

Hotel billing

[Revenue & Customs Brief 21/10](#) announces that HMRC and representatives of the travel industry have reached agreement on the means whereby businesses will be able to recover VAT incurred on hotel accommodation. This development follows the recent withdrawal of the facility for tour operators to opt out of the tour operators' margin scheme (TOMS) when making supplies to businesses, and will be welcomed by businesses.

Changes to TOMS which came into effect on 1 January 2010 included the withdrawal of the 'opt out' facility, meaning that tour operators were unable to provide businesses with VAT invoices in respect of hotel accommodation bought in and charged on as principal or undisclosed agent. Consequently, businesses were unable to recover input VAT on the hotel accommodation.

Revenue & Customs Brief 21/10, announces that HMRC and travel industry representative groups have reached an agreement whereby travel agents can act as disclosed agents, book hotel accommodation on behalf of the business, and itemise and pass on the VAT charged by the hotel to the business in such a way that the business will be able to recover the VAT subject to the normal rules on entitlement to deduction. It will be necessary for travel agents, hotels and business customers to cooperate in order to comply with the agreed arrangements.

It is not clear from the Brief whether the arrangements could be applied retrospectively to 1 January 2010. It is understood that the discussions with the industry have been ongoing for some months so it is hoped that HMRC will adopt a pragmatic approach in this transitional period.

Comment

Although the arrangements may require some administrative changes by hotels and travel agents in particular, the agreement will be welcomed by those businesses which would otherwise have been prevented from recovering input VAT.

**WE HOPE YOU FIND THIS NEWS ARTICLE HELPFUL. IF YOU WOULD LIKE TO REGISTER TO RECEIVE
FUTURE UPDATES BY EMAIL THEN PLEASE SEND A REQUEST TO**

info@4eyesltd.co.uk

This VAT update is published for the general information of 4 Eyes Ltd personnel, clients and contacts. It provides only an overview of the rules and regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this e-mail will be accepted by the authors or the firm.