is necessary that products are excluded from the freedom of foreign trade.
Switzerland	300 CHF (ca. 1140 PLN)	7,7%	VAT refund is possible for residents outside of Switzerland. The goods must be exported within 30 days. Tax free forms must be stamped by Swiss customs officers. It is necessary to have a passport, purchased goods and a valid air ticket. The goods must be sealed and unused. Customs clearance is marked at all airports, land borders and ports. Tax refunds can be obtained in cash at the cost recovery office at the border or by bank transfer. Further information can be obtained from the Swiss Federal Tax Administration (FTA).

Russia	10000 RUB (ca. 576 PLN)	18%	For purchases without VAT are entitled travelers with a passport issued by a foreign country outside the Eurasian Economic Union (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia). Purchases must be made in selected stores officially reported to the Ministry of Commerce. The refund is made by the store, and the tax free form is sent for approval by the Russian customs service. Purchased goods must be available to show at the customs control point. Restrictions on the goods: excise goods (alcohol, tobacco), cars and certain petroleum products.
RSA	250 ZAR (ca. 70 PLN)	15%	VAT can be reclaimed by foreign tourists based on an invoice. The application for reimbursement must be submitted to offices specially designated for this purpose, which are located at border crossing points and in designated commercial ports. It is necessary to report with bills to a special point at the airport, after passing through a passport control, where traveller is going to receive a check for the refunded amount. Original documents should be presented as well as purchased items. Tourist can apply for a tax refund from the last three months of the stay.

Source: own compilation based on (*Tax Free in Russia*, Ernst & Young, www.ey.com; www.aeropordetunis.com; www.bangkok.com; www.globalblue.com; www.globtroter.pl; www.gov.za; www.myswitzerland.com; www.premiertaxfree.com; www.sars.gov.za; www.taxrefunds.co.za; www.travel-fish.org; www.visitoslo.com).

Based on the information presented in Table 1, it can be seen that each country has its own rules of VAT recovery. When planning shopping during holidays it is the best to check current regulations in the embassy of a given country, tourism organizations or search information on the Internet¹⁶. As common rules for selected countries, the following can be distinguished:

1. Usually the minimum purchase amounts are required. Each country defines them in their national currency. The minimum amount may vary from 70 PLN (RSA) to over 1000 PLN (Switzerland).
2. The regulations of individual countries place certain restrictions on the type of goods purchased, for which you can get a refund. Most often VAT can be recovered in the case of purchases such as: electronic equipment, clothing, watches, jewellery, footwear, cosmetics.

¹⁶ The most common company, which provides tax free shopping services is Global Blue, which operates in over 46 countries around the world (See more: www.globalblue.com).

3. In none of the countries presented can you recover tax for the purchase of services.
4. In order to recover the tax, the following documents are always required: proof of purchase of the goods, specifying the amount of VAT paid and a special VAT refund form, which has to be confirmed at the border crossing by the customs authorities.
5. In the VAT refund procedure it is necessary to present a passport to verify identity and citizenship.

The presented procedures may seem complicated for tourists, especially those who will try to recover VAT for the first time. However, this difficulty brings measurable benefits. The analysis of the literature on the subject shows that the profitability of a given phenomenon affects tourists' behaviour. VAT refund for purchases made abroad may become an important factor determining the development of shopping tourism, if the amount recovered will be high enough¹⁷.

3. Awareness of Polish tourists regarding the possibility of VAT refund

3.1. Research methods

Analyses presented in this article are based on the results of authors' own research carried out in January 2019 using the survey method among Polish consumers of tourist services. The research tool was an original questionnaire. Data was collected using direct survey method. 124 respondents diversified in terms of demographic characteristics took part in the study. The aim of the study was:

- to examine consumer knowledge about the possibilities of VAT recovery by travellers;
- to find out what part of the surveyed tourists has ever recovered tax for purchases made abroad;
- to know the opinions, whether the possibility of VAT recovery inclines or would lead to more frequent foreign trips for shopping purposes.

3.2. Survey results

Empirical data obtained from the survey show that only one third of respondents knows that the VAT for purchases made abroad can be recovered. 42% of respondents (52 people) did not have such awareness, and 27% (34 people) respondents heard about this possibility, but they did not know the applicable rules and procedures in relation to the discussed issue. Answers are shown in the figure 2.

¹⁷ M. Dąbrowski, *Zmiana normy prawnej a proces instytucjonalizacji przekraczania granicy państwowej*, [in:] *Pogranicze. Studia Społeczne*, tom XXIII, *Procesy transgraniczne*, K. Niziołek, A. Sadowski (ed.), Uniwersytet w Białymstoku, Białystok 2014, p. 215.

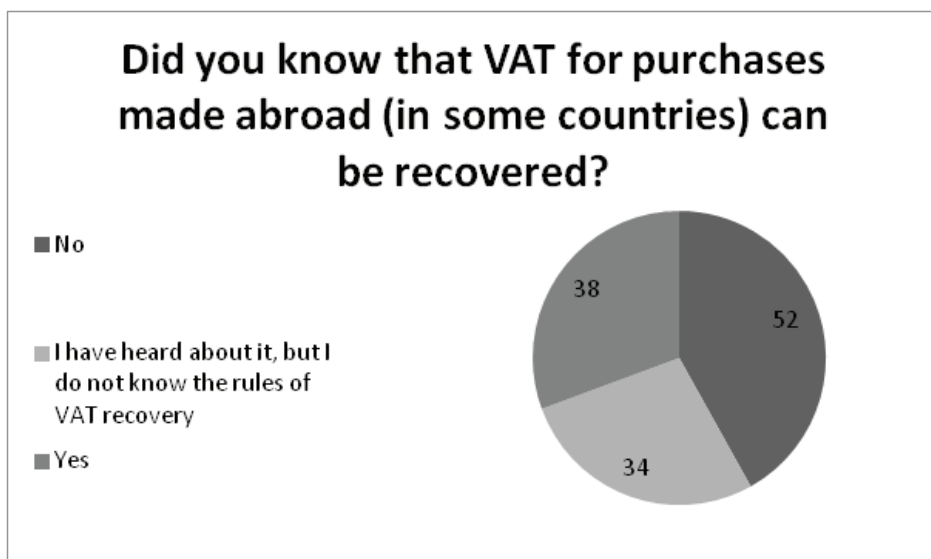


Figure 2. Awareness of respondents regarding the possibility of VAT refund for shopping abroad

Source: own study.

The aim of the next question was to identify how many among Polish tourists use the tax free system. It turned out that the vast majority of respondents (94%) have never recovered tax for purchases made abroad. Out of the eight people who used this option, 5 recovered VAT from 1 to 2 times, while 3 people marked the option “5 and more”. Table 2 summarizes the results from the questionnaire regarding the perception of the tax free system as a motivating factor for more frequent trips. The responses of respondents who recovered tax for purchases and those who never made this procedure were listed separately.

Table 2. VAT recovery as a motivation for more frequent trips in shopping purposes

Would VAT recovery encourage you to frequent foreign trips for shopping?	Respondents who have at least once recovered VAT for purchases made abroad	Respondents who have never recovered VAT for purchases made abroad
Totally agree	0	15
Agree	1	38
Hard to say	2	28
Disagree	4	29
Totally disagree	1	6

Source: own study.

The majority of respondents (5 people), reclaiming VAT, were of the opinion that the recovery of this tax does not encourage them to frequent trips for shopping purposes (answers: “totally disagree” and “disagree”). 2 people did not have the opinion and only one person considered this possibility as encouraging to go on a larger number of foreign trips. The responses of people who have never used the tax return for foreign purchases were very different. Most of them (38 people) indicated the answer “agree” and 15 respondents described this factor as definitely encouraging. A total of 35 people had negative and definitely negative opinions (29 indicated “disagree” and 6 – “totally disagree”). Almost a quarter did not have an opinion on this subject, which could have been conditioned by low knowledge in this area.

Conclusions

The possibility of VAT refund for travellers is defined by various legal acts and regulations. However, VAT recovery rules are similar in many places around the world, what have been shown in the initial analysis conducted in the article. In many cities, such as Bangkok or Oslo the benefits of the tax free system have been noticed, and efforts have been made to encourage foreign tourists to use the offer through promotional and information campaigns.

On the basis of the survey results, it can be stated that Polish travellers are rather unaware of the possibility of recovering VAT for purchases made abroad. Lack of knowledge of rules and procedures related to the discussed issue may be the biggest barrier preventing Polish travellers from using this tool. The conducted research has shown that only 8 out of 124 interviewed respondents use this facility. A positive aspect is interest in this system, especially demonstrated by people who have never used it. As many as 54 people, representing 44% of all respondents, believe that the possibility of VAT recovery by travellers, could be a factor encouraging more frequent foreign trips.

Summarizing, to raise awareness and broaden the knowledge of Polish consumers, actions promoting tax free system would be useful. Examples of such activities include for example: social campaigns, education of tours participants, and information at airports or other tourist destinations. The possibility to recover VAT would have a chance to become a determinant in the development of shopping tourism, if consumers knew the procedures for applying for a refund, or at least they knew where to look for such information.

Summary

The aim of the article is to examine whether VAT recovery has a chance to become a factor encouraging tourists to travel for shopping purposes. The article presents theoretical issues regarding shopping tourism and its determinants as well as the results of own research. The following research methods were used: literature review, legal acts analysis and survey conducted in January 2019 on a group of 124 Polish consumers of tourist services. This study showed low awareness of the

consumers regarding the possibility of VAT recovery, which is the biggest barrier in using tax free system. To increase number of tourists using this system, promotion activities on a local level should be conducted.

Keywords: shopping tourism, tax free shopping, VAT refund.

Streszczenie

Celem artykułu jest zbadanie, czy odzyskanie podatku VAT ma szansę stać się czynnikiem zachęcającym turystów do podróżowania w celach zakupowych. W artykule przedstawiono zagadnienia teoretyczne dotyczące turystyki zakupowej i jej uwarunkowań, jak również wyników badań własnych. Zastosowano następujące metody badawcze: przegląd literatury, analizę aktów prawnych oraz badanie ankietowe przeprowadzone w styczniu 2019 r. na grupie 124 polskich konsumentów usług turystycznych. Otrzymane wyniki wskazują na niską świadomość konsumentów dotyczącą odzyskiwania podatku VAT za zakupy dokonywane za granicą, co stanowi największą barierę w korzystaniu z tej możliwości. W celu zwiększenia liczby turystów odzyskujących VAT za zakupy, należy prowadzić działania promocyjne na poziomie lokalnym.

Słowa kluczowe: turystyka zakupowa, zakupy wolne od podatku, zwrot podatku VAT.

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