
EXPLANATORY NOTE

(This note is not part of the Order)

This Order varies, with effect from 1st January 1996, the Value Added Tax (Tour Operators) Order 1987 (“the principal Order”). The principal Order gives effect to the requirement under Article 26 of Council Directive [77/388/EEC](#) (OJNo. L145, 13.7.77, p.1) (“the Sixth VAT Directive”) to provide a scheme under which tour operators account for VAT on the difference between the VAT-inclusive purchase price and the selling price of their services (“the margin”).

Article 26 of the Sixth VAT Directive permits only that proportion of the margin that relates to supplies enjoyed outside the territory of the European Community to be relieved from VAT. Article 2 of the Order removes an inconsistency between the principal Order and Article 26 of the Sixth VAT Directive by revoking article 10 of the principal Order, thereby removing the relief from VAT for the portion of the margin on a supply of designated travel services (as defined in article 3 of the principal Order) that relates to transport and education services enjoyed within the European Community.

Article 3 of the Order revokes article 4 of the Value Added Tax (Tour Operators) (Amendment) Order 1990, which has become spent as a result of the revocation of article 10 of the principal Order.