COMPARATIVE ANALYSIS OF VAT REFUNDS SYSTEMS TO FOREIGN TOURISTS IN ARGENTINA, COLOMBIA, ECUADOR, AND URUGUAY. THE CASE OF THE TAX-FREE SHOPPING

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Abstract: *The presented contribution focuses on describing the Value Added Tax refund to foreign tourists, specifically the Tax-Free Shopping incentive, that increases tourists' propensity to buy retail goods where shopping can even sometimes be the primary reason for traveling. To have a practical analysis and comparison, four economies from South America were chosen. Colombia and Ecuador whose tax-refund system is entirely operated by the State and Argentina and Uruguay whose governments have decided to outsource their VAT refund service to tourists having private companies operate them. Adding to this, an evaluation of the main characteristics of these countries regarding the competitiveness of their tourism sector was gathered with data obtained from the Travel & Tourism Competitiveness Index (TTCI) Report (2019). The findings of this research provide a benchmark to tourism policymakers interested in assessing changes overtime on this type of incentive.*

Keywords: *Tax system, Tourism, VAT Refund. Tax-Free Shopping.*

1. INTRODUCTION

The Value Added Tax (VAT) refund to foreign tourists has become more established within world tourism trends, as is the case of Tax-Free Shopping (TFS), which increases the expenditures of international tourism and sales of retail stores (CEBR: 2018). Other independent studies have established that the theoretical cost of the VAT refund to foreign visitors returns to the local economy, and it is offset by benefits, such as greater supervision of the informal economy. Concerning this last point, the efficient operation of TFS encourages merchants to declare their sales and tourists to ask for the invoice in order to obtain the corresponding VAT refund.

Governments consider this measure another essential tool to continue gaining competitiveness in the tourism sector. Entrepreneurs make use of this incentive to design better offers and expand their market. Due to the fact that shopping ranks high in direct tourist expenditures, retail organizations and destination marketing organizations, target international tourists in their efforts to generate sales. Not only is shopping an integral part of many visitors' experiences, but it can also be considered the main reason why people travel (Timothy and Butler, 1994).

The Colombian government, through institutions such as its Directorate of National Taxes and Customs (Dirección de Impuestos y Aduanas Nacionales "DIAN") and the Ministry of Industry and Commerce, has been working for several months on a draft decree to reform and modernize the VAT refund system for foreign tourists entering the country through a more efficient and less expensive system. One of the main reasons is the disparity between the number of return requests submitted and the number of foreign tourists visiting each year. According to the DIAN, these people submitted 28,499 VAT refund requests in 2017, but, in that same period, the country received 3,233,162 foreign visitors and tourists (not accounting for border crossings

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or cruises). This is equivalent to a refund/arrival ratio of 0.88%, lower than the 0.92% recorded in 2016. (Fierro, 2018)

At the regional level, Uruguay received 3,940,790 foreign visitors who were not resident in the same period (according to figures from its Ministry of Tourism) and processed 570,000 requests for VAT refunds, reporting a refund/arrival ratio of the 14.5%. This average is usually similar and even higher globally. (Fierro, 2018)

To evaluate and compare the different VAT refund systems for foreign tourists existing in South America, Colombia and Ecuador will be taken as samples. These countries, whose tax-refund system is entirely operated by the State, assume all operating costs. Geographically they are neighbors and have access to the Pacific Ocean. Contrarily, Argentina and Uruguay decided to outsource the VAT refund service, and private companies operate it.

Table 1 summarizes the main characteristics of these countries in regard to the competitiveness of their tourism sector based on the Travel & Tourism Competitiveness Index (TTCI) Report (2019), and Table 2 is a comparative matrix of VAT refund models to foreign tourists in Argentina, Colombia, Ecuador, and Uruguay.

2. MATERIAL AND METHODS

The main objective of this research is *to identify the main characteristics between the state and outsourced administration of the VAT refund to foreign tourists in the selected countries and to link them with the (TTCI, 2019) report results.*

The research is based on related literature, specialized web portals, relevant websites, and correspondence via email with organizations for up-to-date information on the subject of interest. The methods used in this paper also include analysis and study of documents, both primary and secondary data.

3. THEORETICAL BACKGROUND

The TTCI is produced by the World Economic Forum (WEF) and measures *„the set of factors and policies that enable the sustainable development of the travel and tourism sector, which in turn, contributes to the development and competitiveness of a country.*"(TTCI, 2017) Also, the OECD defined tourism competitiveness for a destination as *"the ability of the place to optimize its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g., providing good value for money) tourism services to consumers and to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way."* (OECD, 2013)

In this context, government policies on taxation directly impact tourism. Whether taxes are applied directly to a tourist (such as an entry or exit tax, visa fees, accommodation taxes - "*room/bed tax*", or taxes on car rentals), the industry "*tourism businesses and products*" (airports and airlines, hotels, accommodation, food and beverages, and gambling facilities), or indirectly (such as VAT or sales taxes, which can discourage shopping and benefit countries with lower taxes). These sales taxes may even encourage day trips across borders to shop in areas where taxes are lower. (Holloway, 2009). Introducing fiscal relaxation in tourism brings contributions to the development of this sector, which may compensate the budget deficit through revenue increases brought on by increasing the tourists flows. (Paula, S., Mariana, B., 2016) UNWTO has identified 40 different types of these particular tourism taxes. (Gooroochurn and Sinclair, 2005)

The OECD studied the evolving relationship between taxation and tourism based on comparative information in the form of an inventory (survey) of tourism-related taxes to its members and partner countries (including Chile which is the only South American country member), focuses on indirect tourism-related taxes, fees, and charges that fall under the broad category headings of: i) arrival and departure; ii) air travel; iii) hotel and accommodation; iv) reduced rates of consumption tax; v) environment; and vi) incentives. (OECD, 2014) Based on the OECD report, it was determined that tax rates vary considerably from one country to another. Many countries have introduced reduced rates of consumption tax for tourism-related activities, focusing primarily on hotels and restaurants, to boost tourism and stimulate employment in that sector, or tourist/VAT refund schemes to encourage visitor spending.

In the practice, not all member countries have reduced rates on hotels (such as in Israel and Mexico where the rate is 0%), nor is it carried out in the reduction of tax rates on restaurants. (OECD, 2014) In South America, there are different positions in relation to taxation policy strategies applied to the tourism sector, in which information (according to the author's inventory) was gathered from data of the tourism taxes, fees, and charges in each of those countries. (Honajzrová, 2019) For example, it was found that the Bolivian authorities impose a tax on the arrival of tourists called Contribución Especial para el Fomento, Promoción y Facilitación del Turismo (Special Contribution for the Encouragement, Promotion, and Facilitation of Tourism), dubbed "*Cetur*" (an entry tax). However, in Argentina, they are committed to the reduction of taxes implementing „VAT tax-free" on overnight hotel stays (indirect tax) for foreigners who pay by credit card. It is a measure to attract more visitors, as the growth in the number of tourists visiting the South American country has slowed down in recent years. (INDEC, 2016)

4. RESULTS

According to the data from the TTCI report 2019, we can reach the following conclusions:

- For the third time, Spain remains the global leader, ranking first of 140 countries, followed by France and Germany;
- The Americas is the third-highest scoring region on the TTCI, and South America leads in overall TTCI growth, with the United States holding its position as the region's top-scoring economy and Bolivia showing the most improvement (from 99th to 90th);
- South America scores highest (increasing from previous years) in *international openness* and *price competitiveness*. It scores lowest for *business environment*, deterring Travel and Tourism (T&T) investment, and has poor *safety conditions*. Brazil retains both the region's largest and most competitive T&T industry and environment, thanks to exceptional *natural and cultural resources*. Venezuela experienced the world's most significant deterioration in T&T competitiveness, moving into last place in South America;
- The *biodiversity* of Latin American countries is one of the greatest tourist attractions for foreigners. For this latest report, the (WEF) was able to verify that Mexico and Brazil are leaders in the category. Costa Rica, Peru, and Argentina follow, who occupy positions 8, 13, and 16, respectively. Colombia is located in place 19 and is classified with the previously listed Latin countries as worldwide leaders in this field. One of the

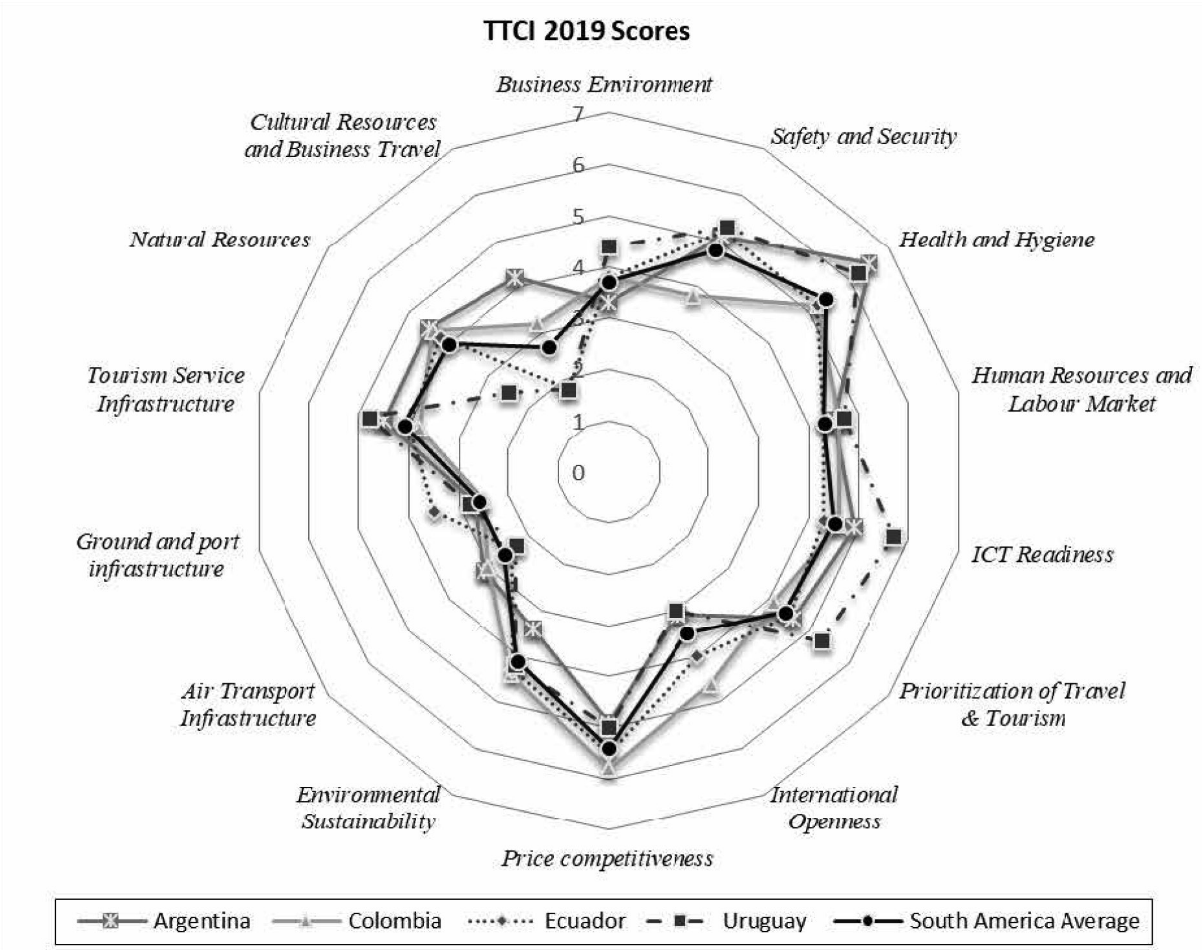
indicators in which several countries in the region achieved good scores was in the *international opening*. There, Latin America is on par with Europe in terms of the number of countries that entered the top 20, which were seven. Chile, Colombia, El Salvador, Peru, Panama, Honduras, and Costa Rica were able to enter the table with scores above 4 (with 7 being the best);
- South American countries have a relatively small T&T economy, defined by disproportionally *low international tourist arrivals*, which helps to explain the sub-region's dependence on domestic T&T markets. One possible reason could be South America's underdeveloped *air and ground transport infrastructure*— which undermines accessibility — with ground infrastructure being the sub-region's most considerable disadvantage relative to the global average;
- Bolivia, Colombia, and Mexico were the Latin American countries that rose most in positions within the general ranking of the (WEF). Colombia managed to climb seven ranks, reaching 55;
- As for the countries that have fallen in the table, Ecuador lost 13 positions compared to the ranking published in 2017.

For a better comparison between the studied countries, table No. 1 and graph No. 1 were created, where, based on scores from 1 to 7 (the best), the level of competitiveness in each of the pillars studied in the TTCI report can be observed. ***Argentina*** holds the 50th position of the 140 nations measured and has the best-ranking status when comparing the studied countries. It exceeds the average of South America and countries studied in the pillars of *Cultural Resources and Business Travel* and *Natural Resources*, *Health and Hygiene*, and *Air Transport Infrastructure*. Together with Uruguay, they stand out in *Tourism Service Infrastructure* and *ICT Readiness*. Argentina is the country most visited by tourists (see Table 1), and in recent years, as a measure to attract more visitors, there is an initiative to reduce taxes implementing „VAT taxfree" on overnight hotel stays for foreigners who pay by credit card. This equals a 21% decrease in prices. 2.5% of the federal budget is allocated to travel and tourism. On the other hand, this country is among the five countries with the worst climate for business, *business environment* (ranked 135/140), creating a non-business friendly environment. It is identified as the country where medium-sized companies pay the highest percentage of their income in taxes and fees. Also, it has the second-worst economy in terms of encouraging investors because of the high taxation rate. Furthermore, taxes and charges levied on tickets and airport services are among the highest globally. Changing these policies may have a swift and direct effect on boosting the industry. (TTCI, 2017) ***Colombia***, the TTCI 2019 report, ranked 29th in world *price competitiveness*, climbing 74 positions compared to 2017. This is attributed to *low hotel prices* and the *reduction in ticket taxes and airport fees* indexes in which it placed 16th and 90th, respectively. These analyzed subcategories influenced so much that the country was located 55thin the general ranking, rising seven places compared to the previous report, when it was 62nd. Paula Cortes Calle, from the *Colombian Association of Travel Agencies and Tourism* (ANATO, 2019), attributes some of this rise because „It has also been allocated resources in *airport infrastructure* with the opening and modernization of airports in Colombia, which has allowed the entry into operation of new connections and with this more routes and frequencies." Colombia also exceeds the average of South America in *International Openness* and *Environmental Sustainability*. On the other hand, with the *Prioritization of Travel & Tourism*, *Safety and Security*, and *Tourism Service Infrastructure*, Colombia falls behind the rest of the analyzed countries. In the last year, ***Ecuador***'s ranking fell from a position of 57 to 70, among 140 countries analyzed. The fall of 13 positions is mainly due to the reduction of state investment in tourism promotion and the development of projects within the sector added to the realization that marketing campaigns are ineffective. It is observed that, together with Colombia, the *Prioritization of Travel & Tourism* by its governments is lower than that of Uruguay and Argentina. In the case of the indicator of *Marketing Effectiveness* and *Promotion of the Country Brand*, especially to attract tourists, the poor performance caused it to move from position 48 to position 76. Ecuador excels in *International Openness* and *Price Competitiveness,* as does its neighbor Colombia. It has a high score compared to the South American average in the *Ground and Port Infrastructure* pillar. Ecuador and Uruguay are left behind in the pillars of *Cultural Resources and Business Travel*. However, Ecuador stands out with *Natural Resources*, which is not the case with Uruguay. *Air Transport Infrastructure*, *ICT Readiness*, and *Health and Hygiene* are the pillars that Ecuador has a low score within the studied countries. ***Uruguay*** went from position 77 in 2017 to rank 74 in 2019. This country stands out for its *Safety and Security*, *Health and Hygiene*, and *ICT Readiness*. In recent years, its government has increasingly prioritized the T&T sector. Its effort to attract more tourists has proven effective since we see the number of received tourists has surpassed those received by Ecuador, which is a similarly sized country. Although its government is the one that most prioritizes T&T and has the highest T&T government expenditure (% government budget), its position in the ranking and overall score has not surpassed the other three analyzed countries. It also ranks low in *Cultural Resources & Business Travel*, along with its *Air, Ground, and Port Transport Infrastructure*, *International Openness, and Price Competitiveness*. Two items that have deteriorated substantially are *Business Environment* and *Security.*

Table 1. Characteristics of the countries under study in relation to the competitiveness of their tourism sector, TTCI report, 2019.

Key Indicators	**Argentina**	**Colombia**	**Ecuador**	**Uruguay**
International tourist arrivals	6,710,400	4,026,900	1,608,500	3,674,100
International tourism inbound receipts	US $5,374.6 million	US $4,821.4 million	US $1,656.9 million	US $2,558.1 million
Average receipts per arrival	US $399.5	US $423.5	US $432.5	US $530.5
T&T industry GDP % of total	US $19,130.9 million 3.7%	US $6,518.8 million 1.9%	US $2,929.4 million 2.8%	US $5,534.0 million 9.1%
T&T industry employment % of total	628,900 jobs 3.3%	505,700 jobs 2.2%	199,700 jobs 2.6%	150,400 jobs 9.1%
Rank and Overall score	**50th/140** 4.2	55th/140 4.0	70th/140 3.9	**74th/140** 3.8
Prioritization of T&T rank/score	76/4.6	**103/4.1**	80/4.5	**24/5.3**
T&T government expenditure (% government budget) rank/%	94/2.5	108/2.1	**126/1.2**	**36/5.2**

Source: Own elaboration based on TTCI Report, 2019



Note: Score 1-7 (best)

Graph 1. Travel & Tourism Competitiveness Index 2019 between the studied countries
Source: Own creation based on data of the TTCI report, 2019

Vat refund models to foreign tourists in Argentina, Colombia, Ecuador, and Uruguay.

Currently, two types of returns are applied based on the environment of the country. For the purposes of this investigation, they will be defined as follows: Open and Closed.

Open: this process operates on the fact that the beneficiary can make purchases of goods and/or services in any establishment without any restrictions.

Closed: this process is based on the fact that the beneficiary can make purchases of goods and/or services only in establishments authorized by the agency that is in charge of or is responsible for the VAT refund process to have greater supervision over purchases.

Table 2 summarizes the main criteria of the VAT refund to tourists in the analyzed countries:

Table 2. Comparative matrix of VAT refunds models to foreign tourists in Argentina, Colombia, Ecuador, and Uruguay.

Criteria	**Argentina**	**Colombia**	**Ecuador**	**Uruguay**
Normative	Value Added Tax Act, **1986** The reimbursement process is currently in force, as well as the regulation with Decree No. 1099/98, amended Decree No. 80/01 and by general resolutions (AFIP) 380 and 381.	Article 39 of Law 300 of **1996**, modified by article 14 of Law 1101 of 2006 and article 28 of Law 191 of 1995, modified by article 70 of Law 1607 of 2012. Resolution No. 09476, Oct. 2nd, 2008, prescribes the official form for the VAT refund request.	Article 30 of the Tourism Law published in the Supplement of Official Registry No. 733 of December 27, **2002**. However, until July 2010, no process was established to meet VAT refunds to foreign tourists; for this reason, requests were manually processed.	Law 18,033 of Tax Reform, art. 32 (law issued on December 27th, **2006**), Decree 333/009 (in which the functionality of the mentioned process is defined) and the extension Decree No.378 / 012
VAT rate	21%	19%	12%	22%
Refund Service Administration	***Global Blue Argentina S.A.*** and ***Premier Tax-Free S.A.*** were chosen to provide the refund service via a call to adjudication.	**The State** entirely operates and assumes all operating costs through the DIAN.	*Servicio de Rentas Internas* „SRI” and the *Instituto Nacional de Patrimonio Cultural* „INPC” **public sector** entities.	***Global Blue S.A.*** is in charge of and responsible for operating the return process.
Return type	Taxed goods **produced in the country**. Lodging and Breakfast Services.	Refundable goods: clothing, footwear, leather products, CDs, handicrafts, toys, linens and underwear, appliances, jewelry, emeralds, perfumes, hardware items.	Only the VAT of **nationally produced goods** personally carried when leaving the country, and tourist accommodation services are refunded.	Refunds are paid on **all goods** exported in the traveler's luggage. Refundable goods: fashion and clothing, leather goods, shoes, beverages, food, souvenirs, knitting, and crafts.
Minimum amount of return	Greater than **$70 Argentine pesos** in the taxable base taxed, approx. US $1.25 (2019)	When the value of the purchases, including VAT, is equal to or greater than ten (10) Tax- Value Units. **For 2018 = COP $331.560 (US$97)**.	The VAT refund applies to goods produced in the country and to accommodation services in amounts higher than **50USD** per receipt (taxable base)	**60 USD** or its equivalent in local currency.
Affiliated Shops	Stores affiliated with the system are identified with the logo: TAX-FREE	**All merchants registered in the standard sales tax system** and are supported by sales receipts that contain the breakdown of the sales tax.	Establishments identified with the VAT REFUND logo.	Authorized dealers with logo: Shop Tax-Free
Type of return	Closed	Open	Closed	Closed
Documentation to present	Tax refund forms, passport, receipts.	Completed form 1344. Passport. Submit a photocopy of the document that accredits the migration status. Submit photocopies of the sales receipt(s) made out to the refund applicant with the corresponding proof of purchase (payment receipt). The purchase of taxed goods must be made in person by a card payment terminal with international credit and/or debit cards issued outside of the country.	Refund application form with receipts enclosed and a passport photocopy in an envelope available at the counters. Deposit the envelope in the mailbox located in the pre-boarding (departure) lounges, after immigration control, in the international airports of Quito and Guayaquil. Request status tracked through the SRI site www.sri.gob.ec	Tax-Free form, receipts, passport.

Control	At the time of submitting the refund request, the customs department must check the objects of the VAT refund.	Colombian Tax and Customs Authority Offices check the goods against the receipts.	The presence of a SENAE (National Customs Service) officer must be requested so that goods can be controlled, and appendixes sealed.	Customs must establish the controls to verify the exit of the acquired goods.
Return Time	Immediate refund in cash, by credit card accreditation, or with a bank check that will be sent to the address indicated by the applicant.	Up to 90 days.	According to the law, a maximum of 120 business days to receive a refund via credit card.	Immediate refund via credit card, international check, money transfer, or bank transfer (the last two within South America).
Commission	A percentage of the value to be returned is charged according to a table of value ranges.	The financial costs and notification expenses incurred are deducted from the value.	The administrative cost of 3 USD is deducted from the amount refunded.	The tourist receives an 85% refund of the total requested VAT, and the difference is the operator's commission.

Source: Own research, 2019.

VAT refund model for foreign tourists in Argentina and Uruguay:

From the point of view of the tourist, the current Argentine model managed by the Global Refund company is quite practical because of the different types of accreditation that it offers. It practically covers all possible options, even prompting tourists to spend the recovered value at the airport duty-free shops.

Another benefit to the tourist is having the confidence of knowing that they will receive the described tax refund value based on the form the tax-free shop gave them upon purchase. If any mistake or inconsistency is later found, it is faulted to the affiliated establishment, not the tourist. This benefit is not present in Colombia and Ecuador because their system requires a waiting period where the tourist is not present in the country, so these countries cannot guarantee that the tourist will receive the expected refund amount.

Despite the complications of a closed procedure in Argentina, that is to say, that the purchases made must be made in affiliated establishments, there is a shopping center in Buenos Aires consisting of all tax-free affiliated shops, making the shopping experience comfortable for foreign tourists. Uruguay offers a similar shopping situation for their foreign tourists. Another significant benefit that should be highlighted is that the minimum purchase value is from 70 Argentine pesos (approx. US $1.25), which constitutes a very accessible value for tourists to purchase national products.

In Uruguay, TFS has intensified from the continuous incorporation of technological innovations, which has given this country one of the most modern systems in the world. The system stands out for being 100% digital and working in real-time, being easy to use, and having user-friendly technology for shops, tourists, and customs. Global Blue announced that starting in October 2019 a pilot plan was implemented consisting of a mobile application called "Global Blue – Shop Tax Free" for the validation of the benefit at the country's exit point, located in Salto. This means that tourists will be able to validate their operations from their mobile phones to obtain the benefit of return, without having to get out of the car when arriving at the international border. (worldshoppingtourism.com, 2019)

Among the disadvantages in the Argentine system is that the establishments that belong to this type of process must pay an annual fee from the moment they are registered in the model. If there is an error in the issuance of the refund document (check), the responsibility will fall directly on the issuing establishment, since the tourist will receive the amount described in the vouchers that he/she presents regardless of inconsistencies due to the issuer's error.

VAT refund model for foreign tourists in Colombia and Ecuador:

Colombia and Ecuador do not have a 100% digital and online VAT refund system. Instead, they use manual procedures with paper forms operated directly by their state offices DIAN and SRI (Servicio de Rentas Internas). One of the main problems in this area relates to the extensive amount of time these public entities take to complete the process. „If you look at the average time for disbursements abroad (usually less than ten days), the inconveniences presented by the Colombian and Ecuadorian system cause these drafts to be extended to more than 90 days (up to a maximum of 120 in Ecuador), which generates a greater number of complaints and queries by travelers, and in the worst case, the apathy on the part of the tourist to make use of this benefit." (Fierro, 2018) The application of a more efficient and friendly procedure would expedite payments abroad and improve security levels and anti-fraud measures. As these systems are currently functioning, they are underutilized and do not meet two of their main objectives: *to increase the expenditure of foreign visitors, and to help local businesses sell more*.

Additionally, not all international credit cards have an agreement with the Colombian authorities, and therefore, those who use them do not have the right to VAT refunds even if they prove they have bought within the national territory. If it is taken into account that the majority of the countries currently using TFS systems employ private operators to develop and operate the VAT refund process system efficiently, it would be convenient to study this option for Colombia and Ecuador, countries that expect to increase the flow of foreign travelers and the generation of employment linked to tourism services in the coming years.

5. CONCLUSION

Based on data collected from the South American countries, Argentina and Uruguay are unique in terms of their tax system to support tourism. It was determined that their governments reinforce their tourism advertising by focusing on tax system benefits for the tourist. The analysis comes specifically from the categories of VAT tax-free in hotel and accommodation and TFS. (Honajzrová, Petřiček, 2019) These results are linked with their competitive strengths since they stand out in *Tourism Service Infrastructure* and *ICT Readiness*, which can be confirmed in the improvements they have made to modernize the TFS incentive. As was mentioned before, the administration of the TFS was outsourced to private companies which cooperates with the Argentinean and Uruguayan governments, who are interested in supporting the better management of this service by decreasing unnecessary bureaucracy to the tourists and accelerating the time of control of the purchased goods (custom department). Also, it is observed that these countries have governments that most prioritize the T&T sector and have the highest T&T government expenditure (% of government budget), compared to Colombia and Ecuador.

Shopping can also be the primary reason for traveling (Ryan 1991). This is certainly the case in some instances for Uruguay, which is focused on attracting tourists from its neighboring countries, Argentina and Brazil. One of the main benefits of the TFS program is that it allows the state to collect necessary information on international visitors. (Dimanche, 2003). Uruguay has detailed statistical information on the economic impact that the Tax-Free regime represents to its tourism sector. The agency (Uruguay XXI, 2019), with data provided by Global Blue, determined in its report that the TFS has increased its use, reaching more than 450,000 travelers in 2018, with an average annual increase of 58% in the number of transactions and 50% in sales between 2013-2018. The report also provides detailed data on the TFS behavior of international consumers, which according to (Liberato, Silva, 2018) study, *"the demographic profile influences the spending intention, and the satisfaction with the purchase place influences positively the perception regarding the purchase attributes at the destination, observing the increase of the reliability of the products, the decision-making of purchase and the credibility with the increase of the satisfaction, concerning the physical and customer care aspects (attendance)."*

Price competitiveness is a strength of Colombia and Ecuador, mainly due to their low hotel prices. Along with this, they have a lower VAT refund rate (19% and 12% resp.) compared to Argentina and Uruguay. These are possible reasons why these countries have not seen the TFS as an important marketing tool to develop. Certainly, as this study shows, it is recommended that the states of Ecuador and Colombia first answer the question recommended by (Dimanche, 2003), should the amount of taxes refunded to international visitors be seen as a marketing expense? And is it worth the benefits for their economies? By answering these questions, the states studied will have an opportunity to determine whether TFS (refund service administration) should be reformed/modernized and added to their arsenal of international tourism marketing strategies. If yes, outsourcing is an option, but there are cases like Louisiana's tax-free shopping program (LTFS) that has been successfully operated since 1989 by its state and could be seen as an ideal model.

This paper can be used as an initial investigation for future research that can be useful for tourism policy makers. More detailed monitoring, evaluation, and analysis of existing taxes and incentives in South American countries would give policy makers the tools to implement evidence-based policies to support the long-term sustainable growth of the tourism industry.

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