A PRACTICAL GUIDE

TOMS without the spreadsheet

How tour operators and their accountants can handle the Tour Operators Margin Scheme without breaking the digital link to the ledger.

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Five pages. Ten minutes to read.

Why TOMS catches everyone out

The Tour Operators Margin Scheme is the second-most awkward UK VAT regime to handle in cloud accounting software, after partial exemption. Unlike partial exemption, the affected businesses almost always know they're affected. They're tour operators. They've heard of TOMS. What they may not know is how thoroughly their accounting platform fails to support it.

TOMS isn't optional for businesses that fall within it. If you buy in and resell travel facilities as a principal or undisclosed agent, you're in TOMS — whether you want to be or not. And if you've ever filed a TOMS return on Xero, QuickBooks, Sage, or FreeAgent, you already know the workflow: spreadsheet, manual journal, hope nothing changes between submission and year-end.

Who actually has to use TOMS

TOMS isn't just for traditional package tour operators. The scheme catches a much wider net than most businesses realise:

Tour operators	Anyone selling holiday packages with travel and accommodation
Travel agents	When acting as principal or undisclosed agent (not as disclosed agent earning commission)
Conference organisers	If accommodation is bundled with the conference package
Charities & schools	Organising overseas trips, treks, or trips for beneficiaries
Wedding & event planners	If reselling venue + accommodation + transport as a package
Holiday-let aggregators	Reselling third-party accommodation as principal

From an Award-winning Chartered Accountancy Firm guide: "TOMS is therefore not only relevant to standard travel agents, for example, but also businesses that arrange conferences which include hotel accommodation for delegates, or charities organising overseas treks, to name just a couple of common examples."

If you're buying in travel facilities and reselling them in any form to the end traveller, TOMS is in scope. The first time you discover this is often after HMRC asks an awkward question.

Where the workflow breaks

The standard practitioner workflow on Xero is documented by ICAEW and TOMS specialists. It works — in theory. In practice it depends on perfect discipline from everyone touching the books, every quarter, every year. Discipline lapses.

The booking date vs departure date problem

TOMS accounts for VAT on the date of departure, not the date of booking. In an active tour operator business, these can be six to eighteen months apart. A booking taken in March for a departure in October sits in the books as a sale in March (when the cash arrives) but doesn't generate output VAT until October.

Xero, QuickBooks, Sage, and FreeAgent all treat the transaction date as the single date that matters. There's no native concept of 'this sale was made today but VAT becomes due in October'. From Rebecca Bishop's ICAEW article on TOMS in Xero, on the most fundamental problem:

> "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."

Translation: the recommended workflow involves a separate system entirely, because the ledger can't track the two dates that TOMS calculations require.

The provisional output VAT trap

TOMS requires provisional output VAT during the year, based on either prior-year actual margin percentages or projected percentages for new businesses. The provisional figure is applied as a flat percentage to total margin scheme departures during the period.

Worked example: total departures for the quarter are £200,000, provisional margin is 30%, output VAT is £200,000 × 30% × 1/6 = £10,000. The 1/6 is the VAT fraction at standard rate. This calculation happens entirely outside the ledger. The result is posted as a manual journal to Box 1 of the VAT return. The ledger has no way to validate that the calculation is correct, or that the percentage being used reflects the latest information.

Where the year-end calculation falls apart

At year-end, the operator recalculates the actual margin for the full year. Total departures × actual margin × 1/6 = actual output VAT. The difference between this and the four quarters' provisional output VAT is the annual adjustment, posted as a single journal.

The audit trail problem is exactly what it is for partial exemption. The £x adjustment moves figures between accounts but rests on four quarters' worth of spreadsheets that may no longer reconcile to the underlying ledger. Cancellations, currency movements, and late supplier invoices all invalidate prior workings.

How OneSixth handles TOMS

OneSixth treats TOMS the same way it treats partial exemption: as a connected calculation alongside Xero, QBO, Sage, or FreeAgent — never replacing them, just running the specialist arithmetic that the ledgers can't and pushing the result back as a journal.

What that means in practice

Booking-vs-departure tracking	Two dates per transaction, captured at the right point in the lifecycle. Departures drive provisional VAT; bookings drive cash and deferred income.
UK vs non-UK destinations	Post-Brexit zero-rating for non-UK margins. UK margins attract standard rate; non-UK margins zero-rated. Cost-based apportionment runs automatically once supplier costs are tagged with destination.
Provisional percentage management	Prior-year actual or new-business projection, with a clear audit log of which percentage was used in which period and why.
In-house vs bought-in supplies	Bought-in supplies run through the TOMS pool today. On the roadmap: parallel in-house track with per-package allocation rules — in-house margin currently sits outside TOMS and is handled in your standard VAT workflow.
B2B wholesale election	Brief 5 (2024) gave operators the choice on wholesale supplies. On the roadmap: per-supply B2B wholesale election toggle with the choice recorded in the audit trail.
Annual adjustment with full working	Year-end recalculation runs against the actual transactions in the ledger as they stand today. Adjustment journal carries an attached PDF working paper showing exactly which departures drove which figures.
Cancellations & currency	Cancellations and refunds flow through to the live calculation, so provisional VAT stays in sync with the actual underlying departures rather than a stale snapshot. On the roadmap: FX revaluation feeding the margin calc directly — today OneSixth uses the GBP values your accounting platform has already posted.

What we deliberately don't do

We don't replace your ledger. The official VAT return still lives in Xero, QBO, Sage, or FreeAgent and submits via the route HMRC already approves. We don't sell a CRM — if you're using a separate booking system to track customers, that's still where customers live. OneSixth is just the specialist calculation and the audit trail, sitting between your booking system and your ledger so the right numbers end up on the right return.

Where each item above stands today — shipped, in progress, or planned — lives at onesixth.app/roadmap.

If you want to take a closer look

OneSixth is built by Option to VAT Ltd, a UK company focused on VAT specialist tooling for professional services firms and finance teams. We're currently working with a small number of early-access partners across accountancy practice and in-house finance, and we're actively looking for more.

Three ways to engage

Book a 20-minute call. The fastest way to see whether OneSixth fits your workflow. We'll walk through the calculation engine on a real Xero or QBO sandbox and you'll be able to see exactly how the audit trail looks.

Try the early-access programme. Connect a single client organisation, run one period's calculation, see the journal entries push back to your ledger. No commitment to scale up.

Stay on the changelog. If now isn't the right time, the public changelog at onesixth.app shows what we're building and when. Sign up to get product updates by email.

> **The shorter version of this guide:** TOMS isn't conceptually complicated, but it's hard to do in a way that survives an HMRC challenge. The standard answer — spreadsheet plus manual journal — is what HMRC tolerates rather than what they want. OneSixth keeps the booking-vs-departure tracking, the provisional calculation, and the year-end adjustment connected to the underlying ledger, with every working documented and every adjustment traceable.

Get in touch

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