



Travel Manager Help Sheet

How VAT is Calculated on Sales

1. TAMS Margin Scheme

The TAMS Margin Scheme relates to bookings where the Travel Agent is the “Principle” and where the Journey takes place within the EU. VAT is deemed to be included within the Margin that the Travel Agent earns on the various elements of the booking. The Margin is identified as the Commissions entered for Flights, Hotels, etc. either as a fixed percentage or calculated from the Net Cost.

If part of the journey is taking place outside the EU, the VAT will be apportioned using a percentage which you enter on the Bookings screen (EU%). For example if the booking is for 10 nights, 3 of which are within the EU, the EU% would be 30% with the remaining 70% relating to Non-EU. For some bookings, it might be beneficial to apportion the EU% based on cost rather than number of nights. The calculation should be recorded in the F10 Notes for future reference or query by the Revenue Commissioners.

The Revenue Commissioners allows two options for calculation of VAT under the TAMS Margin Scheme - Simplified Accounting Option 1 and Option 2. It is assumed that most Travel Agents will choose Option 2 which allows you to account for VAT based on the Date of Departure. In Travel Manager VAT Calculated under Option 2 is Actual and not Estimated.

The **Simplified Accounting Option** must be defined in *Utilities – VAT Options*.

Simplified Accounting Option 2

- VAT is accounted for on each booking at Travel Date.
- VAT is calculated on the Margin (Commission) on any elements of the booking which are defined as “Principle”.
- e.g.
Booking travelling in 2010 where Travel Agent is the “Principle”
Total value €1000
Total Margin = €100
VAT of 21% deemed included in the €100 Margin = $50 \times 21 / 121 = €17.36$
- There is a report called “TAMS VAT” which will calculate the VAT Liability for a specific range of dates.
- For bookings travelling during 2010, VAT will be calculated on all payments received including payments received in 2009 (unless the booking was fully paid during 2009 see below).
- Bookings travelling in 2010 that were fully paid during 2009 are excluded from TAMS in 2010.

Service Fee is not considered as Margin under TAMS and is treated separately (see below).

If the Travel Agent marks up a booking by adding a Service Fee it will not be included in the TAMS Margin VAT calculation and reasonable steps must be taken to make the customer aware that there is a Service Fee included.

Alternatively, if a booking is marked up by entering a Gross Cost and a Net Cost, the difference is regarded as Commission / Margin and TAMS VAT will be applied.

TAMS VAT is a cost to the Travel Agent and cannot be passed on to the Customer.

2. VAT on Agent Commission

When acting as an Agent for a Tour Operator which is located in Ireland and receiving Commission from that Tour Operator the Travel Agent must charge VAT to the Tour Operator on that Commission and then pay that VAT to the Revenue Commissioners.

This is regardless of where the Customer is travelling to and is solely based on the Location of the Tour Operator.

For example:

Holiday Package Costs	€3000
Commission	€300
VAT added to Commission @ 21%	€63 (€300 x 21%)
Amount to be paid Tour Operator	€2637 (€3000 - €300 - €63)
Amount of VAT to be paid to Revenue	€63

In effect the Travel Agent withholds the VAT from the amount paid to the Tour Operator and then pays this VAT to the Revenue Commissioners. **There is no cost to the Travel Agent.**

VAT Invoice

VAT on Agent Commission will be calculated and displayed in the **Operator Payments** screen for each booking. Payment amount entered for Tour Operator must be net of any VAT as per the example above.

For each Tour Operator booking which contains VAT on the Commission the Travel Agent **must** create a VAT Invoice to account for the VAT. This is created in a new screen called **Operator VAT Invoice** within the Bookings screen.

The Commission Amount (Net Amount) must be entered and the VAT will be calculated. The Invoice Date must also be entered – this is the date on which the VAT becomes liable. For example, if the Invoice Date is 24th February 2019 the VAT will be payable for the January/February VAT Return which is due on 19th March.

Tour Operators who operate Self Billing will determine and advise each Travel Agent of the Invoice Date and the Travel Agent **must** use this Invoice Date. A VAT invoice must not be sent to a Tour Operator who operates Self Billing but the Travel Agent must create the invoice.

For Tour Operators who do not operate Self Billing, the Travel Agent can determine the Invoice Date and must print and send the VAT invoice to the Tour Operator.

There is a Report called **Agent Commission Invoices not Created** which will list any bookings which contain Tour Operator Commission and for which an invoice has not yet been created. This report should be checked prior to completing a VAT return and any missing invoices should be created.

3. VAT on Service Fees

VAT is applied to Service Fees in the following circumstances:

- For Service Fee applied to a journey within Ireland (e.g. Flight from Dublin to Cork).
- For Service Fee applied to a journey within the EU for a Business Customer.

In the above circumstances VAT at 21% is applied to the Service Fee and this VAT is borne by the Customer.

e.g.

Business Customer Flight to London costing	€150
Service Fee added to booking	€35
VAT added to Service Fee @ 21%	€7.35 (€35 x 21%)
Total Cost to Customer	€192.35 (€150 + €35 + €7.35)

Confirmation Invoice will display Service Fee and VAT calculation.

In effect the Travel Agent receives the VAT from the Customer and then pays this VAT to the Revenue Commissioners. **There is no cost to the Travel Agent.**

A Business Customer who is VAT Registered can reclaim the VAT.

A Business Customer who is not VAT Registered cannot reclaim the VAT but the Travel Agent must still charge it.

Business Customers must be identified in *Data Maintenance – Customers*. A Business Customer must be setup and defined as Business prior to entering any bookings.