

VAT Agenda

Changes to the Tour Operators Margin Scheme (TOMS)

I am sure that TOMS puts fear into the hearts of most tax professionals and we are no exception but we do have access to the Country's foremost expert on the subject and he can be made available to you if the need arises.

Changes are being forced by the European Commission because it considers that the UK's operation of TOMS is not fully compatible with the Principal VAT Directive.

There are four areas of change

- Supplies to business customers for their own consumption – business to business (B2B)
- Supplies of educational school trips

Both of which could be excluded from TOMS and invoices could be raised in the normal way allowing VAT recovery if partial exemption allowed.

* There will be a number of clients who use travel agents to book hotel accommodation for their employees when undertaking business trips. In the future it may be preferable to book direct.

- Supplies to business customers for subsequent resale

Here the old rules allowed businesses to include these sales within TOMS because they were incidental but the Directive refers to the 'traveller' and a person who sells on to a third party is another B2B sale and must now be invoiced with Tour Operators having to change their accounting practices to account for VAT under the normal rules.

* Some may have to register in other Member States.

- Use of market values in respect of in house supplies

This aspect is for those businesses who currently undertake the TOMS calculation and needs to be studied in depth before advice can be given as each case needs to be considered separately.