

## FOCUS ON

# TOMS and Xero

The Tour Operators Margin Scheme (TOMS) changed from January 1 2021, when the UK left the transitional period. The margin on holidays enjoyed outside of the UK has become zero-rated, however for many TOMS VAT will still be payable. Using the scheme can make recording entries in your accounting system slightly more complicated. BUT it can be done.

As a business your reporting requirements and preferences will be unique to you, and I would always recommend seeking advice on the best and most efficient software solution for you. Setting your system up the right way from the start will save you headaches further down the line.

There are lots of accounting packages out there, which are very similar in terms of features and functionality. The most common one I get asked questions about is Xero. Xero has become one of the most popular cloud-based accounting systems for small to medium sized businesses and for good reasons.

Below I wanted to cover some of the most common questions I get asked about TOMS and Xero:

### **I need to record both the booking date and the departure date in Xero, but there is only one date field?**

Now this is probably the trickiest problem and there is no one answer. My first recommendation would be to have a separate CRM system to keep track of bookings, either a standalone software or one that integrates with Xero. You can then use the CRM system to generate a summary report of departures for the month and enter a journal into Xero to reflect the sales by departure.

Another option would be to use Xero's tracking categories function. This allows you to track transactions and you can have up to 2 tracking categories with up to 99 fields in each category, for example you could use them as follows: 1. Month and 2. Year.

Please note that if you are not using the sales ledger in Xero, you will also want to consider making a debtors provision.

### **What tax code should I use when recording transactions that fall under TOMS?**

Both sales and direct costs can be coded into Xero using the tax code 'No VAT'

	Exempt Expenses
	Exempt Income
	No VAT
	Reverse Charge Expenses (20%)

The reason being is that you do not want these transactions pulling through directly to your VAT return. Instead, you should enter the quarterly VAT journal noted below. Note that overheads do not fall under TOMS and therefore normal VAT rules apply, use tax codes as appropriate.

## How do I reflect my provisional payments correctly in boxes 1 and 6 on the VAT return?

I believe the best way to account for your provisional TOMS payment each quarter is to enter a manual journal. You want to end up with the output tax in box 1 and the net margin in box 6. If you had total departures for the quarter of £200,000 and a provisional % of 30%, your provisional payment would be calculated as follows: Sales £200,000 x 30% x 1/6th = £10,000 provisional VAT.

Please note that this journal would only take into account your standard rated margin and the resulting output VAT. Technically, if applicable, you should also include your zero-rated margin in box 6 of your VAT return which would require additional entries to the below example.

Amounts are Tax Exclusive					
Description	Account	Tax Rate	Region	Debit GBP	Credit GBP
Provisional VAT for the period to 30 June 2021	210 - TOMS VAT	20% (VAT on Income)			50,000.00
Provisional VAT for the period to 30 June 2021	210 - TOMS VAT	No VAT		60,000.00	
Subtotal				60,000.00	50,000.00
Total VAT 20.00%				0.00	10,000.00
<b>TOTAL</b>				<b>60,000.00</b>	<b>60,000.00</b>

## I would like to be able to track income and direct costs by destination/resort. What's the best way to achieve this?

Xero has a great reporting function called 'tracking categories'. You can have up to 2 tracking categories with up to 99 fields in each. For example, you can set up a tracking category called Destinations, so that when entering transactions, you can assign transactions to a destination or resort.

Please note that there are only two categories and if already using or wanting to use this function for tracking departure (as mentioned above), you will need to consider an alternative such as additional sales and cost of sales codes.

Additionally, if you have a separate booking system it may also be possible to instead use the booking system for reporting on destination.

Date	Due Date	Invoice #	Reference	Branding	Amounts are Tax Inclusive			
Description	Qty	Unit Price	Disc %	Account	Tax Rate	Region	Destin...	Amount GBP
30/06/2021 Departure	1.00	2,000.00		810 - Income in Advance	No VAT		Canada - Toronto	2,000.00
							Canada - Vancouver	

For more help and advice on TOMS and Xero, please contact:



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