

New regulation from January 1st, 2022

In 2018, the European Court of Justice has ruled (C-380/16, dated 8 Feb 2018) that Germany had incorrectly implemented the EU regulations on VAT for travel services (Art. 306 EU VAT Directive) insofar as it is limited to B2C business but not applied to B2B business. The German VAT Act was amended accordingly in December 2019 and after a postponement the new law effectively entered into effect 1 January 2022.

Important note:

The following change does not affect services that we provide with our own resources, in particular our agency fee for planning work. Those are still subject to regular VAT rules and we will issue the invoices as usual. The change in the VAT handling of travel services, which we purchase in our own name and pass on to you, has the following effects:

1. We can no longer claim input VAT for travel services (e.g. invoices from hotels, bus companies, etc.).
2. We have to calculate our VAT on the basis of the markup and we are not allowed to show any VAT in our sales invoices. This also means that you have no chance to reclaim input VAT.
3. Hotel / Passenger transfer as "genuine" travel services infect other services with regard to the application of the margin scheme (i.e. catering; tour guides; tickets, entertainment programs, meeting rooms incl. technology, etc.). Please note: Separate orders, contracts or invoices do not solve this problem, the content of the service is decisive, not the form of the agreement or billing.

It can be seen that this change increases the cost of business travelling. We ask for your understanding that we have to pass this on to you.

		Standard VAT rules	Margin scheme for travel service
Hotel accommodation	Selling price net value	100,00 €	100,00 €
	Sales VAT	7,00 €	7,00 €
	Selling price gross	107,00 €	107,00 €
MICE agency	Purchase price gross	107,00 €	107,00 €
	Input VAT	7,00 €	-
	Mark-up	-	-
	Selling price net value	100,00 €	
	Sales VAT	7,00 €	-
	Selling price gross	107,00 €	107,00 €
Customer B2B	Purchase price gross	107,00 €	107,00 €
	Input VAT	7,00 €	-
	Purchase price net	100,00 €	107,00 €

The additional costs for the B2B customer therefore amount to 7 Euro.

Conclusion:

Accommodation services and/or passenger transfer that we buy and sell in our own name are subject to the margin scheme. All other services provided in the context of such as service are considered a complex service and thus also incur an additional VAT burden. For all services that are subject to the margin scheme, we are not entitled to deduct input VAT. This makes our product more expensive.

Solution:

The negative effect of the margin scheme can be avoided legally if we act as a disclosed agent. This requires an adjustment of our contractual agreements. Please contact us if you are interested.

This information has been prepared with the support of our tax consultant

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For legal reasons, we are not allowed to offer detailed tax advice on this topic. We kindly ask you to contact your tax advisor if necessary, alternatively you are welcome to contact Dr. Grambeck.

Yours Jazzunique Team