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STATUTORY INSTRUMENTS

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**1987 No. 1806**

**VALUE ADDED TAX**

**The Value Added Tax (Tour Operators) Order 1987**

*Made* - - - - *14th October 1987*  
*Laid before the House of*  
*Commons* - - - - *21st October 1987*  
*Coming into force* - - *1st April 1988*

The Treasury, in exercise of the powers conferred on them by sections 3(3), 6(6), 16(4), 37A(1) and (2) and 48(6) of the Value Added Tax Act 1983<sup>(1)</sup> and of all other powers enabling them in that behalf, hereby make the following Order:

**Citation and Commencement**

1. This Order may be cited as the Value Added Tax (Tour Operators) Order 1987 and shall come into force on 1st April 1988.

**Commencement Information**

**II** [Art. 1](#) in force at 1.4.1988, see [art. 1](#)

**Supplies to which this Order applies**

2. This Order shall apply to any supply of goods or services by a tour operator where the supply is for the benefit of travellers.

**Commencement Information**

**I2** [Art. 2](#) in force at 1.4.1988, see [art. 1](#)

**Meaning of “designated travel service”**

3.—(1) Subject to paragraphs (2) <sup>F1</sup>... and (4) of this article, a “designated travel service” is a supply of goods or services—

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(1) [1983 c. 55](#); section 37A was inserted by section 16 of the Finance Act [1987 \(c. 16\)](#).

(a) acquired for the purposes of his business; and  
 (b) supplied for the benefit of a traveller without material alteration or further processing;  
 by a tour operator [<sup>F2</sup>who has a business establishment, or some other fixed establishment, in the United Kingdom].

(2) The supply of one or more designated travel services, as part of a single transaction, shall be treated as a single supply of services.

<sup>F3</sup>(3) .....

(4) The supply of goods and services of such description as the Commissioners of Customs and Excise may specify shall be deemed not to be a designated travel service.

#### Textual Amendments

- F1** Words in art. 3(1) omitted (with effect in accordance with art. 1(2) of the amending S.I.) by virtue of [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 2009 \(S.I. 2009/3166\)](#), arts. 1(1), **3(a)**
- F2** Words in art. 3(1) substituted (31.12.2020) by [The Value Added Tax \(Tour Operators\) \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/73\)](#), regs. 1, **3**; S.I. 2020/1641, reg. 2, Sch.
- F3** Art. 3(3) omitted (with effect in accordance with art. 1(2) of the amending S.I.) by virtue of [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 2009 \(S.I. 2009/3166\)](#), arts. 1(1), **3(b)**

#### Commencement Information

- I3** [Art. 3](#) in force at 1.4.1988, see [art. 1](#)

#### Time of supply

4.—(1) Sections 4 and 5 of the Value Added Tax Act 1983 shall not apply to any supply comprising in whole or in part a designated travel service.

(2) Subject to paragraphs (3) and (4) of this article, all supplies comprising in whole or in part a designated travel service shall, at the election of the tour operator making the supplies, be treated as taking place either—

- (a) when the traveller commences a journey or occupies any accommodation supplied, whichever is the earlier; or  
 (b) when any payment is received by the tour operator in respect of that supply which, when aggregated with any earlier such payment, exceeds 20% of the total consideration, to the extent covered by that and any earlier such payment, save insofar as any earlier such payment has already been treated as determining the time of part of that supply.

(3) Save as the Commissioners of Customs and Excise may otherwise allow, all supplies comprising in whole or in part a designated travel service made by the same tour operator shall, subject to paragraph (4) of this article, be treated as taking place at the time determined under one only of the methods specified in paragraph (2) of this article.

(4) Where—

- (a) a tour operator uses the method specified in paragraph (2)(b) to determine the time of a supply; and  
 (b) payment is not received in respect of all or part of the supply;

notwithstanding paragraph (3), the time of any part of that supply, which has not already been determined under paragraph (2)(b), shall be determined in accordance with paragraph (2)(a).

**Commencement Information**

**I4** Art. 4 in force at 1.4.1988, see **art. 1**

**Place of supply**

[<sup>F4</sup>5. A designated travel service shall be treated for the purposes of the Value Added Tax Act 1994 as supplied in the United Kingdom regardless of the place where it is to be enjoyed.]

**Textual Amendments**

**F4** Art. 5 substituted (31.12.2020) by [The Value Added Tax \(Tour Operators\) \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/73\)](#), regs. 1, 4; S.I. 2020/1641, reg. 2, Sch.

<sup>F5</sup>6. ....

**Textual Amendments**

**F5** Art. 6 revoked (1.1.1993) by [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 1992 \(S.I. 1992/3125\)](#), arts. 1, **2(b)**

**Value of a designated travel service**

7. Subject to articles [<sup>F6</sup>8, 9 and 9A] of this Order, the value of a designated travel service shall be determined by reference to the difference between sums paid or payable to and sums paid or payable by the tour operator in respect of that service, calculated in such manner as the Commissioners of Customs and Excise shall specify.

**Textual Amendments**

**F6** Words in art. 7 substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 2009 \(S.I. 2009/3166\)](#), arts. 1(1), 4

**Commencement Information**

**I5** Art. 7 in force at 1.4.1988, see **art. 1**

8.—(1) Where—

- (a) a supply of goods or services is acquired for a consideration in money by a tour operator, for the purpose of supplying a designated travel service, and
- (b) the value of the supply is (apart from this article) greater than its open market value, and
- (c) the person making the supply and the tour operator to whom it is made are connected,

the Commissioners of Customs and Excise may direct that the value of the supply shall be deemed to be its open market value for the purpose of calculating the value of the designated travel service.

(2) A direction under this article shall be given by notice in writing to the tour operator acquiring the supply, but no direction may be given more than three years after the time of the supply.

(3) A direction given to a tour operator under this paragraph, in respect of a supply acquired by him, may include a direction that the value of any supply—

(a) which is acquired by him after the giving of the notice, or after such later date as may be specified in the notice, and

(b) as to which the conditions in sub-paragraph (a) to (c) of paragraph (1) above are satisfied, shall be deemed to be its open market value for the purpose of calculating the value of the designated travel service.

(4) For the purposes of this article any question whether a person is connected with another shall be determined in accordance with section 533 of the Income and Corporation Taxes Act 1970(2).

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**Commencement Information**

**I6** Art. 8 in force at 1.4.1988, see [art. 1](#)

**9.—(1)** Where—

(a) goods and services have been acquired prior to the commencement of this Order; and

(b) input tax credit has been claimed in respect of those goods and services; and

(c) the goods and services are supplied as a designated travel service or as part of a designated travel service after the commencement of this Order;

article 7 of this Order shall not apply in determining the value of that part of a designated travel service referable to goods and services on which input tax has been claimed.

(2) The value of that part of the designated travel service to which, by virtue of paragraph (1) of this article, article 7 of this Order does not apply shall be calculated in accordance with section 10 of the Value Added Tax Act 1983.

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**Commencement Information**

**I7** Art. 9 in force at 1.4.1988, see [art. 1](#)

**[<sup>F7</sup>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.]

**Textual Amendments**

- F7** [Art. 9A](#) inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 2009 \(S.I. 2009/3166\)](#), arts. 1(1), **5**

**[<sup>F8</sup>Tax chargeable on certain designated travel services]**

<sup>F9</sup>**10.** . . . . .

**Textual Amendments**

- F8** [Art. 10 heading](#) substituted (1.5.1990) by [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 1990 \(S.I. 1990/751\)](#), arts. 1, **4(a)**
- F9** [Art. 10](#) revoked (1.1.1996) by [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 1995 \(S.I. 1995/1495\)](#), arts. 1, **2**

**Amendment of zero-rating provisions**

<sup>F10</sup>**11.** . . . . .

**Textual Amendments**

- F10** [Art. 11](#) revoked (1.9.1994) by [Value Added Tax Act 1994 \(c. 23\)](#), s. 101(1), **Sch. 15** (with [Sch. 13 para. 19](#))

**Disallowance of input tax**

**12.** [<sup>F11</sup>Subject to article 9A of this Order,] input tax on goods or services acquired by a tour operator for re-supply as a designated travel service shall be excluded from credit under sections 14 and 15 of the Value Added Tax Act 1983.

**Textual Amendments**

- F11** Words in art. 12 inserted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Value Added Tax \(Tour Operators\) \(Amendment\) Order 2009 \(S.I. 2009/3166\)](#), arts. 1(1), **6**

**Commencement Information**

- I8** [Art. 12](#) in force at 1.4.1988, see [art. 1](#)

**Disqualification from membership of group of companies**

**13.** A tour operator shall not be eligible to be treated as a member of a group for the purposes of section 29 of the Value Added Tax Act 1983 if any other member of the proposed or existing group—

- (a) has an overseas establishment;
- (b) makes supplies outside the United Kingdom which would be taxable supplies if made within the United Kingdom; and
- (c) supplies goods or services which will become, or are intended to become, a designated travel service.

**Commencement Information**

**I9** Art. 13 in force at 1.4.1988, see **art. 1**

**Option not to treat supply as designated travel service**

**14.**—(1) Where a tour operator supplies a designated travel service he may treat that supply as not being a designated travel service if:

- (a) there are reasonable grounds for believing that the value of all such supplies in the period of one year then beginning will not exceed one per cent of all supplies made by him during that period; and
- (b) he makes no supplies of designated travel services consisting of accommodation or transport.

(2) For the purposes of this article the value of any supplies shall be calculated in accordance with section 10 of the Value Added Tax Act 1983.

**Commencement Information**

**I10** Art. 14 in force at 1.4.1988, see **art. 1**

*Tony Durant*  
*David Lightbown*  
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 introduces with effect from 1 April 1988 a special VAT scheme for supplies by tour operators. The vires for such a scheme under UK law lie principally in section 37A of the Value Added Tax Act 1983. The scheme is a requirement under Article 26 of the Council Directive No. [77/388/EEC](#). (OJ No. L145, 13.6.77, p. 1).

Articles 2 and 3 of the Order define the supplies affected by the scheme.

Articles 4, 7, 8 and 9 vary the normal rules on time of supply and tax value to fit in with the general requirements of the scheme.

Articles 10 and 11 provide reliefs, the latter introducing into Group 10 of Schedule 5 to the Value Added Tax Act 1983 an additional item which will allow supplies of services made under the scheme which are to be enjoyed outside the European Community to be zero-rated.

Article 12 prohibits the deduction of input tax in respect of supplies made under the scheme.

Article 13 is designed to prevent avoidance of tax under the scheme by amending the Value Added Tax Act 1983 provisions which deal with group registration.

Article 14 introduces an option for tour operators not to use the scheme for certain de minimis supplies.

Articles 5 and 6 are made under section 6 of the Value Added Tax Act 1983. Article 5 has two purposes:

- (a) to specify the place of supply of services/supplies made by tour operators under the scheme; and
- (b) to specify the place of supply of certain services of a type made by tour operators but not made under the scheme because they are made “in-house” rather than acquired from any other person.

Article 6 amends the Value Added Tax (Place of Supply) Order 1984 to exclude therefrom any supplies made under the scheme introduced by this Order.

**Changes to legislation:**

There are currently no known outstanding effects for the The Value Added Tax (Tour Operators) Order 1987.