



VAT on Coach Transport

International exemption must be applied to any international travel within EU

While VAT on domestic passenger transport is a political issue for debates within each member state, international passenger transport, regardless of its mode, should not be subject to VAT. Therefore land-bound cross-border passenger transport should be VAT exempt. Please note: coaches used for international journeys are not comparable to local service buses in countries and express coach services between cities.

The Coach Industry today – status quo

One of the guiding principles of the European Union is the single market with the free movement of capital, people, goods and services.

The single most important ingredient for reducing unemployment is to remove any operational and administrative barriers that inhibit the creation of new employment opportunities. The internal market must be more effective in practice and allow a real flow of the a.m. four freedoms.

- The tourism sector is one of the largest employers within Europe.
- The coach tourism industry is an employment generator. There are over 65.000 companies in Europe, operating 250,000 coaches, employing directly nearly 1.000.000 people and the total turnover is € 270 billion. Additionally the coach industry creates 7.000.000 jobs indirectly in the tourism industry.
- Coach tourism fulfills important socio-political and economic functions. Small and medium-sized coach travel operators make a considerable contribution to the overall spectrum of tourism business and tourism development in holiday destinations in both cities as well as in rural regions.
- Coaches enable the educational experience for many school children to be broadened by them visiting and experiencing the rich wealth of European cultural sites thereby adding value to the education process.
- Coaches contribute to improving the environment by reducing congestion and vehicle emissions through the provision of an efficient and cost effective mode of transport.

EACT position on VAT

We can conclude that whilst air and sea passenger transport are exempt from VAT on international travel with positive effects to the carriers themselves and subsequently to the tourism industry. However rail and coach transport are not exempted from VAT provisions. This appears not to be in line with the established principles of the EU VAT system.

The economic figures quoted above could be far larger if the internal European coach tourism market was functioning effectively.

The single most important ingredient for reducing unemployment is to remove all the obstacles that act as a barrier to the creation of new employment opportunities. One of these obstacles is VAT on international transport with its financial and administrative burden in terms of tax declaration in different member states, uncertainties re allocation of VAT, road controls etc.

Key reasons why VAT should be zero rated on international coach passenger transport

- Tourism by coach fulfills the goals of the European Commission for tourism.
- Small and medium-sized coach tourism companies and their contract partners secure millions of new jobs in Europe, among which are high-value jobs in coach manufacturing. The coaches employed are proven to be, safe, environmentally-friendly, comfortable and economic users of road space per passenger as their average 49 passengers occupy the same road space as just 3 family size cars.
- The expected increase in coach passenger travel will result in tourists spending more money in European countries, resulting in more VAT income/corporation tax revenue for individual member states, than the present system provides by levying VAT on the transport element in different Member States.
- The obstacles associated with VAT which exist in today's passenger coach tourism market such as registration, different VAT rates and regulations country by country, time consuming delays coupled with enforcement interventions at the roadside, the detaining of coaches for clerical errors, language problems, additional unnecessary administrative tasks, etc. are all detrimental to the development of a real vibrant single tourism market.
- Europe is a significant attraction for inbound tourism from the entire world who will then use coaches to visit the many tourist attractions and cities which Europe has to offer.
- The continuation and any increase in these barriers will inevitably lead to a reduction in coach tourism from within and outside of the European Union through the creation of a negative image that tourism is not welcome throughout Europe.

EACT urges and encourages the European Union to act decisively and start to reverse this trend at the earliest opportunity through zero rating VAT on coach passenger transport for all international journeys.

The Ankara Conference on the current VAT rules for passenger transport in April 2015 made recommendations that as only a small amount of VAT revenue is currently collected on the existing distance principle, the vote for a clear simplification and fair alignment within the passenger transport sector could easily be achieved if the following actions were implemented

- **International coach transport must be treated as VAT exempt.**
- The trade associations of all modes of transport do not see any requirement for implementing a departure or destination principle.
- The Mini One Stop Shop (MOSS) will not be the measure to avoid the addressed administrative burdens.

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