Basic information

2002/0041(CNS) CNS - Consultation procedure Directive	Procedure lapsed or withdrawn
Travel agents: special scheme VAT and distortion of competition **Subject** 2.70.02 Indirect taxation, VAT, excise duties 4.50 Tourism	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	TORRES MARQUES Helena (PSE)	19/03/2002

Committee for opinion	Rapporteur for opinion	Appointed
RETT Regional Policy, Transport and Tourism	The committee decided not to give an opinion.	

Council of the European Union

European Commission

Commission DG	Commissioner
Taxation and Customs Union	ŠEMETA Algirdas

Key events

Date	Event	Reference	Summary
08/02/2002	Legislative proposal published	COM(2002)0064	Summary
11/03/2002	Committee referral announced in Parliament		
27/08/2002	Vote in committee		Summary
27/08/2002	Committee report tabled for plenary, 1st reading/single reading	A5-0274/2002	
24/09/2002	Decision by Parliament	T5-0427/2002	Summary
24/03/2003	Modified legislative proposal published	COM(2003)0078	Summary
21/05/2014	Proposal withdrawn by Commission		Summary

Technical information	
Procedure reference	2002/0041(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	Treaty on the Functioning of the European Union TFEU 113
Stage reached in procedure	Procedure lapsed or withdrawn
Committee dossier	ECON/5/15926

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A5-0274/2002	27/08/2002	
Text adopted by Parliament, 1st reading/single reading		T5-0427/2002 OJ C 273 14.11.2003, p. 0023-0089 E	24/09/2002	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2002)0064 OJ C 126 28.05.2002, p. 0390 E	08/02/2002	Summary
Modified legislative proposal	COM(2003)0078	24/03/2003	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0690/2002 OJ C 221 17.09.2002, p. 0080	29/05/2002	
EESC	Economic and Social Committee: opinion, report	CES0852/2002 OJ C 241 07.10.2002, p. 0083	17/07/2002	

Additional information

Source	Document	Date
European Commission	EUR-Lex	

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.

Travel agents: special scheme VAT and distortion of competition

2002/0041(CNS) - 08/02/2002 - Legislative proposal

PURPOSE : to amend Council Directive 77/388/EEC with a view to simplifying, modernising and harmonising the application of the special scheme for travel agents. CONTENT : in 1977, when the Sixth VAT Directive was adopted, a special scheme for travel agents and tour operators was introduced. This special scheme was created due to the specific nature of the profession. The application of the normal rules on place of taxation, taxable amount and deduction of input tax would, by reason of the complexity of services and the places in which they are provided, entail practical difficulties for those undertakings of such a nature as to obstruct their operations. In order to adapt the applicable rules to the specific nature of such operations, the Community legislature set up a special VAT scheme in Article 26 of the Sixth Directive. It applies to operators whose supplies consist of elements, such as hotel accommodation and transport, which they have purchased from third parties and then sell, in their own names, to travellers. All transactions performed by the travel agent in respect of a journey are treated as a single supply. The first objective of this special scheme was to simplify the application of the Community VAT rules for these supplies. When the travel agent purchases services from other suppliers, puts them together in a package and sells them to the traveller, in his own name and for his own account, the provisions of this special scheme ensure that the travel agent avoids multiple registration for VAT purposes in different Member States from where the services are supplied. A second objective of this special scheme is the distribution of VAT revenues between Member States. The special scheme was installed in order to assure that the VAT revenue is allocated to the Member State where the final consumption of each individual service takes place. Indeed, the functioning of the scheme provided by Article 26 of the Sixth VAT Directive ought to ensure that the VAT revenue on services enjoyed during the journey - e.g. hotel, restaurant, transport - is allocated to the Member State where the services are enjoyed, while the VAT on the travel agents margin is allocated to the Member state where the travel agent is established. As one of the basic principles of VAT is that it is a consumption tax, this whole special scheme was developed to best meet this objective. However, in practice there is no real uniform application of this special scheme by Member States. In the light of these problems, which arise partly from changes in business patterns and technology and partly from divergent practices by Member States, and keeping in mind the overall objectives of this special scheme, the Commission decided to include a modification of Article 26 as an element of its New VAT Strategy, while maintaining the logic of the Article. This aims at the simplification, modernisation and more uniform application of the Community VAT legislation. Modernisation is necessary in this particular area because of the current evolution of electronic commerce, and the growing use of this medium in the tourism sector. Similarly, more uniform application in the EU of the special scheme for travel agents is also necessary to address the main concerns of the sector, whose complaints have highlighted the distortion of competition which arises as a result of the divergent application of Article 26 byMember States. The object of this proposal, therefore, is to ensure more uniform application by extending the scope of the special scheme to cover the supplies of travel packages to all clients and to abolish the various derogations relating to such supplies. The proposal also aims at eliminating the distortion of competition to the detriment of EU established tour operators, which is increasingly arising as the result of the use of new technology in this sector.

Travel agents: special scheme VAT and distortion of competition

2002/0041(CNS) - 24/09/2002 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Helena TORRES MARQUES (PES, Portugal) on the special scheme for travel agents. (Please refer to the document dated 27/08/02.)