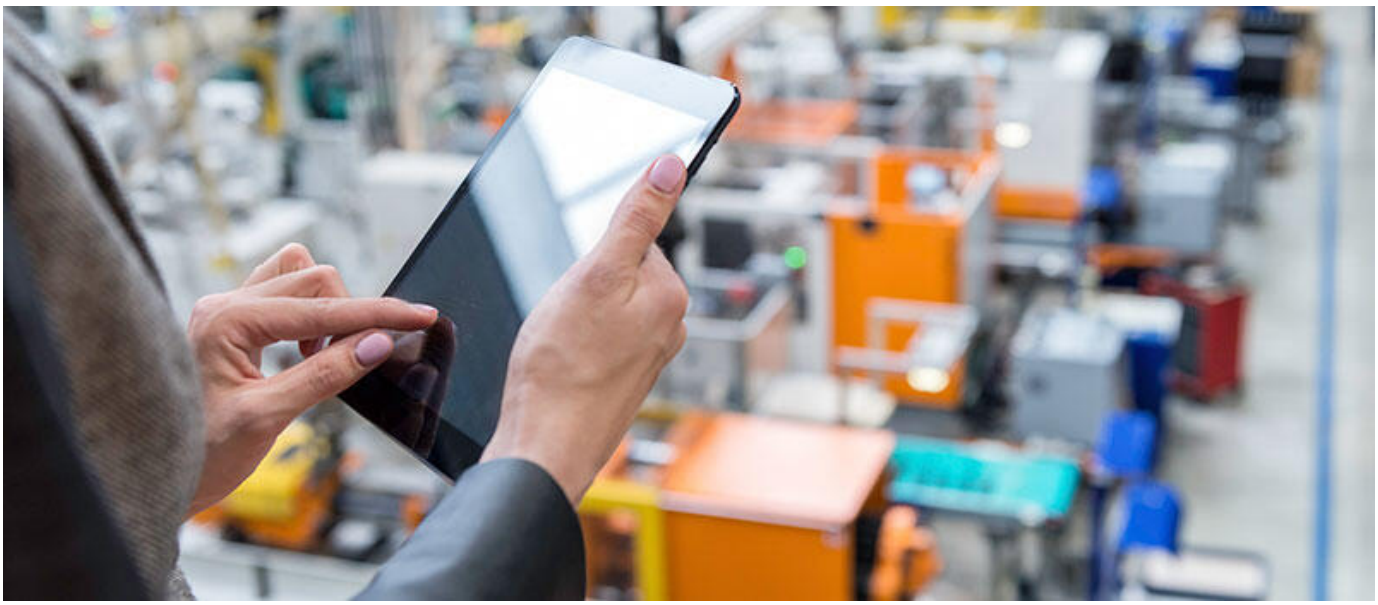
Finance Bill 2025-26: clauses 79, 83-85 and 103 – indirect taxes

Indirect Tax

March 2026



23 February 2026

We set out below summaries of several Finance Bill briefings by the CIOT in respect of indirect tax.

VAT Tour Operators' Margin Scheme and taxis and private hire vehicles: clause 79

Clause 79 changes the definition of a 'tour operator' so that suppliers of taxi and private hire journeys as principal or undisclosed agent (meaning acting in their own name) are excluded from the VAT Tour Operators' Margin Scheme (TOMS), unless the journey is supplied in conjunction with other specified travel services or the provision of accommodation, as listed at subparagraphs (a) and (b) of the new subsection (3A) of section 53 of the VAT Act 1994. The change is effective from 2 January 2026.

Under TOMS, the tour operator cannot recover any VAT on the costs of the bought-in services for travellers and does not charge VAT on the whole of its onward supply (assuming the TOMS supplies take place within the UK), meaning VAT is only charged on the gross profit margin. Online ride-hailing operators have been using TOMS to account for VAT on profit margins rather than the gross income for mini-cab fares. As many mini-cab drivers are not registered for VAT themselves, due to turnover being below the £90,000 VAT registration threshold, the input VAT that would normally be blocked under TOMS does not arise from unregistered drivers.

Many 'traditional' mini-cab businesses use an agency model, so the VAT liability of the fare is determined by the VAT registration of the driver, not the taxi firm itself. These business arrangements are, in principle, available to online ride-hailing operators. However, in London, there are local licensing restrictions preventing the use of agency models, meaning that the VAT treatment of the fare is based on the VAT registration of the booking party rather than the individual driver. VAT is therefore due on the whole fare, even when the driver is unregistered.

We noted that clause 79 has no impact on the use of agency models. It will also increase the complexity of the VAT return for online ride-hailing operators who may have income both within and outside London with different VAT accounting treatments, and with TOMS where fares are combined with additional transport or accommodation bookings.

We also highlighted that as fares in London will rise due to becoming standard-rated on the total income, this will have an impact on the incomes of unregistered drivers and on customers themselves, especially those on lower incomes or reliant on taxis due to reduced mobility or limited access to public transport.

The full CIOT briefing is available here.

Gambling duties: clauses 83-85

We highlighted that the Budget 2025 policy costings used 'gross gambling yield' (GGY) as the basis for budgeting revenues for each relevant gambling duty. GGY is the revenue retained by gambling operators after paying out winnings to customers. However, the tax base for remote gaming duty and general betting duty is broader, as it includes the notional stake value of free bets and freeplays. GGY does not include taxes levied on free bets, so we highlighted that if this was the intention, an

amendment would be required to remove the free bets and freeplays rules in FA 2014 (which would be a simplification).

We recommended that clause 84 provide clarity on how the new remote rate of general betting duty will apply to complex transactions, such as combination or accumulator bets, that combine a mix of the remote rate and non-remote rate.

The full CIOT briefing Is available here.

Plastic packaging tax: clause 103 Pre-consumer plastic

Clause 103 removes pre-consumer plastic from contributing to the 30% recycled plastic threshold for exemption from plastic packaging tax from 1 April 2027.

In the consultation outcome published on 30 October 2024 for 'Plastic Packaging Tax – chemical recycling and adoption of a mass balance approach', question 13 confirmed the intention to remove pre-consumer waste from the exemption and set out the reasons for this. It also indicated that further engagement with the sector would take place. We noted that there has been no update on the consultation page commenting on the conclusions arising from this engagement.

While the CIOT is generally supportive of measures to reduce the exposure of VAT loopholes, we set out member feedback highlighting the current lack of facilities in the UK for producing large amounts of chemically recycled plastic to replace pre-consumer waste, and the anticipated timeline of several years to construct such facilities. Further, several businesses have invested in processes to increase the re-use of pre-consumer waste, where additional steps must be taken before the material is fit for use.

The full CIOT briefing is available here.

Jayne Simpson *jsimpson@ciot.org.uk*