

ETOA

VAT changes in Europe
WTTC March 23 2022

Tom Jenkins

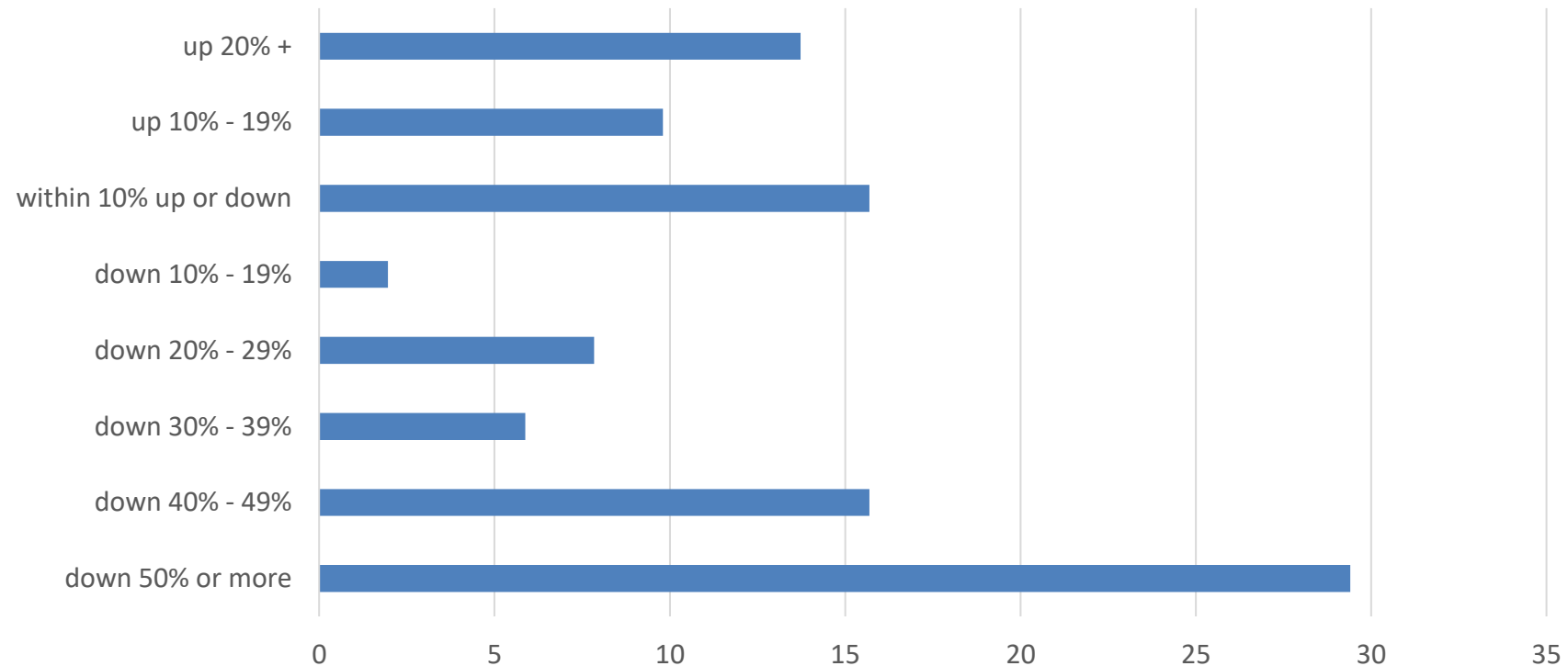


Working for European inbound tourism since 1989

- Broad-based travel trade association with global membership
- 1100+ members: including 370+ buyers, 120+ NTOs/DMOs
- Based in Brussels and London, with in-market representation
- Lobbying, operational support, working groups, B2B events
- Insight Hub
- Destination policy, business services and product promotion

(very) preliminary snapshot

ETOA operators: projected Europe volume for 2022 relative to 2019



Basic Principle of VAT

- Tax due on services consumed in a member state of the EU
- Payable on the price charged to the consumer
- What matters is where the service is “enjoyed”
- Not where the consumer is based

TOMS simplification

- Pays the VAT incurred on services, leaving them un-reclaimed
- Accounts for VAT on the margin where they are established
- Avoids need to register & account for VAT in each state where business is conducted
- Leaves tax in destination
- Taxes the “adding value” of margin where the sale takes place

Non-EU operators

- Paid tax on components
- Looked like any EU operator
- Did not pay tax on margin incurred in origin market

Non-EU operators operated in a truce

- EU countries privately insist on liability
 - ignored operators based outside EU
- EU operators do not sell to non-EU customers
- Non- EU operators avoid establishment in EU
- Margin on sales to Non-EU citizens untaxed

German announcement of 29th January 2021

- TOMS will not apply to third country (ie Non-EU) operators
- Implication
 - Non- EU operators will have to register, reclaim input tax and charge output tax on German services
 - Substantial financial impact
 - Big accounting imposition
 - Huge issues of compliance

Implementation

- Deferred until 1st January 2022
- Deferred again to 1st January 2023
- Tax office now “determined” to have no further delay
- Considerable opposition within Germany
- Operational & financial cost of doing business with German suppliers increased
- Renders wholesale German operators uncompetitive
- Subjects their customer to double taxation

Dangerous

- EU not unsympathetic
- Launching a study exploring this as an option, among others for VAT reform
- Punishes EU companies
- Taxes the process of selling Europe
- Services in Europe are already taxed
- Imposes a sales tax on services enjoyed, for example, in the United States

Reaction

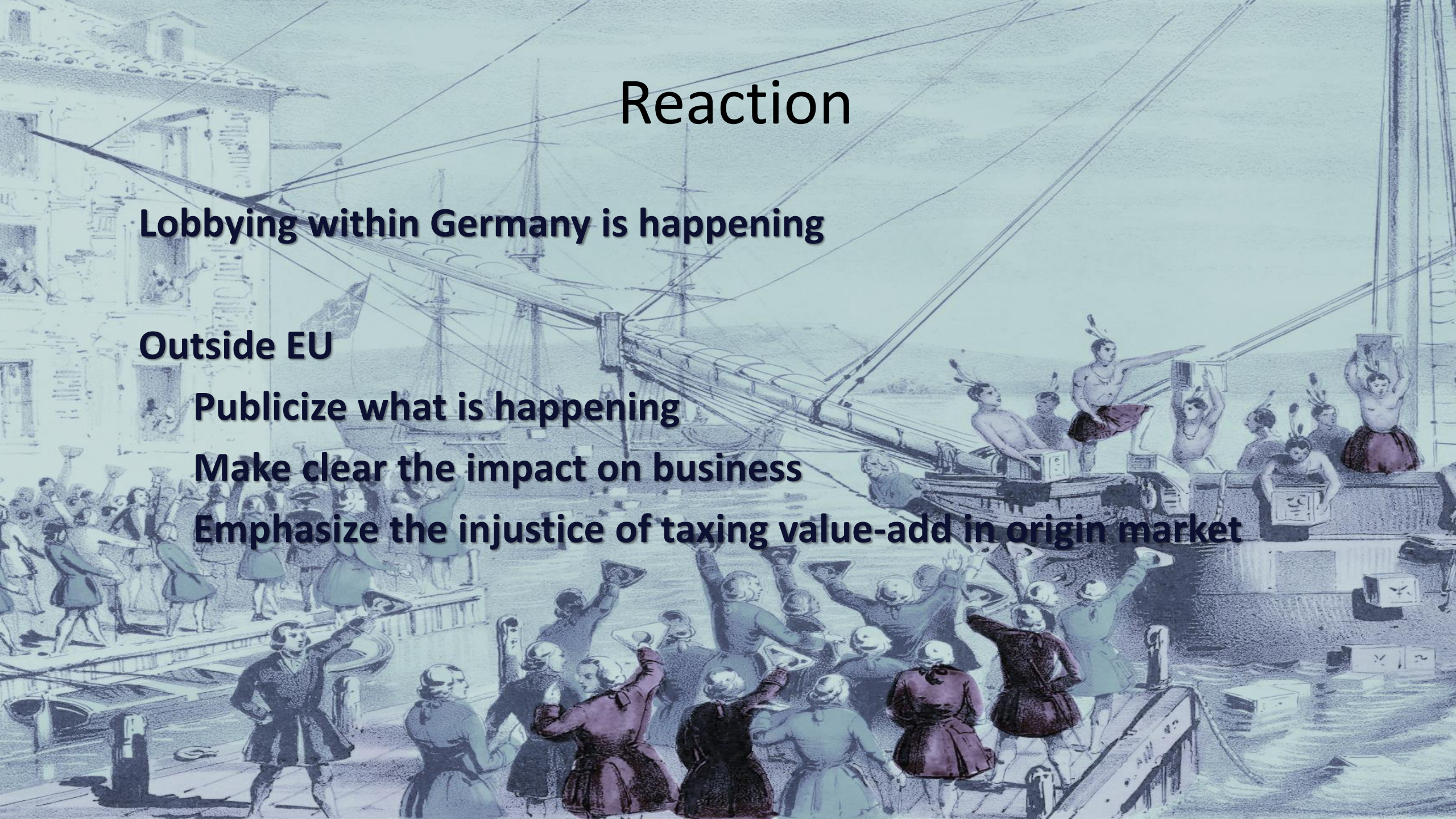
Lobbying within Germany is happening

Outside EU

Publicize what is happening

Make clear the impact on business

Emphasize the injustice of taxing value-add in origin market



Follow

- ETOA.org
 - Post of this presentation
 - Webinars
 - News