
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.