



VAT Package on Travel and Tourism

EPF response – October 2025

The European Commission is currently reviewing two interrelated sets of VAT provisions: the special VAT scheme for travel agents, and the VAT rules on passenger transport. The [Call for Evidence](#) highlights that the current rules are difficult to apply in practice (e.g., the place of supply rule based on distance travelled) and create market distortion, as different modes of transport are subject to varying VAT treatments – regardless of their environmental impact.

A recent Europe-wide [Greenpeace study](#) (August 2025) shows that flying is still cheaper than taking the train on most cross-border routes. Meanwhile, a recent [Eurobarometer survey](#) (April 2025) found that although over 75% of EU citizens consider environmental impact important when planning their journeys, only 21% adjust their travel behaviour accordingly. The key incentive cited for encouraging more sustainable options was cost comparability.

Multiple issues must be addressed to make rail a more attractive alternative: improving operational efficiency, fostering healthy competition on the market, better timetable coordination, simplified access to booking and ticketing, and stronger passenger rights, amongst others. However, affordability is a central factor – and VAT plays a direct role in price formation.

Thus, VAT reform can and should be part of a broader strategy to support sustainable travel. Affordability is even more crucial for young people – which is why in September 2025, EPF joined T&E, BEUC, and several youth organisations in a [joint statement](#) calling for rail to be made more affordable (including by addressing VAT disparities) and more accessible (through easier information access and ticketing systems).

Currently, the zero-rating of international air and maritime services creates both pricing and administrative disadvantages for providers of cross-border land transport. Worse, it favours the most environmentally damaging transport modes. This is no longer acceptable. In its 2024 policy paper [Priorities for EU Action](#), EPF identified “understanding costs” as a foundation for creating a level playing field between transport modes, upon which fair competition and resource optimisation depend. As such, we recommended considering a harmonised reduced VAT rate for all modes of transport across the EU, in the interest of consistency and fairness.

Finally, EPF also supports the internalisation of external costs in transport pricing – beyond VAT alone. In line with the polluter-pays and user-pays principles, we call for the integration of environmental externalities into pricing structures across all modes, including aviation and maritime transport. Reliable, standardised methods for measuring environmental impacts must be developed. Any government rebates (e.g., for social inclusion and to guarantee connectivity) should be transparently justified and applied consistently.