

II. QUESTIONS RAISED ON THE INTERPRETATION OF THE COMMUNITY PROVISIONS ON VAT

1. Arrangements applicable to payments to farmers who agree to abandon milk production

A **majority** of delegations considered that the farmer's commitment to abandon milk production, whether voluntary or as a result of a legal obligation, constituted a supply of services under the second indent of Article 6(1) of the Sixth Directive and so was liable to VAT in accordance with Articles 2 and 11 of that Directive.

2. Taxation of travel agents' services in respect of international flights

In view of the difficulties experienced in the taxation of the services of travel agents in accordance with Article 26(3) of the Sixth Directive in respect of flights between the Member States even with no intermediate landings other than technical stops and of flights to non-member countries, the **majority** of delegations considered for reasons of simplicity that in the first case the entire margin should be taxed and in the second case the entire margin should be exempt. Such a measure of simplification does not exclude travel agencies proceeding in conformity with Article 26(3)

3. Taxation of travel agents' services in connection with, and ancillary to, cruises

3.1. A **large majority** of delegations considered that cruises are in principle covered by Article 26 of the Sixth Directive and that accordingly the sale of tickets for cruises by tour operators established in the Community is covered by the provisions of that Article.

3.2. A **large majority** of delegations considered that, where the cruise is offered directly to passengers by a company organising cruises on board its own vessels, ancillary services, particularly those relating to excursions or hotel accommodation provided by other taxable companies to the cruise company for re-sale to passengers, are covered by Article 26 and that accordingly the service as a whole should be broken down by distinguishing those services from the main services which, in this case, follow the general rule for the taxation of the supply of services.

33. In view of the difficulties experienced in the taxation of travel agents in respect of the organisation of cruises under Article 26(3) of the Sixth Directive, the **majority** of delegations considered that, for reasons of simplicity, since the supply of transport remained the main service provided by the cruise, one of the following three schemes would be applicable, depending on where the cruise took place
- a) where the cruise is carried out exclusively between Community ports, the transaction is to be regarded as taking place entirely within the Community and the agents margin should be taxed in accordance with Article 26(2);
 - b) where the cruise leaves a Community port for one in a non-member country, the transaction should be regarded as taking place entirely outside the Community and so the whole of the agents margin should be exempt in accordance with Article 26(3);
 - c) where the cruise calls at ports in and outside the Community, only the portion of the agents services relating to transactions taking place outside the Community should be exempt in accordance with Article 26(3).

Such a measure of simplification does not exclude travel agencies from proceeding in conformity with Article 26(3).

4. Taxation of travel agents' services in respect of the organisation of travel to the Canary Islands and to Ceuta and Melilla

The Committee **unanimously** considered that travel agencies which organise travel to the Canary Islands and to Ceuta and Melilla, using services provided by other taxable persons, are supplying services which, in accordance with Article 26(3), can be regarded as those of an intermediary exempted under Article 15(14).