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By PwC Deutschland | 11 February 2014

VAT on travel agents’ charges to airlines

The finance ministry has decreed that charges by travel agents to airlines for promoting their services are subject to VAT as sales promotion.

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Commissions paid to travel agents by airlines for international ticket sales are free of VAT. Charges by travel agents to travellers are not. Since airlines do not usually offer travel agents commission on their ticket sales, the agent is forced to charge the customer a service fee. However airlines have taken to offering travel agents incentives or other benefits for promoting their flights as opposed to those of their competitors. The finance ministry has now revised its VAT Implementation Decree to take account of the various different arrangements currently being offered by airlines. If the benefit to the agent is specifically tied to particular flight sales, it will be a VAT-free commission. This still applies if the agent also charges a VAT-able service fee to the traveller for the same flight. If the charge is for the services of the agent in promoting the flights of that particular airline generally, e.g. to offer those flights to customers as the first choice, it will usually be a service charge for sales promotion subject to VAT.

Keywords

airlines, travel agent