



European tourism association

European Tourism Forum

Bratislava, 11th Oct. 2016

EU Tourism Competitiveness - Taxation

Special scheme for travel agents - 'TOMS'

Tim Fairhurst, ETOA



European tourism association

Tour Operators Margin Scheme – ‘TOMS’

- Simplification of tax payable on packaged product
- Non-deductible input VAT stays in EU destination state
- Gross margin inclusive of VAT in EU state of establishment
- Service(s) enjoyed in destination + service of packaging
- Does not apply to holidays enjoyed outside the EU



European tourism association

Effect of TOMS

- Intelligent allocation of revenue, no multiple registration
- B2B EU to non-EU wholesale industry grew
- B2C EU to non-EU volume negligible: no B2C export trade
- The more value added in EU, the less competitive it is
- Net profit advantage in non-EU establishment
- Price advantage for non-EU destinations

Current interpretation and practice

- Following CJEU 2013 ruling Member States should:
 - i. Recover TOMS VAT on wholesale transactions
 - ii. Require transaction by transaction calculation
- Impractical as costs are often not known at time of sale
- Current practice and compliance varies across the EU



European tourism association

ETOA recommendations for reform

- Maintain scheme similar to TOMS for all transactions between EU businesses and non-EU clients
- Retain option to use standard VAT principles, e.g. B2B in the MICE sector for client's own use, not resale
- Recognise that the process of packaging product is enjoyed in client's location, thus is an export to 3rd countries



European tourism association

Challenges in proposals and options for change

- Need for unanimity among perceived conflicts of interest
 - i. Member states' current benefit varies
 - ii. Industry has evolved within current rules
- Regulation presuming tax recovery from 3rd countries
- Multiple registration and/or complex intra-EU recovery
- Continuing effect on value-adding of Package Travel regs.



European tourism association

What would success look like?

- A competitive single market, no multiple registration
- More exports, including value-adding service of packaging
- Level playing field for holidays to EU destinations
- More economic activity and jobs within the EU
- Better adapted product for origin markets worldwide



European tourism association

tfairhurst@etoa.org

www.etoa.org

