

Evaluation of special VAT scheme for travel agents and tour operators

Fields marked with * are mandatory.

1

Introduction

The objective of the consultation is to obtain the **views of stakeholders on the functioning of the special VAT scheme for travel agents and tour operators**. The views will feed into the evaluation of this special VAT scheme.

When the Sixth VAT Directive (Council Directive 77/388/EEC) was adopted in 1977, a special scheme was introduced for travel agents and tour operators. This special VAT scheme, now set out in Articles 306 to 310 of the VAT Directive (Council Directive 2006/112/EC), was brought in due to the special nature of the industry. The services offered by travel agents and tour operators usually consist of a package of services, in particular transport and accommodation obtained from third parties. The package is then sold by the travel agent or tour operator, in their own name, to their customers. Those are circumstances where it is particularly difficult to apply the normal VAT rules on the place of taxation, the taxable amount and deduction of input tax due to the complexity and location of the services provided.

Under Article 307 of the VAT Directive, all transactions made by a travel agent or tour operator in respect of a journey are regarded as a single service. The taxable amount is the profit margin realised by the travel agent or tour operator on the supply of a travel package and hence the travel agent or tour operator is not entitled to deduct input VAT. The place of taxation for the travel agent's or tour operator's supply is where they have established their business or has a fixed establishment from which they provide the service or, failing this, the place where they have their permanent address or where they usually reside.

The special VAT scheme for travel agents and tour operators has two aims, namely:

(a) simplifying the application of EU VAT rules

- to avoid that a travel agent or tour operator has to register for VAT purposes and claim input VAT in each of the Member States where the services acquired by them are performed, and
- to avoid the complexity of taxing packages under the normal VAT rules;

(b) ensuring that VAT revenue accrues to the Member State in which final consumption of each individual component of the single supply takes place, so that VAT on services enjoyed in the course of the journey, such as hotels, restaurants or transport, goes to the Member State in which the traveller receives the service, whereas VAT on the travel agent's or tour operator's margin returns to the Member State where the travel agent or tour operator is established.

Important remarks concerning the scope of the special VAT scheme for travel agents and tour operators:

- The special VAT scheme does not apply to travel agents or tour operators where they act solely as intermediaries, who act in the name and on behalf of their customers.
- The special VAT scheme does not apply when travel agents or tour operators sell non-EU travel to their customers.

It is also important to note that travel agents and tour operators cannot choose between the special scheme and normal VAT rules. In those cases where the special scheme must be applied, it applies irrespectively of the type of customer of the travel agent or tour operator.

2 About you

* 2.1 Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- Gaelic
- German
- Greek
- Hungarian
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* 2.2 I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* 2.3 First name

Pieter

* 2.4 Surname

BAERT

* 2.5 Email (this won't be published)

p.baert@businessseurope.eu

* 2.7 Organisation name

255 character(s) maximum

BusinessEurope

* 2.8 Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

2.9 Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

* 2.10 Country of origin

Please add your country of origin, or that of your organisation.

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| <input type="radio"/> Åland Islands | <input type="radio"/> Dominica | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon |
| <input type="radio"/> Albania | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania | <input type="radio"/> Saint Vincent and the Grenadines |
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| <input type="radio"/> Bangladesh | <input type="radio"/> French Southern and Antarctic Lands | <input type="radio"/> Moldova | <input type="radio"/> South Georgia and the South Sandwich Islands |

- Barbados
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- Belize
- Benin
- Bermuda
- Bhutan

- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria

- Burkina Faso
- Burundi

- Cambodia

- Cameroon

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- Greece
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- Niue

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- Tanzania
- Thailand

- The Gambia

- Timor-Leste
- Togo

- Tokelau
- Tonga

- Trinidad and Tobago
- Tunisia

- Turkey
- Turkmenistan
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- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
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- Congo
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- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
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- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* 2.11 Publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

Public

Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

I agree with the [personal data protection provisions](#)

2.12 What is the main motivation for participating in this consultation?

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3 Evaluating the special VAT scheme for travel agents and tour operators

The questions in this consultation are linked to following evaluation criteria:

- **effectiveness**, i.e. the extent to which the special VAT scheme has been successful in achieving its objectives;
- **efficiency**, i.e. the costs and benefits associated with the special VAT scheme and whether they are proportionate;
- **relevance**, i.e. the extent to which the special VAT scheme (still) addresses (current) needs and problems;
- **coherence**, i.e. to what extent the elements of the special VAVT scheme work well together i) between themselves (i.e. internally) and ii) with the normal VAT rules.

Effectiveness

3.1 Special rules often seek to address aspects not catered for under the normal rules.

Which **aspects of the special VAT scheme** for travel agents and tour operators do you consider as important?

Only one VAT registration needed

- Simplified VAT declaration
- Simplified margin calculation (i.e. no need to recover input VAT)
- Treatment of a package as single supply
- No need to identify legal status of customer (taxable or non-taxable person)
- Other
- Do not know

3.3 To what extent do you agree that the **special VAT scheme simplifies the application of VAT rules** for travel agents and tour operators:

- strongly agree
- agree
- neutral
- disagree
- strongly disagree
- do not know

3.5 To what extent do you agree that the current rules of the special VAT scheme for travel agents and tour operators is **fit for purpose in the digital age?**

- strongly agree
- agree
- neutral
- disagree
- strongly disagree
- do not know

Efficiency

Evaluating efficiency requires the perspective of the internal market and that of businesses.

3.7 The special VAT scheme for travel agents and tour operators provides for simplified rules, but **does not allow deduction of input VAT**.

Concerning B2B supplies, what do you consider more important?

- Simplification
- Deduction of input VAT
- Do not know

3.8 The special VAT scheme for travel agents and tour operators provides for simplified rules, but as a result the **margin of a travel agent or tour operator must be taxed at the standard rate** of VAT, whereas accommodation and transport services are often taxed at a reduced rate of VAT under the normal VAT rules.

Concerning B2C supplies, what is most important?

- Access to simplified rules
- Access to a reduced VAT rate
- Do not know

A special VAT scheme for travel agents and tour operators with simplified rules that apply only in specific circumstances can create complexity,

- if the scope of such a special scheme is not clear and

- if it is unclear in how far those normal VAT rules, from which the special scheme does not deviate, can be applied.

3.9 The provisions in the VAT Directive require travel agents and tour operators taxed under the special scheme to **calculate their margin for each transaction separately**. To what extent is such a requirement adding complexity to the simplified rules?

- to a large extent
- to a significant extent
- to a small extent
- not at all
- do not know

3.10 To what extent do you agree with the following statement:

A separate margin calculation for each transaction is detrimental to the industry, because negative margins cannot be offset against positive margins.

- strongly agree
- agree
- neutral
- disagree
- strongly disagree
- do not know

3.11 A special VAT scheme for travel agents and tour operators with simplified rules that apply only in specific circumstances can create complexity,

- if the scope of such a special scheme is not clear and
- if it is unclear in how far those normal VAT rules, from which the special scheme does not deviate, can be applied.

Do the rules of the special VAT scheme for travel agents and tour operators, as interpreted by the CJEU, **lack clarity**?

- Yes
- No
- Do not know

3.12 Could you give examples?

See attached document

3.13 Do you know of **distortions of competition** due to differences in VAT treatment between competing travel agents and/or tour operators?

- Yes
- No
- Do not know

3.14 Which are the **reasons for a distorted competition**?

- The rules of the special VAT scheme for travel agents and tour operators as interpreted by the Court of Justice of the European Union (CJEU)
- Rules being implemented and applied differently by Member States
- Travel agents and tour operators located in third countries are not covered by the special scheme
- Other reasons
- Do not know

3.15 Please specify further the **reasons and give specific examples**:

2000 character(s) maximum

See attached document

3.16 Please describe the **impact(s) of such distorted competition**:

2000 character(s) maximum

See attached document

Relevance

3.17 Since first put in place in 1977, how have the **needs of businesses evolved** with respect to the VAT rules?

2000 character(s) maximum

See attached document

3.18 Do you agree that the special VAT scheme for travel agents and tour operators **still responds to those needs**?

- strongly agree
- agree
- neutral
- disagree
- strongly disagree
- do not know

3.20 To what extent do you agree that the travel industry **continues to need** special VAT rules?

- strongly agree
- agree
- neutral
- disagree
- strongly disagree
- do not know

Coherence

3.21 Within the special VAT scheme for travel agents and tour operators, the margins are taxed in the Member State where the travel agent or tour operator is

established.

Within the wider VAT system and considering the implementation of the One-Stop-Shop in 2021, services are to be taxed where the final consumption takes place.

In this specific context, to what extent do you consider the **special VAT scheme** for travel agents and tour operators is **coherent with the wider VAT system and its rules?**

- coherent to a large extent
- coherent
- neutral
- not coherent
- not coherent to a large extent
- do not know

3.22 Would there be a **need for amending the special VAT scheme** for travel agents and tour operators?

- Yes
- No
- Do not know

3.23 Please specify why, or the scope of the amendment needed.

2000 character(s) maximum

See attached document

4 Further comments

4.1 You can add further comments or here or upload a file.

2000 character(s) maximum

4.2 Please upload your file

The maximum file size is 1 MB

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

a5cdcda8-dd89-44d0-85f2-e5e34910de55/BusinessEurope_-_PublicConsultation_-_Vat_Travel_Agent_Scheme.pdf

Useful links

Taxation and Customs Union Taxation and Customs Union Study on the review of the VAT Special Scheme for travel agents (https://ec.europa.eu/taxation_customs/sites/taxation/files/travel_agents_special_vat_scheme_en.pdf)

Roadmap for the evaluation of the special scheme for travel agents (<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11883-Evaluation-of-the-special-VAT-scheme-for-travel-agents>)

VAT Directive (<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11883-Evaluation-of-the-special-VAT-scheme-for-travel-agents>)

Special VAT schemes (https://ec.europa.eu/taxation_customs/business/vat/eu-vat-rules-topic/special-schemes_e

Contact

TAXUD-UNIT-C1@ec.europa.eu



Public Consultation on the VAT Travel Agent Scheme

We welcome the European Commission's initiative to evaluate the VAT Travel Agent Scheme. Since the introduction of the scheme in the 1970s, the travel and tourism industry has gone through a series of important changes. With an increasing number of global bookings and different products being offered, and the rise of the platform and sharing economy, travel agents and tour operators find themselves under significant pressure. Another significant change which has taken place is the increased possibilities for the consumer to choose the different components of their travel package .

It is important that the European Commission supports EU travel agents by continuing to ensure a secure, simplified VAT scheme to travel agents, to ensure that taxation takes place in the country of consumption, whilst at the same time providing simplification the VAT obligations of travel agents, due to the exceptional nature of their business activities.

Overall, we find that the scheme provides important and necessary benefits to travel agents. In particular, the scheme's provision to keep VAT registrations to a minimum and the simplified VAT declaration supports the VAT administration of travel agents considerably.

However, the current scheme also contains several provisions which can give rise to excessive administrative burden and/or disruptions of the single market. It is essential that in any upcoming review the following issues are all addressed in detail:

- **Margin calculation**

Currently, travel agents are required, according to the European Court of Justice, to calculate individual margins for each sale. This causes a great deal of administrative burden to travel agents, as they are often confronted with many practical difficulties when calculating individual margins due to the multiple corrections of margin calculations (e.g. due to late or incorrect invoices of suppliers, reduction of consideration received if a partial or full refund is given to a customer). We believe it would be beneficial to change the requirement that travel agents need to calculate VAT payable separately for each supply within the scheme, and rather allow travel agents to calculate a global margin. This would mean a considerable decrease in administrative burden. Such a system would also easily cover automatic credit for any negative margins made by the travel agent.

While some member states already allow some form of 'overall' or 'global' margin calculation, a review should clarify that this should be the standard practice throughout the EU. The current situation creates legal uncertainty and a potential disruption of the single market, as identified by the KPMG-study, as "the travel agent established in a member state which allows for a form of global calculation enjoys lower administration costs when compared to a travel agent established



in a member state which requires a separate VAT calculation for each supply made”.

A calculation period of 1 year should provide businesses with sufficient tangible benefits of the decrease in administrative burden. Any calculation period should be defined and agreed at EU-level, in order to ensure an EU-wide level playing field.

- **B2B Supplies**

An inherent part of the travel agent scheme is the irrecoverability of input VAT. While this is less problematic when the end customer is a non-taxable person, we are concerned that travel agents active in the B2B sector, especially those operating in the Meetings, Incentives, Conferences and Events (MICE) – sector, can potentially find themselves in a competitive disadvantage as taxable customers cannot recover input VAT on both the underlying services (e.g. hotel accommodation) and the travel agent’s margin. This makes it financially more attractive for business customers to enter into direct transactions with the service providers. Furthermore, travel agents established outside of the EU, providing travel services inside the EU to taxable persons, would enjoy a similar competitive advantage as they do not need to apply the scheme.

It is essential that any revision by the European Commission addresses this distortion of competition, in particular in the MICE-sector, and ensures a level-playing field. This should not be taken lightly. As the KPMG-study identified, the irrecoverable input VAT related to direct costs of B2B supplies in the travel agent sector is estimated to be worth more than €1bn. One of the options that could potentially be considered is an opt-in/opt-out choice for travel agents in B2B transactions. At the same time, it should be explored whether domestic B2C transactions may potentially also benefit from this, taken into account that such a possibility would not interfere with the aim to distribute the VAT correctly between the member states.

- **Harmonised Implementation**

We are strongly concerned by the KPMG-study’s multiple identifications of member states applying the scheme considerably differently. Any review should strive ‘to correct’ these different applications and ensure alignment as much as possible. In this light, we are for example very concerned that Member States do not have a uniform implementation of the scope of the scheme, and in particular any definition around what a “package” is, and whether this should consist of multiple supplies. Next to this, the KPMG-study also identified differences in application between member states on such issues as the definition of travel facilities, clarifications on single/composite supplies, income received as a disclosed/undisclosed travel agent, and the duration of the travel services. In



particular, there is also currently no clear definition of which services are considered ancillary, especially in the MICE-area. While not taking a stance on these issues themselves, it is clear that the VAT travel agent scheme can only work if Member States can agree on a set of clear and harmonized definitions.

There also needs to be some clarification as to whether the new VAT/e-commerce package will have any consequences for taxpayers using the scheme.

- **Digital Administration**

It is also important that any amendment to the scheme takes the ERP systems into account. Today, the scheme entails a significant amount of manual administration. A special scheme fit for the digital age requires the rules to be programmable in order to decrease the administrative burden for businesses.