Travel agents: special scheme VAT and distortion of competition

2002/0041(CNS) - 24/03/2003 - Modified legislative proposal

The Commission accepted one amendment made by the European Parliament. The purpose of the amendment was to ensure that the proposed rules on the place of supply for travel services, when supplied by non-EU established travel agents to EU established customers can be easily applied in practice. The Commission cites the simplification scheme adopted by Council Directive 2002/38/EEC and agreed to extend its scope to cover travel services supplied by non-EU established travel agents to EU established customers, insofar as the travel service takes place in the EU. The Commission rejected the amendment introducing an exemption for supplies to third country-established clients. The Commission states that this is contrary to one of the basic principles of the Community VAT system whereby supplies of goods and services are taxed where the consumption takes place. Therefore, the profit margin generated in the Community should be taxable in the Community and should not be exempted when the customer is established outside the EU.