**Public Consultation on the VAT Travel Agent Scheme**
We welcome the European Commission’s initiative to evaluate the VAT Travel Agent Scheme. Since the introduction of the scheme in the 1970s, the travel industry has gone through a series of fundamental changes, with in particular an increasing number of (business) travelers and the growing digitalization of the tourism industry. It is important that the European Commission supports EU travel agents by continuing to ensure a secure, simplified VAT scheme to travel agents, to ensure that taxation takes place in the country of consumption, whilst at the same time providing simplification the VAT obligations of travel agents, due to the exceptional nature of their business activities.

Overall, we find that the scheme is working well overall. In particular, the scheme’s provision to keep VAT registrations to a minimum simplifies the VAT administration of travel agents considerably. However, there remain a couple of issues which currently can give rise to excessive administrative burden and/or disruptions of the single market.

Therefore, it is essential that the following three issues are addressed in an upcoming review:

* **Margin calculation**
Currently, travel agents are required, according to the European Court of Justice, to calculate individual margins for each sale. This causes a great deal of administrative burden to travel agents, as they are often confronted with many practical difficulties when calculating individual margins due to the multiple corrections of margin calculations (e.g. due to late or incorrect invoices of suppliers, reduction of consideration received if a partial or full refund is given to a customer). We believe it would be beneficial to change the requirement that travel agents need to calculate VAT payable separately for each supply within the scheme, and rather allow travel agents to calculate a global margin. This would mean a considerable decrease in administrative burden. Such a system would also easily cover automatic credit for any negative margins made by the travel agent.

While some member states already allow a global margin calculation, a review should clarify that this should be the standard practice throughout the EU. The current situation creates legal uncertainty and a potential disruption of the Single Market, as identified by the KPMG-study, as “the travel agent established in a member state which allows for a form of global calculation enjoys lower administration costs when compared to a travel agent established in a member state which requires a separate VAT calculation for each supply made”.

A calculation period of 1 year should provide businesses with sufficient tangible benefits of the decrease in administrative burden. Any calculation period should be defined and agreed at EU-level, in order to ensure an EU-wide level playing field.
* **B2B Supplies**

An inherent part of the travel agent scheme is the irrecoverability of input VAT. While this is less problematic when the end customer is a non-taxable person, we are concerned that travel agents active in the B2B sector can potentially find themselves in a competitive disadvantags as taxable customers cannot recover input VAT on both the underlying services (e.g. hotel accommodation) and the travel agent’s margin. This makes it financially more attractive for business customers to enter into direct transactions with the service providers. At the same, travel agents established outside of the EU, providing travel services inside the EU to taxable persons, would enjoy a similar competitive advantage as they do not need to apply the Special Scheme.

It is essential that any revision by the European Commission addresses this issue and ensures a level-playing field. This should not be taken lightly. As the KPMG-study identified, the irrecoverable input VAT related to direct costs of B2B supplies in the travel agent sector is estimated to be worth more than €1bn.
* **Scope of the Scheme**

While the KPMG-study identified multiple instances of member states applying the scheme considerably differently, we believe it is fundamental that member states agree first of all on the basics. In this light, we are very concerned that Member States do not have a uniform implementation of the scope of the scheme, and in particular any definition around what a “package” is, and whether this should consist of multiple supplies. Next to this, the KPMG-study also identified differences in application between member states on such issues as the definition of travel facilities and the duration of the travel services. While not taking a stance on these issues themselves, it is clear that the VAT travel agent scheme can only work if Member States can agree on some of the basics first.