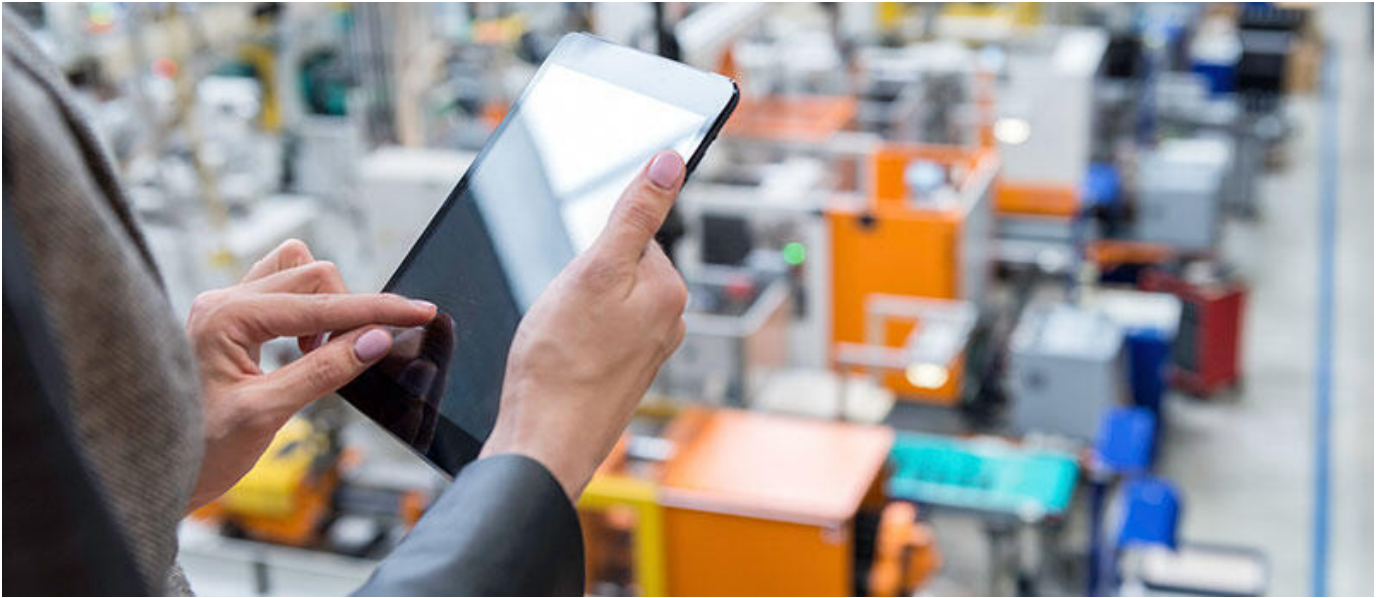


European Commission's consultation: VAT package for travel and tourism

Indirect Tax



25 November 2025

The CIOT is a member of CFE Tax Advisers Europe, a Belgium based association representing European tax advisers, both from the European Union and non-EU European countries, including the UK. The CIOT is represented on the indirect taxes committee, which considers international VAT policy. The committee also prepares responses to VAT policy consultations.

The European Commission published a public consultation in July 2025 (tinyurl.com/y2tnrbf3), requesting input from stakeholders on the functioning of the current VAT rules applicable to the travel and tourism sectors, and on possible actions to make the rules fairer, simpler and best suited for the digital market of travel services. The main areas of focus were on the tour operators' margin scheme (TOMS), the special VAT scheme for travel agents, and the VAT treatment of passenger transport.

The consultation invited feedback from stakeholders from both EU and non-EU countries, so the CIOT provided its feedback via the CFE's indirect taxes committee. CFE published its consultation response in 'Opinion Statement FC 3/2025 on the European Commission Consultation on VAT Rules Applicable to the Travel and Tourism Sectors' (see at tinyurl.com/mww25u99).

Tour operators' margin scheme

TOMS is a method of accounting for VAT for businesses either acting as a principal or undisclosed agent when they buy in and resell travel, accommodation, transport and other services for a traveller when supplied as a package. Instead of accounting for VAT on the full selling price of taxable supplies and reclaiming VAT incurred on costs, TOMS blocks the recovery of the input VAT and requires the seller to account for output VAT only on the profit margin, subject to the place of supply rules. HMRC's VAT notice 709/5 provides further details (tinyurl.com/277mjkwx).

Businesses and advisers can find the rules and calculations complicated so considering simplification is welcomed. It is not currently clear whether the UK would change its rules to align with any subsequent changes announced by the European Commission.

Key feedback points

The CFE submission supports urgent reform for TOMS, as its view is that the scheme is not providing its objectives of simplification and neutrality, and in some circumstances creates legal uncertainty, competitive distortion and disproportionate compliance burdens. Further, the difficulties for multi-country transport are also recognised. The key recommendations are:

- restrict the application of TOMS to B2C transactions;
- exclude meetings, incentives, conferences and events services from the scope of the scheme and introduce an opt-out for incidental providers of travel services;
- replace or complement TOMS with a one-stop-shop system, which would provide input VAT recovery, separate supplies instead of bundled services and simplified country reporting;

- introduce clear and uniform definitions and calculation rules in the VAT Directive;
- reform the treatment of prepayments by having clearer more harmonised rules;
- ensure the equal treatment of non-EU travel agents to prevent competitive distortions;
- simplify VAT treatment of multi-country travel by allowing businesses to designate a single Member State for VAT purposes; and
- recognise the VAT compliance difficulties for multi-country travel.

The European Commission is currently considering the responses and its conclusions will be published in due course.

Jayne Simpson jsimpson@ciot.org.uk