

Treasury
Customs and Excise Division

VAT Notice 709/5 (MAN)

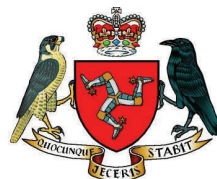
Isle of Man Tour Operators Margin Scheme

Final Annual Calculation and Adjustment (This booklet must be used in conjunction with the HMRC VAT Notice 709/5)

You must use the Actual Figures from your Financial Accounts
for the Year Just Ended



August 2011



Isle of Man
Government

Reilrys Ellan Vannin

The purpose of this Notice is to incorporate hotel and holiday accommodation supplied on the Isle of Man at the reduced rate of VAT into the Tour Operator Margin Scheme (TOMS) calculations stated in HM Revenue and Customs Notice 709/5 (November 2009).

- See HMRC Notice 709/5 for the full TOMS rules: <http://www.hmrc.gov.uk/vat/>
- See IOM Notice 709/3A (MAN) for reduced rate of VAT on accommodation in the Isle of Man rules: <http://www.gov.im/treasury/customs/notices/>

[709/5 Section 8] Market Value Calculation (Annual Adjustment)

Only use this section if you have packages or parts of packages being apportioned by the market value of the in-house element of the package. On completion of all the steps in M1-M5 you must then follow the steps in the "cost-based calculation" in section 9, taking forward the figures from this section as instructed.

Calculate the value of the sales of margin scheme packages

M1 Total the VAT-inclusive selling prices of all your designated travel services and margin scheme packages supplied during the financial year including any that are not 'market value' packages.

Working out the market value

M2 Total the VAT inclusive market value of the standard-rated in-house supplies at M1: **carry forward this figure to step 21 of section 9**

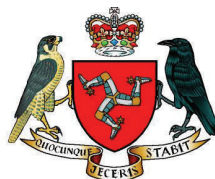
M2.1 Total the VAT inclusive market value of the reduced-rated in-house supplies at M1: **carry forward this figure to step 21.1 of section 9**

M3 Total the VAT inclusive market value of the zero-rated in-house supplies at M1: **carry forward this figure to step 26 of section 9**

M4 Total the VAT inclusive market value of the in-house supplies = M2 + M2.1 + M3

Working out selling value of designated travel services and non-market value in-house supplies

M5 Deduct the total at step M4 from the total at step M1: **carry forward this figure to step 1 of section 9**



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[709/5 section 9] Cost-based calculation (Annual Adjustment)

This section applies to packages being apportioned by reference to the costs of the in-house element of the package, and imports the figures calculated by the market value method in section 8, where that method is used for all or some of the travel packages. Do not include values already entered in section 8 unless specifically instructed.

Working out the total sales of margin scheme packages

- 1** Bring forward the total calculated at step M5 of section 8. If section 8 is not used then enter the VAT-inclusive selling prices of your designated travel services and margin scheme packages supplied during the financial year.

Working out the purchase prices of margin scheme supplies

- 2** Total the VAT-inclusive purchase prices of the standard-rated designated travel services included in the total at step 1.
 - 2.1** Total the VAT-inclusive purchase prices of the reduced-rated designated travel services included in the total at step 1.
- 3** Total the VAT-inclusive purchase prices of the non standard-rated & non reduced-rated designated travel services (supplies enjoyed outside the EC) included in the total at step 1.

Working out the direct costs of in-house supplies. Steps 4 to 7 can be ignored where a market value is applied to all in-house supplies under section 8

- 4** Total the **VAT-exclusive** direct costs to you of the standard-rated in-house supplies included in step 1. Add a percentage of that amount equivalent to the standard-rate of VAT.
 - 4.1** Total the **VAT-exclusive** direct costs to you of the reduced-rated in-house supplies included in step 1. Add a percentage of that amount equivalent to the reduced-rate of VAT.
- 5** Total the **VAT-exclusive** direct costs to you of the zero-rated in-house supplies included in step 1.
- 6** Total the VAT-inclusive direct costs to you of the exempt in-house supplies included in step 1. **Deduct** any input tax that you are entitled to recover on these costs.
- 7** Total the direct costs to you of the in-house supplies included in step 1 that are supplied outside the UK, **exclusive of any VAT** incurred on these costs that you are entitled to recover. Add to the total an uplift equivalent to the percentage VAT rate applicable to such supplies if you have accounted for VAT on these supplies to the VAT authorities in another Member State.

Working out the 'costs' of agency supplies

- 8 Total the VAT-inclusive amounts paid by you to your principals in respect of agency supplies included in step 1 for which the consideration you receive is standard-rated.
- 8.1** Total the VAT-inclusive amounts paid by you to your principals in respect of agency supplies included in step 1 for which the consideration you receive is reduced-rated.
- 9 Total the VAT-inclusive amounts paid by you to your principals in respect of agency supplies included in step 1 for which the consideration you receive is not standard-rated or reduced-rated.

Working out the total margin

- 10** Add the totals at steps 2 to 9 inclusive
- 11** Calculate the total margin for all supplies included in step 1 by deducting the total at step 10 from the total at step 1.

Apportioning the margin

- 12 Calculate the margin for the standard-rated designated travel services by applying the following formula: = (total at step 2 / total at step 10) x total at step 11
- 12.1** Calculate the margin for the reduced-rated designated travel services by applying the following formula: = (total at step 2.1 / total at step 10) x total at step 11
- 13** Calculate the margin for zero-rated designated travel services by applying the following formula: = (total at step 3 / total at step 10) x total at step 11

Steps 14 to 17 can be ignored where a market value is applied to all in-house supplies under section 8

- 14 Calculate the margin for the standard-rated in-house supplies by applying the following formula: = (total at step 4 / total at step 10) x total at step 11
- 14.1** Calculate the margin for the reduced-rated in-house supplies by applying the following formula: = (total at step 4.1 / total at step 10) x total at step 11
- 15** Calculate the margin for the zero-rated in-house supplies by applying the following formula: = (total at step 5 / total at step 10) x total at step 11
- 16** Calculate the margin for the exempt in-house supplies by applying the following formula: = (total at step 6 / total at step 10) x total at step 11
- 17** Calculate the margin for the in-house supplies made outside the UK by applying the following formula: = (total at step 7 / total at step 10) x total at step 11

18 Calculate the consideration for the standard-rated agency supplies by applying the following formula: = (total at step 8 / total at step 10) x total at step 11

18.1 Calculate the consideration for the reduced-rated agency supplies by applying the following formula: = (total at step 8.1 / total at step 10) x total at step 11

19 Calculate the consideration for the non standard-rated & non reduced-rated agency supplies by applying: = (total at step 9 / total at step 10) x total at step 11

Working out your output tax

20 Calculate the output VAT due on the standard-rated designated travel services by applying the following formula: = total at step 12 x the standard-rate VAT fraction

20.1 Calculate the output VAT due on the reduced-rated designated travel services by applying the following formula: = total at step 12.1 x the reduced-rate VAT fraction

21 Calculate the output VAT due on the standard-rated in house supplies by applying the following formula: = (total at step 4 + total at step 14 + total calculated at step M2 of section 8) x the standard-rate VAT fraction

21.1 Calculate the output VAT due on the reduced-rated in house supplies by applying the following formula: = (total at step 4.1 + total at step 14.1 + total calculated at step M2.1 of section 8) x the reduced-rate VAT fraction

22 Calculate the output VAT due on the standard-rated agency supplies by applying the following formula: = total at step 18 x the standard-rate VAT fraction

22.1 Calculate the output VAT due on the reduced-rated agency supplies by applying the following formula: = total at step 18.1 x the reduced-rate VAT fraction

Working out sales values

23 Calculate the **VAT exclusive** value of the standard-rated designated travel services by deducting the total at step 20 from the total at step 12

23.1 Calculate the **VAT exclusive** value of the reduced-rated designated travel services by deducting the total at step 20.1 from the total at step 12.1

24 Note the value of the zero-rated designated travel services at step 13

25 Calculate the **VAT exclusive** value of the standard-rated in-house supplies by applying the following formula: = (total at step 4 + total at step 14 + total calculated at step M2 of section 8) - total at step 21

25.1 Calculate the **VAT exclusive** value of the reduced-rated in-house supplies by applying the following formula: = (total at step 4.1 + total at step 14.1 + total calculated at step M2.1 of section 8) - total at step 21.1

26 Calculate the value of the zero-rated supplies made within the scheme by applying the following formula: = (total at step 5 + total at step 15 + total calculated at step M3 of section 8)

- 27** Calculate the value of your exempt in-house supplies made by applying the following formula: = total at step 6 + total at step 16
- 28** Calculate the value of your in-house supplies that are supplied outside the UK by applying the following formula: = total at step 7 + total at step 17
- 29** Calculate the total **VAT exclusive** value of the supplies:
= total of steps 23 to 28. Include this total in Box 6 of your VAT return.

Working out the annual adjustment

- 30** Calculate the total output VAT due on your designated travel services and margin scheme packages by adding the totals at steps 20 to 22.1 inclusive
- 31** Total the provisional output VAT which has been accounted for during the financial year on the supplies included in the total at step 1.
- 32** Deduct the total at step 31 from the total at step 30. Include the resulting total in box 1 of your VAT return, either as a payable amount where the amount is positive or as a deductible amount where the amount is negative.

[709/5 Section 10] Accounting for VAT on the provisional value of designated travel services and margin scheme supplies

Working out the provisional percentage

- 1** Calculate the VAT-inclusive amount of your standard-rated supplies of designated travel services and margin scheme packages for the preceding financial year by adding the totals from steps 4, 12, 14 & 18 of section 9, together with the total M2 in the market value calculation in section 8
 - 1.1** Calculate the VAT-inclusive amount of your reduced-rated supplies of designated travel services and margin scheme packages for the preceding financial year by adding the totals from steps 4.1, 12.1, 14.1 & 18.1 of section 9, together with the total M2.1 in the market value calculation in section 8
- 2** Calculate the VAT-inclusive standard-rated percentage of the total selling price of all your designated travel services and margin scheme packages for the preceding tax year by applying them in one of the following formulae:
 - If you have used a market value to value in-house supplies = (total at step 1 of section 10/total at step M1 of section 8) x 100
 - If you have not used a market value to value in-house supplies = (total at step 1 of section 10/total at step 1 of section 9) x 100
- 2.1** Calculate the VAT-inclusive reduced-rated percentage of the total selling price of all your designated travel services and margin scheme packages for the preceding tax year by applying them in one of the following formulae:
 - If you have used a market value to value in-house supplies = (total at step 1.1 of section 10/total at step M1 of section 8) x 100

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- If you have not used a market value to value in-house supplies = (total at step 1.1 of section 10/total at step 1 of section 9) x 100

Working out the VAT return figures

- 3** Total the VAT-inclusive selling prices of the designated travel services and margin scheme packages supplied during the prescribed accounting period.
- 4** Calculate the provisional VAT-inclusive amount of your standard-rated supplies of designated travel services and margin scheme packages made during the prescribed accounting period by applying the following formula: = (total at step 3 x percentage at step 2)
- 4.1** Calculate the provisional VAT-inclusive amount of your reduced-rated supplies of designated travel services and margin scheme packages made during the prescribed accounting period by applying the following formula: = (total at step 3 x percentage at step 2.1)
- 5** Calculate the provisional amount of standard-rated + reduced-rated output VAT due for the prescribed accounting period by applying the following formulae:
 - Standard-rated VAT due = (total at step 4 x the standard-rate VAT fraction) **plus;**
 - Reduced-rated VAT due = (total at step 4.1 x the reduced-rate VAT fraction)

[709/5 Section 11] Simplified end-of-year calculation (Annual adjustment)

- See HMRC Notice 709/5 for details

(The simplified calculation calculates standard-rated VAT on the full margin)

[709/5 Section 12] Accounting for VAT on the provisional value of designated travel services and margin scheme packages when the simplified calculation applies (all supplies are standard rated)

- See HMRC Notice 709/5 for details

Published by:
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