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VAT in digital age – deemed supplier regime

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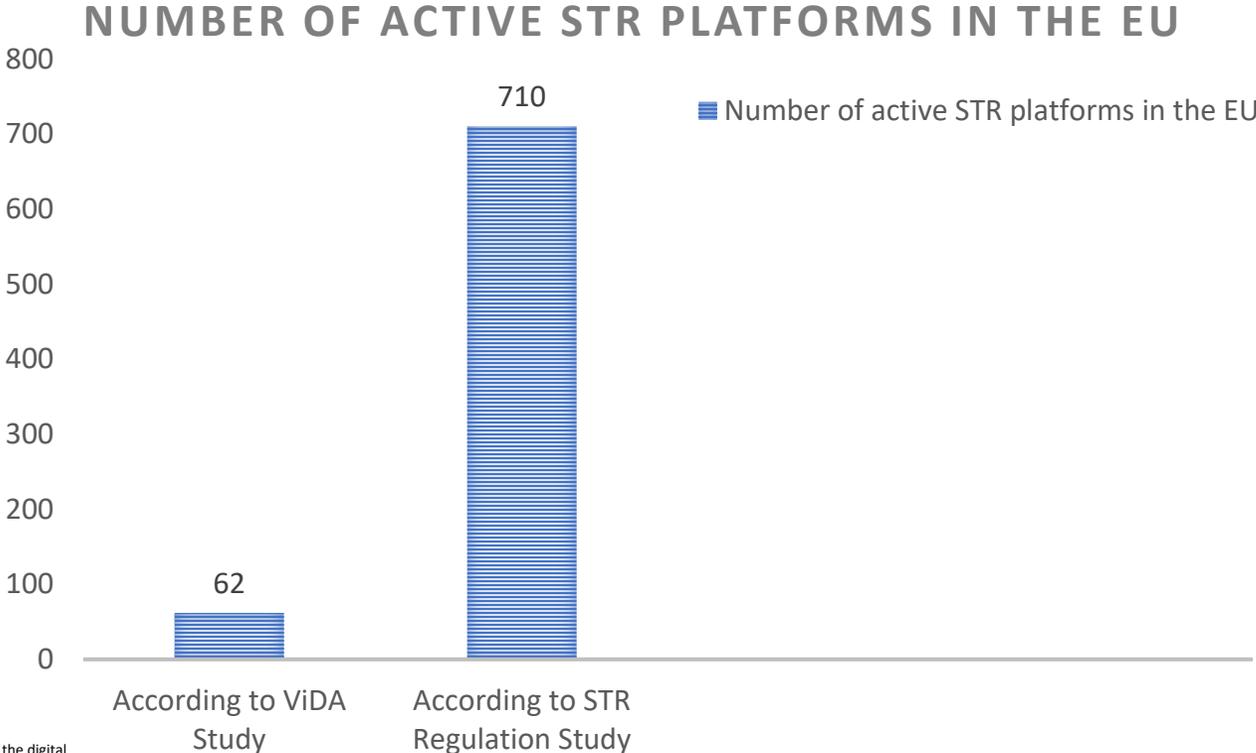


STRATEGIC PARTNER



ViDA Study – Flawed and Incomplete

The study associated with ViDA is incomplete and not based on full and accurate data. It even contradicts other analyses by the Commission. An example:

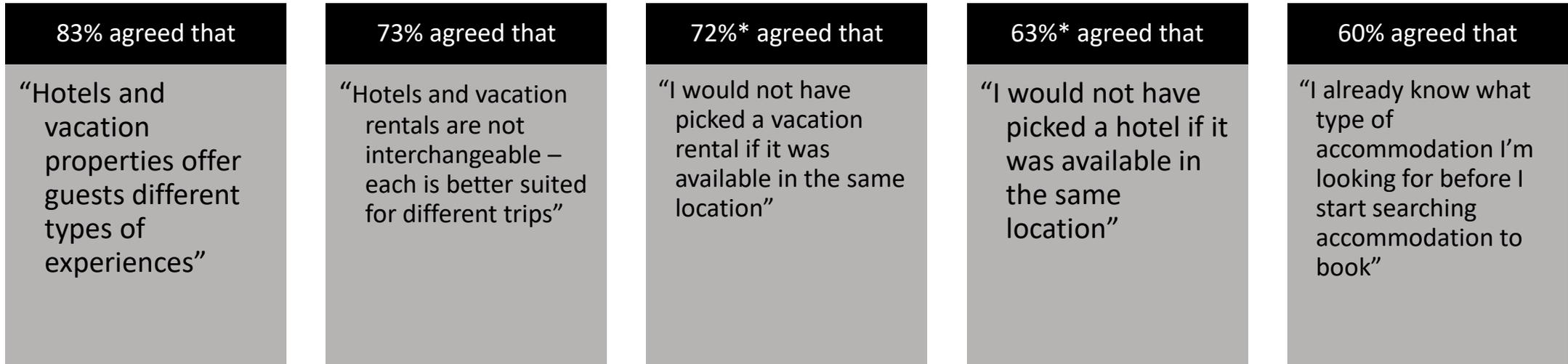


Sources:

1. VAT in the digital age, Final Report - The VAT treatment of the digital economy, Figure 7, p. 38
2. STR Regulation Impact Assessment SWD(2022) 350 final, p. 168

STRs are not Hotels

A fundamental assumption in the ViDA proposals is that short-term accommodation rentals are similar to hotels and even operate in the market. According to consumer survey data, this is false:



*of respondents who stayed at a hotel for their most recent trip

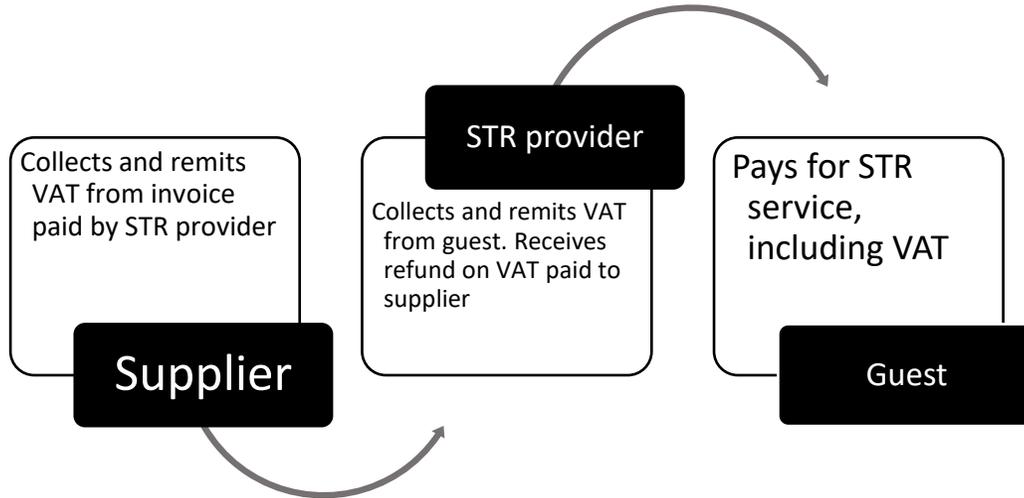
*of respondents who stayed at a vacation rental for the most recent trip

Source:

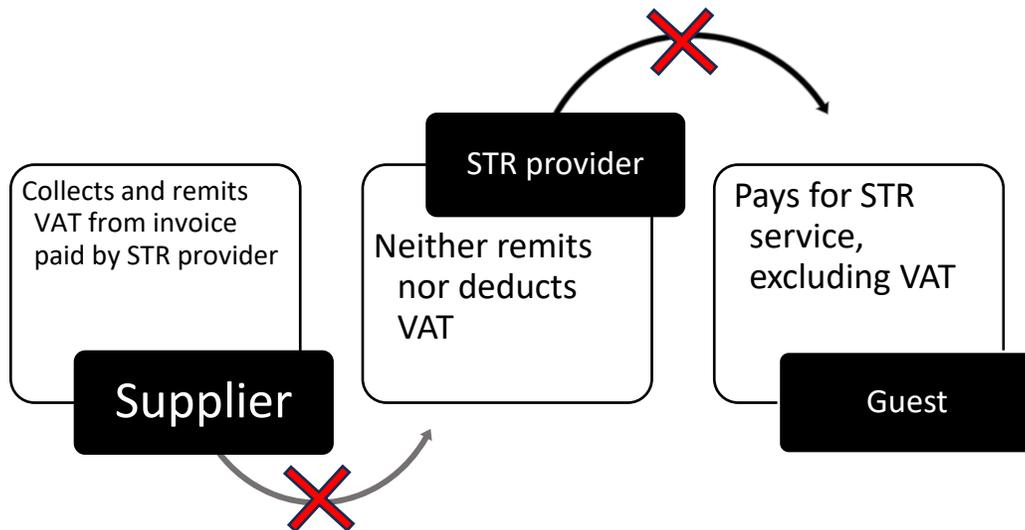
Survey was conducted by a 3rd party in October 2023; 2,000 respondents >18 yo, who reside in the EU and have travelled (and booked their own paid for accommodation) within the EU in the last 12months; respondents were asked about their general views of travel and specifically about their most recent trip accommodation; 96% of the respondents travelled for Leisure/ holidays and stayed in hotels (56%)/ vacation rentals (whole property) (20%)/ B&B (9%)/ aparthotels (11%)

VAT neutrality principle ignored

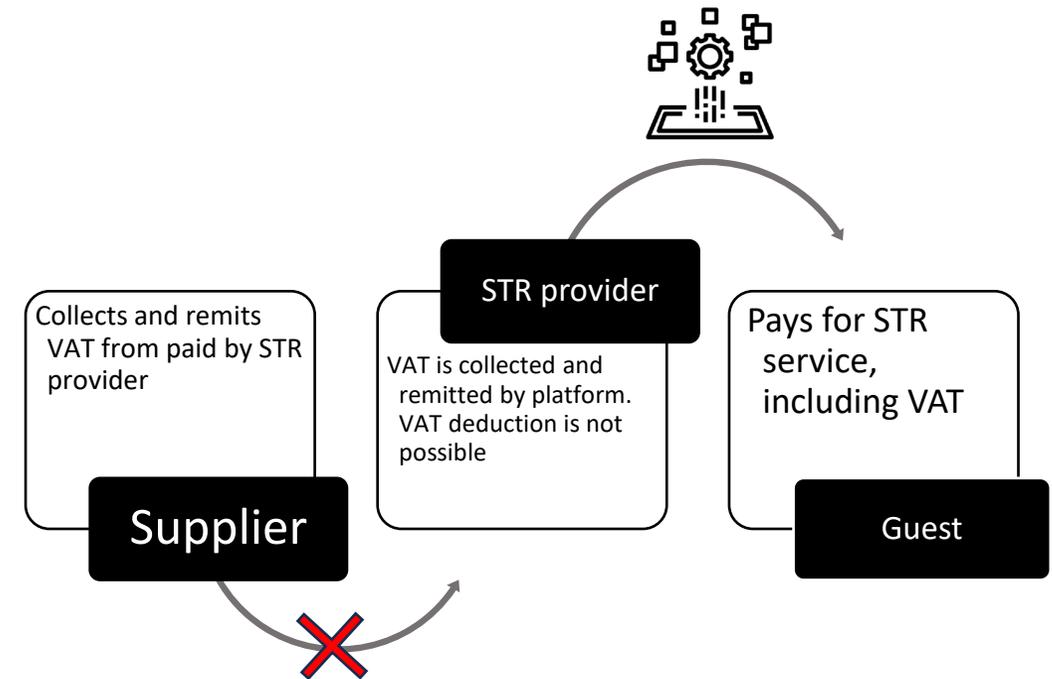
Status quo – VAT registered providers



Status quo – VAT exempt providers



Deemed supplier regime



Small providers caught between rock and hard place



VAT-exempt provider offers STR via platform



DSR obligates platform to add VAT to price (7%-21%)



Provider accepts increased consumer prices



Offer is no longer competitive against VAT registered providers

! Additional VAT cannot be compensated or recovered



Provider lowers prices to remain competitive



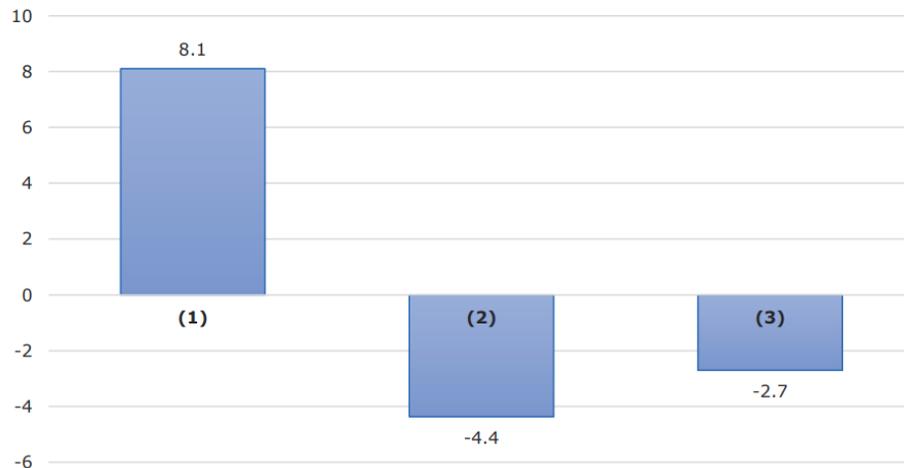
Provider's margin is significantly reduced or eliminated

Consequences for national tax authorities

The ViDA study concedes that the deemed supplier regime would only lead to 0.3% additional VAT revenue, but would confront national tax authorities with potentially (hundreds of) thousands homeowners who will VAT register and begin deducting VAT

As visualized in Figure 40, EU-wide average gains from taxing output of the providers will exceed EUR 8 billion on average between 2023 and 2032. Yet, this effect will largely be cushioned by foregone revenue due to the loss of the right to deduct of providers that will decide to register for VAT (ca. EUR 4.4 billion) and the loss related to the treatment of the facilitation services (ca. EUR 2.7 billion).

Figure 40. Revenue impacts of the three mechanisms under the deemed supplier role for platforms in accommodation and transportation sectors (average per year between 2023 and 2032, EUR billion)



Source: VAT in the digital age, Final Report - The VAT treatment of the digital economy, Figure 40, p. 138

Table 33. Output and input VAT as percent of turnover (net of VAT)

	Urban and suburban passenger land transport services (CPA: 47.9)	Holiday and other short stay accommodation services (CPA: M)	Professional services, household and other services (CPA: M, N, 95.2)
Covered by	Options C, D, E	Option C (partially), D, E	Option E
Input VAT	18.1%	12.2%	14.1%
Output VAT	14.7%	12.5%	20.8%

Source: VAT in the digital age, Final Report - The VAT treatment of the digital economy, Table 33, p. 146

Channel neutrality harmed

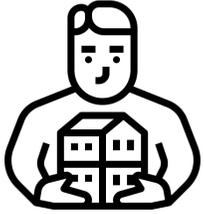
Lack of Channel Neutrality under the Deemed Supplier Regime

Assuming a 100 DKK / night vacation rental in Denmark (25% VAT) advertised via different channels

Vacation rental distributed via	Price/Night for guest
Offline (phone, office, repeat customer)	100 DKK / night
Very small online platform (VAT exempt)	100 DKK / night
Online platform	125 DKK / night
Meta-search platform or social media	100 DKK / night

ViDA Deemed Supplier Regime - Conclusion

In its proposed form, the deemed supplier regime:



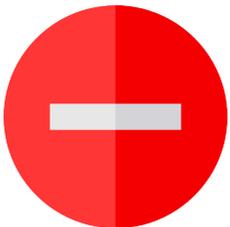
Harms small and private providers seeking to supplement their income



Raises prices across the tourism sector



Unfairly disadvantages services sold through platforms



Is incompatible with basic principle of VAT neutrality

Advocating jointly for a reconsideration of the deemed supplier regime



German Federal Working Group for Farm Holidays and Rural Tourism



Hungarian Federation of Rural and Agro Tourism



Association of Rural Tourism Mecklenburg-Vorpommern



French Travel Enterprise Association



European Tourism Association



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Lithuanian Countryside Tourism Association



Austrian Association of Farm Holidays



European Association of Rural Tourism



Italian Federation of Tourism Organisations



Hellenic Association of Travel and Tourist Agencies



Polish Chamber of Tourism



French Association of Tour Operators



Association of Finnish Travel Industry



Association of Swedish Travel Industry



Spanish Corporate Association of Specialist Travel Agencies



Dutch Association of Travel Agents and Tour Operators



Portuguese Association of Travel and Tourism Agencies



German Association of Online Travel Distribution



Norwegian Travel Trade Association



German Travel Association



European Travel Agent's and Tour Operators' Association



European Holiday Home Association



Airbnb



Awaze



Bolt



Nomad Stays



your.rentals



Booking.com



Expedia Group



Forge Holiday Group

Thank you!

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