

Tour Operators Margin Scheme "TOMS"

Background

The following notes are meant to be used as a **reference guide for TOMS**. Specific tax advice should be sought in relation to your own personal circumstances before implementing any of the guidance shown below.

Tour Operators Margin Scheme (TOMS)

TOMS is a special scheme for businesses that buy-in and re-sell travel, accommodation and certain other services. The scheme has been implemented in most EU member states. It's a **simplification measure** so that VAT can be accounted for on travel supplies without having to register and account for tax in each member state where the services are enjoyed.

Who does it apply to?

It applies to anyone who's making the types of supplies shown above, even if it's not the main source of business.

Must TOMS be used?

If you are an undisclosed agent i.e. acting in your own name, in making:

- Margin scheme supplies,
- Other types of supply packaged with margin scheme supplies,

Then you are acting as a tour operator and must account for VAT using the TOMS.

Does the TOMS cover all my supplies?

Doesn't apply to:

- Supplies arranged as a disclosed agent and your commission is readily identifiable.
- In-house or agency supplies which are not packaged with margin scheme supplies.

The Margin

For the purpose of VAT registration, it's the tour operator's **margin** which is treated as taxable turnover, not the gross value of packages sold. The true margin cannot be calculated until the end of the year. The VAT must be accounted for through the year, using a provisional calculation based on the previous year's performance. This is then corrected by an annual adjustment which must be declared in the first VAT period after the end of the year.

To consider

- As with all margin schemes, suppliers using TOMS are **not** permitted to issue VAT invoices, nor any sales document which identifies a VAT amount included within the sum paid.
 - You **can't** reclaim any UK or EC VAT charged on travel services & goods you buy in & re-supply. The tax is accounted for in the relevant member state by the providers i.e. hotels, airlines etc.
 - **Can't** use the Flat Rate Scheme in conjunction with the TOMS and you also can't use Cash Accounting due to special tax points. You **can** use Annual Accounting.
 - **Can't** issue a VAT invoice for TOMS sales, this is because the amount of output tax is not known at the time in which the supply is made.
 - **Can't** claim Input VAT on direct costs whether from UK or abroad i.e. purchases made to re-sell as margin scheme supplies. **Can** claim Input VAT on overheads.
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Further information....

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