

# Take-off time



The air travel organiser's licence scheme is being modernised. *Karen Lillie* explains how recent changes affect ATOL reporting accountants.

## TEN SECOND SUMMARY

- 1 A recent EU directive has required reporting changes in the CAA's ATOL reporting accountant scheme.
- 2 Small business ATOLs must now make quarterly reports to the CAA.
- 3 It is important to understand what is ATOL protected and there are amendments to what is and what is not an ATOL sale.

The air travel organiser's licence (ATOL) scheme provides the Civil Aviation Authority (CAA) with the confidence that ATOL holders' regulatory information is accurate, thereby enabling it to take better licensing decisions. This article sets out some recent reporting changes in the CAA's ATOL reporting accountant (ARA) scheme. These changes follow a new EU directive – something which usually means that something needs to change and frequently this requires reporting changes; not always additional reporting though. In this case we are referring to the Directive (EU) 2015/2302 on package travel and linked travel arrangements (PTD). In the UK, the Department for Business, Energy and Industrial Strategy (BEIS) sponsors the UK implementation of the directive and lays new regulations before parliament while the Department for Transport (DfT) sponsors ATOL and publishes the ATOL (Amendment) Regulations 2018. The CAA implements ATOL under powers given by the ATOL Regulations and publishes the Official Record Series 3 (ORS3), which sets out the standard terms for ATOL holders and, as an appendix of that document, the requirements for ATOL reporting accountants. ORS3 is made under the ATOL Regulations and most of its provisions have the force of law.

To make it clear, the ATOL (Amendment) Regulations 2018 need to be read in conjunction with The Civil Aviation (Air Travel Organisers' Licensing) Regulations 2012 (as amended).

The implementation of relevant aspects of PTD took effect on 1 July 2018. This means that ATOL holders will need to make changes to their reporting and ATOL reporting accountants (ARAs) need to understand those changes when reporting to the CAA on ATOL holders.

### ATOL Standard Term 3

ATOL Standard Term 3 makes a change for small business ATOLs (SBAs) reporting to the CAA, now quarterly (previously annual), bringing them in line with other ATOL holders. The AAR Part 1 (Annual Accountants Report to the CAA), on the number of licensable passengers (both on a booking date basis and departure date basis) and the corresponding revenue (departure date basis only) will now be on a quarterly basis as well. An SBA will continue to pay APC annually with no change to the APC period covered.

The CAA uses the signed AAR Part 1 to confirm an ATOL holder has traded within its limits and that the correct level of ATOL protection contribution (APC) has been paid to the Air Travel Trust. Another AAR change is that a franchise ATOL holder with less than £5,000 licensable revenue and more than 1,000 passengers will need to provide an AAR Part 2 in future, but this does not need to be signed by an ARA unless notified by the CAA. Therefore, if applicable, an ARA needs to confirm with the ATOL holder if the CAA has requested an ARA signed AAR Part 2.

Depending on the circumstances of ATOL holders, a change in ATOL standard term 3 may reduce the time pressure slightly for an ARA reporting to the CAA. The timescale for providing the AARs for all ATOL holders and ARAs has changed from "within six months" to "within nine months" of the ATOL holder's financial period end or its ATOL renewal date, whichever is the earlier.



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### Package – definition

An ARA must understand what and how an ATOL holder client is reporting licensable and non-licensable sales. ARAs may wonder why they would need to know the definition of non-licensable sales, but to obtain a full understanding of what should be included as ATOL sales means they will need to understand what is excluded and why. Equally, an ARA must understand what constitutes a package to be able to review how the licensable sales are managed and measured and to provide an AAR Part 1.

“Package” is as defined in the ATOL Regulations. ATOL reporting accountants are encouraged to read and absorb the full definition, which is copied in the *Requirements for ATOL Reporting Accountants - Guidance Note 10* at pages 27 and 28. As an example, the opening sentence describes, “a combination of at least two different types of travel service for the purpose of the same trip or holiday”, albeit where the consumer has one or more contracts.

### ATOL licensable package

ATOL licensable packages are now defined as single-contract or multi-contract packages. Simply put, the consumer has either one contract for all their travel services that are part of the package or they have more than one contract for all their travel services that together are part of the package. Since 1 July, the old category of “flight-plus” no longer exists and no further bookings for this category can be taken from that date. In future, these types of sales will be included as packages by way of a multi-contract package and will be ATOL protected as a package. Therefore, an ATOL holder’s business systems must be able to distinguish between licensable and non-licensable, including the package types; in other words, single or multi contracts. An ARA must also be able to identify a package in either capacity of contract or, on the other hand, what is not a package but which may be protected as a flight-only sale.

### Flight-only sales

Here it is important to understand what is and what is not ATOL protected and there

are amendments to what is and what isn’t an ATOL sale. There are also amendments to the exemptions from the ATOL Regulations (Reg 11) that should be taken into account when reviewing sales. Unless a flight-only sale is made by an airline or an airline appointed agent, the sales are ATOL protected by default. However, two amended exemptions may apply: first, the full cost of the flight-only (ticket) is paid to the airline (operator of the aircraft) at the time of the purchase and a confirmed ticket is supplied to the consumer immediately; or, second, the airline is paid in full using the airline operators’ automated flight reservation system; in other words, the ticket is fully paid at the time the consumer flight is booked and the airline issues a confirmed ticket immediately.

The ATOL holder must state clearly on all invoices and receipts that the sale is not protected under the ATOL Scheme. ARAs will need to review and understand the exemption (02/2018 – Flight-Only ticket fully paid exemption in ORS3 – page 13), because they may need to test it against sales data if applicable, to ensure it is being correctly applied and that transactions are correctly reported by ATOL holders. However, overarching this is the fact that if the sale is part of a package it is not exempt.

There are also some changes relating to the sale of flight accommodation by an ATOL holder being made available in the EEA (other than the UK) and where adverts for sales are on websites operated by a third party. For more detail here, refer to ATOL Standard Term 6 – Sales Restrictions.

### Transitional arrangements

The CAA has included a transitional period for reporting, which an ARA will need to understand when completing an AAR Part 1. If there are flight-plus passengers booked before 1 July – in other words, before the cessation of the category of sale but which have not yet departed – the ATOL holder must report these under multi-contract packages until the last of those passengers have departed. In future, an ATOL holder’s licence categories will be amended at the time of their next applicable licence renewal to include flight-plus as multi-contract package sales. Further, the CAA will not require an ATOL holder’s authorisations (licensable revenue licence limits) to be varied to make this change until their next renewal. This is unless an ATOL holder itself identifies that, under the new definition of packages, their licensable business has expanded above their limits when they add together their current licensed packages and the flight-plus sales. Hence, the need to read and understand the definition of a package as defined in the ATOL Regulations.

### Conclusion

This provides an insight into the ATOL Regulation changes and an ARA must review the “Requirements for ATOL Reporting Accountants – GN10” in Appendix A of the CAA ORS3 for the full details.

### FURTHER INFORMATION

IFA members with a practising certificate can apply for a license to conduct ATOL reporting work at: [www.ifa.org.uk/9248.aspx](http://www.ifa.org.uk/9248.aspx).