

# EU plans to improve the Margin Scheme for Travel Agents

European Commission Opens Public Consultation on Margin Scheme for Travel Agents. Revision of this scheme is included in VAT Action Plan for 2022/2023

European Commission Opens Public Consultation on Margin Scheme for Travel Agents (also known as 'TOMS').

The Commission wishes to evaluate the major shortcomings of the current rules as well as possible options to modernize them.

It is possible to provide views on the Commission's identification of the problems and possible solutions until **14 September 2020**, see at the following link:

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

## Background

### *What is TOMS?*

TOMS applies to any person organizing travel in his own name who uses the supplies and services of other businesses in the provision of their services. The taxable amount is a profit margin, however, the agent is not entitled to deduct VAT on inputs.

The Commission concluded a study on the TOMS which also provides options for reform

Currently the TOMS also applies to B2B transactions with a result that e.g. VAT is not deductible on business travel or business events if the TOMS applies. A 154-page study (see also link below) identifies this as one of the principal distortions of competition in the travel sector, next to varying definitions of what constitute "travel services" applied in EU Member States (MS). Other problems identified include the need to calculate the margin VAT on a transaction by transaction basis and the inequality between non-EU suppliers and those established in the EU. Digitalisation exacerbates the problem. The Commission will propose amending the VAT Directive in order to simplify the special scheme and to ensure a level playing field within the EU taking into consideration the competitiveness of EU travel industry.

The study identifies the following options for change in the scheme:

(a) abolishing margin scheme;

(b) modernizing the current scheme including a possibility to opt out; and

(c) expanding the scope of the one-stop-shop (OSS) regime to B2C travel services. Currently MOSS applies only to digital (TBE) services, however, OSS will be extended to all cross-border B2C supplies of goods (including imports up to EUR 150) and services on 1 July 2021.

A study reviewing the rules for travel agents, the history of the Margin Scheme and the views expressed by the CJEU on the scheme as well as options for the reform can be found at: [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/travel\\_agents\\_special\\_vat\\_scheme\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/travel_agents_special_vat_scheme_en.pdf)

## Commission plans to revise the travel agents' scheme

Revision of the VAT special scheme for travel agents is included in the VAT Action Plan in 2022/2023 (see at the following link for more details about this plan: [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/2020\\_tax\\_package\\_tax\\_action\\_plan\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/2020_tax_package_tax_action_plan_en.pdf)).



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### Contact

Grant Thornton's international indirect tax team and digital advisory team can assist you in your VAT issues, including update of your systems, e.g. cash register systems and ERP software. Please contact us if you would like to discuss.



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