



Preface

- 1 This document constitutes the Final Report in the framework of the Study on the issues arising from taxing the supply of goods and the supply of services, including restaurant and catering services, for consumption on board means of transport¹.
- 2 According to article 37 of the VAT Directive², goods supplied on board ships, aircraft or trains during a passenger transport operation effected within the Community are to be taxed at the point of departure of the passenger transport operation. Pursuant to article 57 of the VAT Directive, the same applies to the supply of restaurant and catering services physically carried out on board such means of transport. These provisions do not cover other means of transport, like coaches, on which the same kinds of supplies of goods and services may be carried out.
- 3 VAT is due on the supply of goods and restaurant and catering services carried out during the section of the operation effected, without stopover outside the Community, between the point of departure (first scheduled point of passenger embarkation within the Community, where applicable after a stopover outside the Community) and the point of arrival (last scheduled point of disembarkation within the Community of passengers who embarked in the Community, where applicable before a stopover outside the Community) of the passenger transport operation.
- 4 According to article 37(3) of the VAT Directive, the Commission shall, at the earliest opportunity, present to the Council a report, accompanied if necessary by appropriate proposals, on the place of taxation of the supply of goods for consumption on board and the supply of services, including restaurant services, for passengers on board ships, aircraft or trains. Until that time, Member States may, however, pursuant to article 37(3), exempt or continue to exempt, with deductibility of the VAT paid at the preceding stage, the supply of goods for consumption on board ships, aircraft or trains. Pending adoption of those proposals, this option will continue to exist.
- 5 Within this framework, the Commission has entrusted PwC³ with the task of carrying out the present Study.

¹ Hereafter referred to as “the Study”.

² Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1), hereafter referred to as “the VAT Directive”.

³ “PwC” is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these member firms form the PwC network. Each member firm in the network is a separate and independent legal entity and does not act as an agent for PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms, nor can it control the exercise of their professional judgment or bind them in any way.

- 6 The overall objective of this Study and the resulting report is to provide the Commission with input for its report on the place of taxation of the supply of goods for consumption on board and the supply of services, including restaurant services, for passengers on board ships, aircraft or trains. Additionally, the VAT treatment of the supply of services and goods for consumption for passengers on board coaches should also be analysed.
- 7 In order to meet its objectives, the Study was conducted in 3 phases.

Phase 1: VAT and Economic Data Collection

- 8 In Phase 1 of this Study, PwC collected two sets of relevant data:
 - VAT data regarding the current VAT treatment in the 27 EU Member States of the supply of goods and services, including restaurant and catering services, for consumption on board means of transport (in law and in practice), including practical issues related to the current VAT treatment as identified by stakeholders in the passenger transport industry;
 - Economic data regarding the number of operators involved in the intra-Community and international passenger transport industry and, per EU Member State, where available, the turnover generated by such supplies, the number of full-time equivalents employed and the number of outward passengers.
- 9 Part I of the Report is intended to provide the Commission with an overview of:
 - the VAT legislation in respect of the supply of goods or services, including restaurant and catering services, for consumption on board ships, aircraft, trains and other means of transport (e.g. coaches) on 31 January 2011;
 - the practical issues related to the VAT treatment on the basis of input received from relevant stakeholders in the travel sector, including an assessment of their importance and impact for those stakeholders;
 - market data in respect of the supply of goods and services on board means of transport in the 27 EU Member States.

Phase 2: Qualitative Review of Policy Options

- 10 In Phase 2 of this Study, building on the VAT and Economic Data Collection, PwC has defined the main issues with regard to the current VAT system and has identified and reviewed alternative options for the taxation of the supply of goods and services, including restaurant and catering services, for consumption on board means of transport.
- 11 In order to provide a qualitative analysis and come to overall conclusions and recommendations, PwC identified and described 4 possible policy options as well as qualitative assessment criteria (KPIs) to evaluate each policy option, from both a VAT technical and an industry perspective, on its strengths and/or weaknesses, compared to the current taxation regime.
- 12 With a view to the stakeholder consultation, we developed a matrix regarding the different policy options.



- 13 On the basis of the comparison between the current VAT regime and the VAT regime under each policy option, the industry stakeholders were asked to evaluate each policy option on its strengths and/or weaknesses using the KPIs identified and to indicate additional measures to mitigate the weaknesses in each policy option.
- 14 Part II of the Report is intended to provide the Commission with:
- an assessment of the ability of the current place-of-supply rules, without an optional exemption, to allow for taxation of supplies of goods and services on board means of transport;
 - a description and an assessment of 4 policy options against the KPIs;
 - an assessment of the need of additional measures to mitigate possible weaknesses in each policy option;
 - an assessment on the need to apply a VAT exemption, optional or obligatory, sectoral or general.

Phase 3: Conclusions and Recommendations

- 15 Based on the Data Collection in Phase 1 and the review of the policy options in Phase 2, PwC has retained 2 possible alternative options for the taxation of transactions on board means of transport.
- 16 Besides, PwC has also formulated recommendations for action in the short term, the medium term and the longer term.
- 17 The policy options examined in this Report and PwC's recommendations for action are intended to support the Commission in its future reform initiatives to adopt common rules on the treatment of transactions on board means of transport, so to create certainty and avoid double or non-taxation. It should also ensure the smooth functioning of the internal market by avoiding distortions of competition created by shortcomings in the existing EU legislation and the different tax treatments adopted by the 27 EU Member States.



- 18 A Study of this size requires excellent expertise in multiple disciplines. In order to deliver this Study, we worked with two groups of experts: a Delivery Team with VAT experts and economic impact specialists and a Quality Team.
- 19 The Delivery Team consisted of Ine Lejeune, who acted as the Project Leader, Sophie Claessens, Pascal Ceuterick and Gill Van Damme, who acted as Travel and Transport VAT experts, and Francesco Gargani and Diego Artusio, who acted as economic impact specialists. Sophie Claessens also acted as the project senior manager for this Study.
- 20 The Quality team provided input in each Phase of the Study. Throughout the Study, the Quality Team assured the robustness of the methodology, data collection, assumptions, conclusions and recommendations. The Quality Experts involved in this Study were Stephen Dale and Volker Jorczyk.
- 21 In addition to these two groups of experts, we also relied on the PwC Indirect Tax Network.
- 22 A Commission Steering Group was also appointed. This Steering Group provided input and challenged findings where needed on a periodic basis.
- 23 PwC³ would like to thank the European Commission for entrusting it with this Study, which we consider as being of strategic significance. We are also grateful for the very valuable input provided by both the Commission and the industry stakeholders in the course of the Study. The close collaboration we enjoyed during our contacts and meetings proved to be of extreme importance for completing the Study and for reaching the conclusions.
- 24 In accordance with the Statement of Work and our discussions, we are pleased to present the European Commission with our Final Report.
- 25 This Study provides general guidance only. It does not constitute professional advice. You should not act upon the information contained in this report without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this review and, to the extent permitted by law, PwC³, its employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining from acting, in reliance on the information contained in this Study or for any decision based on it.

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