European tourism association

EU VAT Policy, October 2026

Competitive Risk to Inbound Travel to EU from USA

In anticipation of proposals for reform of the way the EU treats non-EU sales of EU tourism product, ETOA conducted a survey over four weeks until 9th October to assess potential impact of a c.7% increase on non-EU retails price of holidays to EU destinations. Given the significance to the EU in terms of export revenue, we have focused on the perceived impact reported by agents and operators based in the USA who retail holidays to EU destinations.

7% is a projected impact of 20% VAT charged on the gross margin of packaged product sold by non-EU agent or operator to non-EU consumer. This corresponds to one of the options we believe the EU may favour. The actual impact would depend on the categories and place of enjoyment of the various package elements since prevailing VAT rates vary.

The charts on the next page show responses from agents and operators who mainly sell to consumers. The question was:

If your retail price for EU holidays increased by 7%, what would you expect to happen?

Key findings include:

- 79% believe that demand for EU destinations will reduce
- 81% would look for better value / lower cost EU product
- 59% would focus more on non-EU product
- 59% would renegotiate with suppliers to minimise price increase

Reviewing comments, the EU is seen as increasingly complex and costly. There has been strong EU supply-side inflation in recent years that has run far ahead of the standard index due to both internal and external factors. Europe's overnight tourism taxes are growing rapidly. While price rises will never be welcome, the degree of exasperation expressed by respondents is notable. They see it as the EU attempting, unfairly, to tax a value-adding process that is provided outside the EU, while still retaining the input VAT paid on the constituent parts of the package and retained in EU member states.

Agents especially are generally more focused on making a sale than encouraging clients to visit a particular destination. Operators who specialise in Europe may not wish to pivot to alternative destinations, but they are not a captive market: they have options within wider geographic Europe, and most would renegotiate with EU-based partners to 'share the pain' of any tax-driven increase (thereby reducing any net benefit to EU), in this case a new tariff on non-EU visitors.

Pending publication of a regulatory proposal and accompanying impact assessment we do not know the Commission's analysis. For economic impact, we would need average daily spend per source market. Another survey could attempt to quantify impact rather than understand market sentiment and could explore the additional deterrent effect of the administrative barriers VAT collection would impose on those selling EU product in non-EU markets.

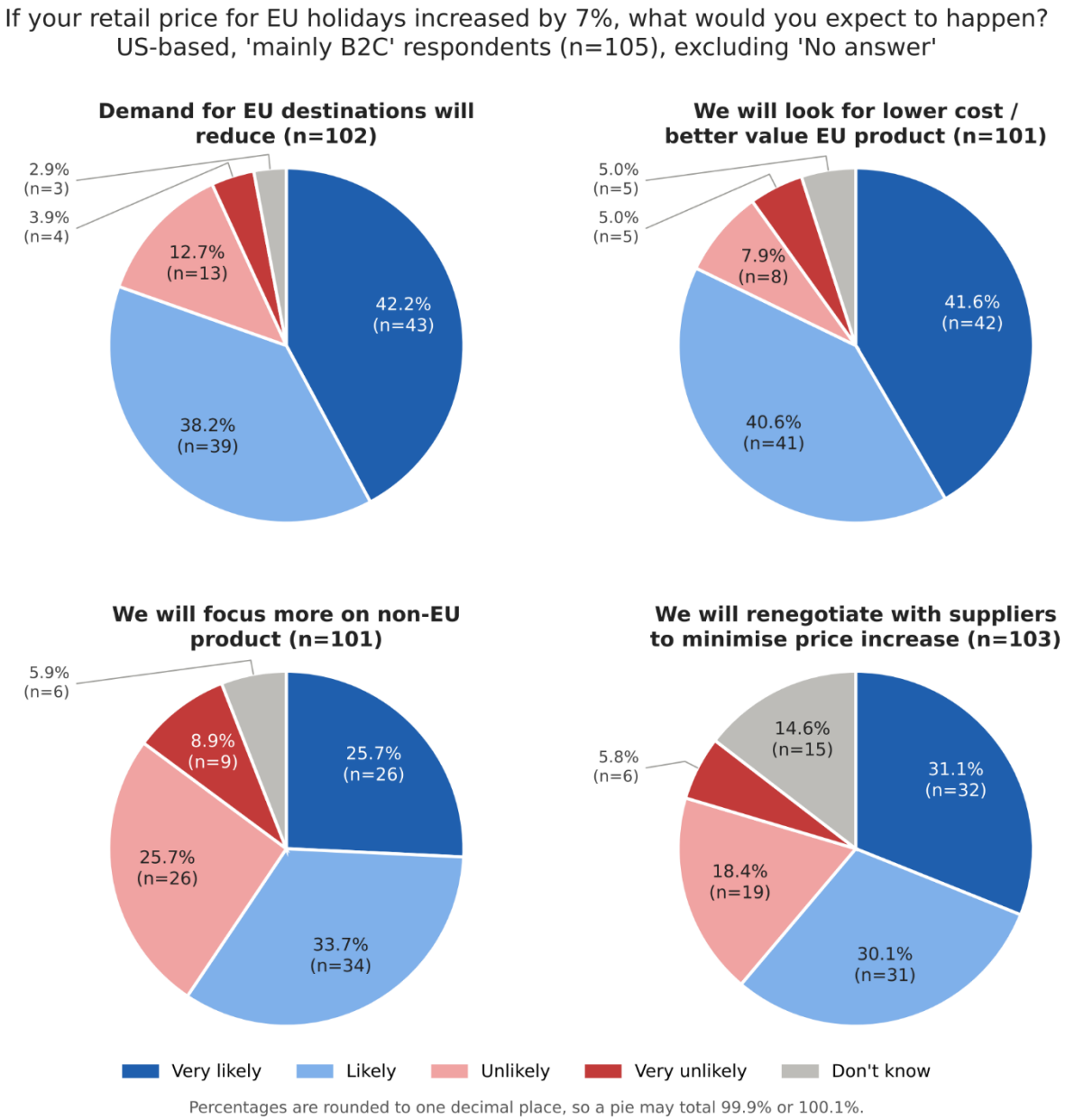
To be a rational decision in terms of EU competitiveness and export revenue, VAT collected on the gross margin of EU-inbound business must be greater than the loss presented by any demand displaced to other destinations now and in future, including loss of in-destination spend. It should also predict the likely tax recovery rate, and the cost of a global compliance and enforcement mechanism that covers any business selling EU holidays to consumers.

ETOA's view is that the most rational, simple and reform would exempt from VAT the gross margin on any sales to non-EU clients (i.e. a location of traveller model). If implemented, this would be a catalyst for EU entrepreneurs to compete with their non-EU counterparts, and it would not be inflationary. VAT levied by member states on the individual services would remain in destination, and the value-adding process of product packaging would be encouraged, not deterred.

ETOA Market Impact Survey – USA B2C

Survey conducted via SurveyMonkey from September 15th to October 9th 2026.

Of >450 responses, 105 were from agents and operators based in the USA who retail holidays to EU destinations. The charts below provide a snapshot of their views. Pending publication of EU proposals, the 7% increase is intended as a plausible scenario rather than a prediction.



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