

Issue

On 6 April 2023, the Dutch Government released changes in the Tour Operators' Margin Scheme (TOMS) Decree. The VAT consequences in the event of cancellation of (travel) agreements has been clarified which is in line with European case law (ECJ).

Background

The Dutch State Secretary of Finance explains how cancellations and no shows in the travel and hotel industry should be dealt with in VAT practice. This could lead to complex situations.

It is important in travel and hotel industry administrations to distinguish between no shows and cancellations, because these have a different VAT-treatment.

According to the State Secretary, if the customer cancels before the start of the trip and the (travel) service has therefore not started, VAT will not be levied, because the cancellation fee paid by the customer does not constitute compensation for any performance. However, fees received in the context of no shows or later cancellation are VAT taxable.

To do

If you are doing business in the travel and hotel sector, please note that no shows and cancellations should be administered separately, because these could be subject to a different VAT-treatment.

Please also note that VAT risks related to the past cannot be ruled out (i.e. during a due diligence).

Questions

For questions, please contact:
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