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STATUTORY INSTRUMENTS

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**2009 No. 3166**

**VALUE ADDED TAX**

**The Value Added Tax (Tour Operators) (Amendment) Order 2009**

*Made* - - - - *2nd December 2009*  
*Laid before the House of*  
*Commons* - - - - *3rd December 2009*  
*Coming into force* - - *1st January 2010*

The Treasury make the following Order in exercise of the powers conferred by section 53(1) and (2) of the Value Added Tax Act 1994<sup>(1)</sup>.

**Citation, commencement and effect**

- 1.—(1) This Order may be cited as the Value Added Tax (Tour Operators) (Amendment) Order 2009 and comes into force on 1st January 2010.
- (2) This Order has effect in relation to supplies made on or after 1st January 2010.

**Amendment of the Value Added Tax (Tour Operators) Order 1987**

2. The Value Added Tax (Tour Operators) Order 1987<sup>(2)</sup> is amended as follows.

**Meaning of “designated travel service”**

3. In article 3 (meaning of “designated travel service”)—
- (a) in paragraph (1), omit “, (3)”;
  - (b) omit paragraph (3).

**Value of a designated travel service**

4. In article 7 (value of a designated travel service), for the words “8 and 9” substitute “8, 9 and 9A”.
5. After article 9 insert—

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(1) 1994 c. 23.

(2) S.I. 1987/1806. There are other amending instruments but none is relevant.

“9A.—(1) Where—

- (a) goods or services have been supplied to a tour operator by a taxable person before 1st January 2010,
- (b) the tour operator claims input tax in respect of those goods or services, and
- (c) the tour operator supplies those goods or services on or after 1st January 2010 as a designated travel service, or as part of a designated travel service, without material alteration or further processing, to a taxable person who ordered the supply for use in the United Kingdom by that person for the purpose of that person’s business other than by way of re-supply,

article 7 of this Order shall not apply in determining the value of that part of the designated travel service which is referable to the goods or services in respect of which input tax is claimed.

(2) The value of that part of a designated travel service to which, by virtue of paragraph (1), article 7 of this Order does not apply, shall be calculated in accordance with section 19 of the Value Added Tax Act 1994.”

**Disallowance of input tax**

6. At the beginning of article 12 (disallowance of input tax), insert “Subject to article 9A of this Order,”.

2nd December 2009

*Dave Watts*  
*Tony Cunningham*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order, which comes into force on 1st January 2010, removes an inconsistency between the Value Added Tax (Tour Operators) Order 1987 (S.I. 1987/1806) (“the 1987 Order”) and Council Directive 2006/112/EC.

The 1987 Order gives effect to the requirement under Article 26 of Council Directive 77/388/EEC (OJNo. L145, 13.6.77, p.1) (now Articles 306-310 of Council Directive 2006/112/EC (OJ No. L347, 11.12.06, p. 1)) to provide a scheme (“The Tour Operators’ Margin Scheme”) under which tour operators account for VAT on the difference between the VAT-inclusive purchase price and the selling price of their services (“the margin”). The operator only accounts for VAT on the margin but cannot recover input tax on purchases.

Article 3(3) of the 1987 Order enables tour operators to exclude travel services supplied to businesses for their own consumption in the United Kingdom from the Tour Operators’ Margin Scheme (“the opt out”) and enables those businesses to recover input tax in full in relation to those supplies. This Order withdraws this opt out by omitting article 3(3) of the 1987 Order and consequently these supplies will from 1st January 2010 be subject to the Tour Operators’ Margin Scheme.

The remainder of this Order introduces a new article 9A into the 1987 Order to cover situations where goods and services have been supplied to a tour operator before 1st January 2010 and input tax credit is claimed but the goods and services are supplied as part of a designated travel service on or after 1st January 2010.

A full Impact Assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available on the HMRC website at <http://www.hmrc.gov.uk/better-regulation/ia.htm>.