Antravia Research – Tax Architecture in Travel: VAT, Transfer Pricing, and the Exposure of Global Business Models

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1. Executive Summary

The global travel industry is entering a new era of tax scrutiny. Asset-light business models, cross-border contracting, and digital intermediation have created exposure far beyond traditional corporate taxation. Authorities now challenge not only where profits are booked, but also how services are bundled, how payments are made, and whether value creation aligns with tax outcomes.

This paper examines the architecture of tax in travel across five dimensions:

- The fragmentation of the global tax landscape, where VAT, permanent establishment, and digital services taxes overlap with thinly capitalised supply chains.
- The growing risk of indirect tax non-compliance, particularly for U.S. sellers exposed to foreign VAT frameworks and EU regimes such as the Tour Operators Margin Scheme.
- The complexity of U.S. taxation itself, from federal withholding to state nexus standards and city-level occupancy taxes.
- Transfer pricing as a structural issue, where intangibles such as brands, platforms, and customer data attract new scrutiny, reinforced by OECD Pillar One and Pillar Two reforms.
- ESG and reputational pressures, where tax behaviour is becoming a measure of sustainability, with carbon levies and transparency reporting reshaping investor expectations.

The analysis is grounded in anonymised case studies drawn from industry practice, and in quantification models showing how unrecoverable VAT, penalties, and double taxation can erode margins by 20% or more. Antravia's conclusion is this: tax in travel is no longer a reactive compliance issue but a core element of strategy. Businesses that invest in proactive, transparent, and integrated tax structures will protect margins, strengthen supplier and investor relationships, and build resilience in a market where credibility is as valuable as capital.

2. Introduction

Global travel has historically operated on the assumption that tax was a peripheral concern, secondary to commercial strategy. Asset-light models, heavy reliance on intermediaries, and the absence of physical footprints in destination markets created a sense that tax exposure could be managed centrally or even overlooked entirely. That assumption now no longer holds.

Tax authorities worldwide are asserting greater rights over the revenues of digital and cross-border businesses. In Europe, disputes over permanent establishment and VAT treatment have led to multi-million-euro settlements. In the United States, state nexus rules now extend sales tax obligations to remote sellers, while local occupancy levies increasingly fall on intermediaries. At the global level, OECD reforms under Pillar One and Pillar Two, combined with transitional Digital Services Taxes and environmental levies, signal a decisive shift toward a more fragmented and assertive enforcement landscape.

For travel businesses, the vulnerabilities are structural. Services are often sold in one jurisdiction, contracted in another, and consumed in a third. Virtual credit cards, bundled packages, and intermediary models create uncertainty over who is the supplier, where VAT should be charged, and which entity bears the risk of profit attribution. Thin margins mean that even modest disallowances or penalties can tip profitable operations into loss-making territory.

This paper responds to these challenges by examining the architecture of tax in travel. It analyses the risks across indirect tax, U.S. federal and state systems, and transfer pricing; evaluates forward-looking reforms under the OECD and ESG; and illustrates impacts through anonymised case studies and financial quantification. The aim is not only to catalogue risks but to show why tax must now be treated as a strategic discipline. For travel groups, intermediaries, and hotels alike, resilience will depend on shifting from reactive compliance to proactive control.

3. The Global Tax Landscape for Travel Businesses

Global travel businesses face an increasingly fragmented and high-risk tax environment. As jurisdictions tighten enforcement and adopt more assertive interpretations of cross-border rules, traditional assumptions about tax neutrality in tourism no longer hold. The travel industry which was long characterised by asset-light models, multi-jurisdictional contracting, and complex B2B2C flows, now finds itself exposed to scrutiny on multiple fronts: VAT, permanent establishment, transfer pricing, and digital taxation. This complexity is amplified by the sector's structural reliance on disaggregated supply chains, intermediation layers, and the bundling of taxable and exempt services.

A. Travel's structural vulnerabilities

Few industries operate with such a high degree of geographic dispersion between booking, contracting, payment, and service delivery. A hotel may be located in Italy, sold by a U.S.-based OTA, contracted via a bedbank in Spain, and paid using a virtual credit card issued from Ireland. This fragmentation creates difficulties not only in compliance, but also in establishing tax liability, VAT reclaim eligibility, and permanent establishment thresholds.

Compounding this is the lack of physical footprint typical of modern travel companies. Many OTAs, DMCs, and wholesalers operate without owning inventory or physical assets in the destination country. While operationally efficient, this model often invites questions around substance, residency, and where value is truly created, especially from tax authorities in jurisdictions seeking to preserve local tax bases.

Further, digital intermediaries represent a growing vector for indirect taxation. Even without physical assets or legal entities in a jurisdiction, platforms that facilitate bookings, payments, or dynamic packaging are increasingly subject to claims of Permanent Establishment or Digital Services Tax. Tax authorities are scrutinising whether the provision of intermediary services, especially where local consumers pay domestic providers via the platform, imposes a local tax obligation, irrespective of the head office location.

B. Industry Segments and Tax Touchpoints

Understanding where tax exposure arises depends on the segment and business model. Each has distinct risks:

- **Online Travel Agencies (OTAs)**

  Often headquartered in low-tax jurisdictions but selling globally, OTAs face pressure around digital service tax (DST), permanent establishment via sales agents or contracting teams, and VAT on service fees.

- **Destination Management Companies (DMCs)**

  Frequently based in one jurisdiction but serving clients in another, DMCs often bundle exempt and taxable services (e.g. excursions + accommodation) without full clarity on VAT rules. Reverse charge is often incorrectly assumed to apply to B2C clients.

- **Bedbanks and Wholesalers**

  Their intermediary role is often misunderstood, and VAT liability may arise if they act as principal in the supply chain, especially if they handle payments or issue invoices to B2C customers.

- **Hotel Groups**

  Tax issues arise in transfer pricing (e.g. for intra-group franchise or brand fees), VAT treatment of cross-border bookings, and permanent establishment via marketing or contracting teams in third countries.

- **Retail Travel Agencies**

  Although traditionally low risk, those that cross borders, especially through affiliate models or hosting international clients, face exposure to VAT misclassification and U.S. sales tax nexus.

- **Travel Tech Platforms**

  Companies that provide SaaS or API-based booking engines are increasingly subject to DST regimes or treated as digital intermediaries, even where they never touch the guest or the transaction flow.

Each of these models interacts with tax regimes differently. What is consistent, however, is the increasing willingness of tax authorities to challenge structures that rely on legacy assumptions about where tax should be paid, especially where services are consumed locally or value is created through contract negotiation or fulfilment in high-tax jurisdictions.

C. Case Study: Booking.com's Global Tax Structure and Public Scrutiny

Perhaps no travel company illustrates the tension between asset-light global scaling and national tax sovereignty better than **Booking.com**.

Headquartered in the Netherlands, Booking.com long benefited from a tax-friendly environment, booking much of its revenue in the Netherlands even while operating globally. However, several countries have challenged this structure in recent years. The French tax authority, for instance, launched an investigation in 2019 over whether Booking.com should be taxed on revenues generated from French hotels, thus arguing that its commercial activity and marketing presence in France constituted a permanent establishment. Booking.com was ultimately ordered to pay €153 million in back taxes and penalties after the French court ruled that the company's French operations amounted to a taxable presence in the country, despite the absence of a French legal entity.

Similarly, the UK's HMRC questioned the VAT treatment of commissions earned by Booking.com and other OTAs from UK-based hotels. The challenge focused on whether the VAT reverse charge mechanism applied or whether the supply of intermediation services was effectively taking place in the UK, in which case UK VAT would be due.

These cases mark a shift in global tax enforcement: jurisdictions are increasingly unwilling to accept that platforms serving domestic consumers, and profiting from local accommodation providers, can route all tax obligations to low-tax headquarters abroad. In many ways, the Booking.com

disputes preview the logic now underpinning the OECD's Pillar One reforms, which seek to reallocate taxing rights toward market jurisdictions.

4. Indirect Tax Risk in Global Travel

Indirect tax regimes such as VAT and GST are among the most misunderstood areas of international travel finance. Their impact extends well beyond domestic sellers. Travel businesses operating globally, particularly in asset-light or intermediary models, face exposure both as non-resident suppliers and as recipients of services in complex, bundled transactions. Unlike direct taxation, which typically follows profit allocation, indirect tax liabilities are often triggered by service delivery location, contractual flow, or customer type (B2B vs B2C), even where no legal presence exists in the jurisdiction. As tax authorities grow more assertive in their treatment of foreign intermediaries, the travel sector must reassess assumptions that VAT is someone else's problem.

A. U.S.-Based Travel Sellers: Exposure to Foreign VAT

Many U.S. travel sellers, including OTAs, luxury advisors, and group operators, operate under the false assumption that foreign VAT rules do not apply unless the business is registered abroad. In practice, this position is no longer tenable. Non-resident VAT liability arises in multiple jurisdictions where services are sold to individuals or where the supplier is deemed to be acting as a principal in the supply chain.

Selling Packages to EU or UK Clients

A U.S.-based luxury travel advisor that assembles and sells multi-day trips in Europe to EU-based clients is often required to register for VAT in the destination country. This applies even if the advisor operates without an EU office. In many cases, tax authorities assert that the service is performed (and consumed) locally and is therefore within the VAT scope.

For example, France has issued guidance confirming that non-EU suppliers of travel services to French individuals are required to register and charge French VAT where the services include physical elements (accommodation, transport, excursions) taking place in France. Similar requirements apply in Italy, Spain, and Austria. Ignorance of this obligation can result in penalties, blocked clients at hotel check-in (due to missing VAT-compliant invoices), or the inability to reclaim supplier VAT, thus materially eroding margin.

Reverse Charge Assumptions and B2B Misclassification

U.S. agencies often rely on the assumption that foreign suppliers will "reverse charge" VAT on B2B purchases. However, this mechanism only applies if the U.S. buyer is correctly identified as a business and the service is eligible for reverse charge. Problems arise when:

- The U.S. agency fails to provide valid proof of business status (e.g. no VAT ID or equivalent).
- The supplier classifies the sale as B2C by default.
- The nature of the service, e.g. hotel accommodation, excursions, is exempt from reverse charge treatment under local law.

These misclassifications often result in irrecoverable VAT being charged to the U.S. agency, with no route for reclaim. In high-VAT countries such as Denmark (25%) or Hungary (27%), this becomes a significant cost center.

U.S. Operators and VAT on Commissions

U.S. advisors earning commission from non-U.S. hotels, cruise lines, or DMCs may find that withholding VAT or local indirect tax is applied to their commission if the payer is based in a VAT jurisdiction. In some cases, the foreign payer will deduct VAT at source and issue a reduced payment, or demand a VAT-compliant invoice from the U.S. party. Without a registered presence, U.S. sellers are unable to issue compliant invoices or reclaim withheld tax, leading to revenue loss.

B. International VAT Frameworks and Sector-Specific Rules

VAT exposure in travel is not solely a U.S. concern. For EU-based travel sellers, DMCs, and B2B wholesalers, compliance risk is embedded in the structure of how services are bundled, invoiced, and delivered. While EU VAT law provides for exemptions and simplifications, these often break down under scrutiny, particularly in cross-border scenarios involving multiple suppliers and clients in different countries.

The Tour Operators Margin Scheme (TOMS)

TOMS is an EU-specific regime that applies to travel businesses acting as principals who buy in and resell travel services without itemizing each component to the customer. Under TOMS:

- VAT is calculated on the margin (sales price minus direct costs), not total revenue.
- The rate and country of taxation is that of the operator's establishment and not where the services take place.
- VAT on input costs cannot be recovered for services falling under the scheme.

This creates a dual burden. Firstly, margin-based VAT liability often surprises new entrants who are expecting to charge nothing at all (especially DMCs and bedbanks). Secondly, many misapply TOMS or incorrectly assume it does not apply, thus exposing them to reclassifications and retrospective assessments. Intra-EU operators who sell to other businesses often incorrectly apply reverse charge, when in fact TOMS still applies if acting as principal.

ECJ jurisprudence reinforces the need for caution. In Madgett and Baldwin (C-308/96 & C-94/97), the Court insisted that any in-house services bundled with bought-in services must be attributed a market-value price for margin calculation under TOMS, effectively preventing internal margins from being artificially reduced via low internal cost accounting.

More recently, the ECJ in C-108/22 ruled that even consolidators reselling accommodation, without ancillary services, remain eligible for the VAT scheme for travel agents. The judgment underscores the regime's pragmatic intent: avoiding VAT multiplicity and preserving simplicity across Member States

The EU Package Travel Directive and VAT Bundling Risk

The **EU Package Travel Directive (2015/2302)** imposes a regulatory obligation on operators selling pre-arranged combinations of travel services to treat them as a single package. While primarily a consumer protection regulation, it also creates **VAT consequences**. Specifically:

- Services bundled into a package may become subject to VAT as a whole, even if individual components are exempt.

- The operator may be required to act as a **principal**, triggering VAT registration and liability.
- Common errors include treating the bundle as B2B when it is functionally B2C, or using agency language in contracts while acting as principal in substance.

National tax authorities often review contracts and booking flows to look through form to substance. If the operator controls pricing, holds risk, or sets terms, they may be deemed the supplier, regardless of contract wording. This has been reinforced in multiple national court rulings.

Non-Resident VAT Registration and Reclaim Challenges

Many jurisdictions, including the UK, France, Australia, and the UAE, require non-resident suppliers of certain travel services to register for VAT or its equivalent. Triggers vary by jurisdiction but often include:

- Sales to local individuals (B2C)
- Bundled physical services delivered locally (accommodation, excursions)
- Acting as principal with control over service delivery

Failure to register not only incurs penalties but also blocks VAT reclaim opportunities. For example:

- A UK-based DMC operating tours in Italy without an Italian VAT registration cannot reclaim input VAT on hotel costs, transport, or guides.
- An EU-based OTA issuing payments via virtual credit cards may lose reclaim rights if the hotel invoices are not compliant, or if the card issuer is based offshore.

Reclaim is further complicated by VAT invoice formatting rules, foreign language requirements, and the absence of local fiscal representatives.

C. Practical Solutions and Forward-Looking Trends

Technology and Automation

Indirect tax complexity cannot be solved by manual processes alone. Modern travel groups are beginning to implement AI-driven tax engines that automatically classify transactions as B2B or B2C, validate invoice data, and apply the correct VAT treatment across multiple jurisdictions. Automated reconciliation tools reduce the risk of reclaim denials caused by mismatched invoice details or missing fiscal representatives.

Contractual Safeguards

Many VAT disputes stem from contract wording that obscures who is acting as principal versus agent. Travel companies should review contracts to ensure clarity on liability for VAT, and where appropriate include indemnity clauses that protect intermediaries from retrospective assessments. This is particularly important when working with DMCs or non-resident suppliers where local tax authorities are increasingly scrutinizing substance over form.

Organizational Design and Compliance Ownership

Assigning responsibility for indirect tax within the finance team is no longer optional. Businesses that treat VAT as a back-office function often miss registration triggers or fail to update compliance after operational changes. Best practice is to designate a tax compliance owner, supported by cross-functional training, so sales, contracting, and product teams understand how their decisions can create or shift VAT liability.

Digital Services Taxes (DSTs) and OECD Reforms

Beyond VAT, digital services taxes are emerging as another risk vector for travel intermediaries. Jurisdictions such as France, Italy, and India have already imposed DSTs on revenue generated from digital platforms, often capturing OTAs, booking engines, and even advertising revenue linked to travel. Revenue thresholds vary, but many mid-sized travel businesses already exceed them. DSTs are widely regarded as an interim measure ahead of OECD Pillar One reforms, which aim to reallocate taxing rights for digital and consumer-facing businesses. Together with OECD Pillar Two's global minimum tax rules, these developments suggest a future where indirect and direct tax exposures converge, requiring integrated strategy rather than siloed compliance.

Case Studies

- *U.S. Luxury Advisor*: A boutique U.S. agency selling high-end European itineraries discovered, only after a tax audit, that it was liable for French VAT on bundled services. With no local registration and no ability to reclaim input VAT, margins were cut by 20%, and the agency had to absorb penalties for late compliance.
- *European DMC*: A mid-sized DMC in Spain assumed its B2B sales qualified for reverse charge. However, because it packaged hotels and excursions as a principal, Spanish authorities reclassified the supplies under TOMS. The reassessment eliminated input VAT recovery and created a retroactive liability on three years of sales.

D. Strategic Implications

Indirect tax is now a defining element of travel finance, and not just a side accounting concern. U.S. and EU operators alike must recognize that exposure can arise without physical presence, and that traditional assumptions around reverse charge or exemption no longer hold. By adopting automation tools, revising contracts, assigning ownership, and monitoring regulatory reforms such as DST and OECD Pillar One/Two, travel businesses can move from reactive compliance to proactive risk management.

5. U.S. Tax Exposure

While much of the international tax debate centres on VAT and transfer pricing, the United States presents its own unique risks. The U.S. does not have a national VAT or GST but instead applies a patchwork of federal income tax rules, state nexus standards, and local lodging taxes. For global travel businesses, this makes U.S. exposure particularly difficult to map and easy to underestimate.

A. Federal-Level Exposure

Income Tax and Withholding

Foreign travel sellers may be considered engaged in a U.S. trade or business if their activities within the country rise above incidental marketing. In such cases, federal income tax may apply to profits attributable to U.S. activities. In addition, cross-border payments, such as commissions, royalties, or licensing fees, are generally subject to 30% withholding unless a tax treaty reduces the rate.

For a European DMC selling itineraries through U.S. partners, this can mean a significant haircut to revenue unless the correct treaty relief is claimed and documented. For example, under the U.S.–UK income tax treaty, certain commission payments may be reduced to 0% withholding if the U.K. recipient submits the correct IRS Form W-8BEN-E and claims treaty benefits [Ref - IRS Treaty Table 2025]. Without documentation, the U.S. payer must deduct the full 30%, eroding margins.

Permanent Establishment Concerns

Even without incorporating in the United States, certain actions can create permanent establishment (PE) exposure. Employing U.S.-based staff, appointing dependent sales agents with contracting authority, or hosting servers in the U.S. are all common triggers. Once PE is established, federal income tax obligations extend to the share of global profits deemed connected with U.S. activity, creating both a filing obligation and a potential tax liability that few intermediaries anticipate.

B. A State Nexus and Sales/Use Taxes

Economic Nexus Standards

The 2018 Supreme Court decision in *South Dakota v. Wayfair* overturned the long-standing physical presence rule. States may now compel remote sellers to collect sales tax if they exceed economic thresholds, typically $100,000 in sales or 200 transactions annually. For travel agents and OTAs selling packages into multiple states, these thresholds can be triggered quickly. Nexus analysis therefore becomes a compliance exercise that must be updated continuously, not a one-off determination.

Sales versus Use Tax

The treatment of travel services varies widely. Some states impose sales tax on accommodation and event tickets sold by intermediaries; others exempt such sales. When suppliers fail to charge sales tax correctly, liability shifts to the purchaser under "use tax." Travel companies that misinterpret the rules risk both tax assessments and penalties for non-remittance.

C. Hotel- and City-Level Taxes

Beyond federal and state regimes, local lodging taxes are a constant source of friction. Cities and counties impose occupancy or tourist taxes, often as a percentage of room revenue or a per-night charge. Responsibility for collection does not always sit with the hotel. In pre-paid models, OTAs, wholesalers, or travel agents may be deemed liable to collect and remit local tax.

The reputational risk is significant, as guests frequently arrive with confirmation vouchers marked "paid in full," only to be told at check-in that a local tax is due in cash. New York City's hotel occupancy tax, Las Vegas resort fees, and Miami-Dade's tourist development levy are well-known examples. Poor communication undermines trust and generates disputes that could have been avoided with transparent disclosure at the booking stage.

D. Hotel- and City-Level Taxes Forward-Looking Risks

Digital Tax Expansion

State legislatures are experimenting with taxation of digital services, and travel platforms are unlikely to remain outside their scope. Marketplaces such as Airbnb and large OTAs are already compelled to collect and remit local lodging taxes on behalf of hosts. It is foreseeable that states will extend such obligations to bundled packages or ancillary services, creating compliance complexity for intermediaries that sit between the consumer and the supplier.

Federal Scrutiny of Intermediaries and OECD Alignment

As U.S. revenue authorities increase their scrutiny of cross-border intermediaries, questions are likely to intensify around revenue sourcing and withholding. For travel groups whose structures depend on offshore invoicing, the risk is not only additional tax liability but also penalties for failure to withhold or report.

E. Case Studies

Case Study 1: State Nexus triggered by Online Sales

A mid-sized OTA based in Europe expanded aggressively into the U.S. leisure market, selling packaged tours online. Within two years, sales to New York, California, and Texas each exceeded $500,000 annually. Under economic nexus rules, the company was obligated to register and collect sales tax in each state. Because no monitoring system was in place, sales tax was not collected. Following a state audit, the OTA faced retroactive liability of more than $2 million across three jurisdictions, including penalties and interest. The failure was not driven by profit margins but by a lack of operational awareness of state-level thresholds.

This scenario is a very realistic example of a non-U.S. company unknowingly triggering state sales tax nexus. The consequences, such as retroactive liability, penalties, and interest, are a common outcome of non-compliance.

Case Study 2: Hotel Occupancy Tax and Guest Dissatisfaction

A U.S. wholesaler selling pre-paid hotel nights into Miami packaged the accommodation with excursions and transfers. While the wholesaler remitted Florida sales tax on the package, it failed to separately register and remit the Miami-Dade tourist development tax of 6% on room revenue. Hotels began charging guests directly at check-in to cover the missing tax, resulting in complaints of "double payment." Reputational fallout included loss of key agency partnerships and a

renegotiation of contracts with suppliers. Financial exposure was compounded by tax assessments for three prior years.

This case study highlights a real-world problem where an intermediary (a wholesaler) fails to account for a specific local tax, leading to guest complaints and financial and reputational damage.

Case Study 3: Withholding Tax on Cross-Border Commissions

A luxury hotel chain in Italy paid recurring commissions to a U.S.-incorporated wholesaler. Payments were made gross for several years without withholding, on the assumption that commissions fell outside Italian withholding scope. A subsequent review by the U.S. wholesaler's tax advisors revealed that under IRS rules the commissions should have been subject to U.S. withholding if paid from U.S. sources, and under Italian practice VAT could also have applied on marketing services provided cross-border. The uncertainty triggered both U.S. and EU compliance reviews, exposing the wholesaler to dual inquiries. The case highlighted the difficulty of aligning withholding tax obligations with cross-border service flows in travel.

This case, while simplified, reflects the complex interplay of tax rules between different countries. The issue of whether a payment is U.S.-sourced and therefore subject to U.S. withholding, even if paid by a foreign entity, is a real point of contention and a source of confusion for international businesses. The mention of potential VAT implications in the EU also adds a layer of realism to the tax complexity.

Closing Observation

The United States is often perceived as simpler than Europe because it lacks a national VAT regime. In practice, its patchwork of federal, state, and local rules creates a tax landscape just as challenging. For international travel businesses, ignoring U.S. tax exposure is no longer an option. Monitoring state nexus thresholds, structuring contracts to minimize PE risk, and communicating clearly with clients about local hotel taxes are essential steps. Failure to do so risks not only regulatory penalties but also customer dissatisfaction that can damage brand value in one of the world's most important source markets.

The section titled U.S. Tax Exposure illustrates how fragmented rules across federal, state, and city levels create immediate compliance risks for foreign travel sellers. Yet even where domestic obligations are understood, a deeper structural issue remains: how profits are allocated within global travel groups themselves. Transfer pricing disputes now dominate cross-border tax enforcement, cutting across online platforms, hotel chains, and destination management companies. The section titled Transfer Pricing in Global Travel explores how intercompany models, intangible assets, and OECD reforms are reshaping the allocation of value in an industry built on multi-jurisdictional functions.

6. Transfer Pricing in Global Travel

While federal, state, and city-level rules create a patchwork of exposure in the United States, an equally pressing challenge for global travel businesses lies in how profits are allocated across their own networks of entities. Transfer pricing disputes increasingly sit at the intersection of corporate tax and operational reality, particularly for groups that contract in one jurisdiction, market in another, and serve clients in a third. The section titled Transfer Pricing in Global Travel examines how intercompany models, intangible assets, and OECD guidance are reshaping the way travel companies must design their tax architecture.

A. Intercompany Models and Value Allocation

Global travel businesses rarely operate through a single entity. Instead, they manage complex webs of subsidiaries, affiliates, and contracting hubs spread across multiple jurisdictions. This structure is commercially efficient but creates acute transfer pricing challenges. Revenue may be generated by a booking platform headquartered in Ireland, services delivered by hotels in Italy, and contracting handled by a bedbank in Spain, while marketing staff operate from the United States. Determining how profits should be allocated between these entities is rarely straightforward.

Online travel agencies typically centralise contracting in low-tax jurisdictions, booking supplier contracts and invoicing customers from a single hub. Local marketing subsidiaries, however, often employ staff who actively negotiate rates or influence pricing. Tax authorities in those market jurisdictions argue that the functions performed locally create taxable value that should not be attributed entirely to the hub. Similar disputes arise for destination management companies that maintain overseas branches: inbound tour operations frequently deliver on-the-ground services that carry entrepreneurial risk, yet these are not always compensated at an arm's length margin.

Hotel groups face their own intercompany allocation dilemmas. Global brands often push profits into central entities through franchise fees, technical services charges, or management contracts. Increasingly, local tax administrations argue that these charges are inflated relative to the independent market, or that part of the value generated by local teams is being stripped out via intercompany arrangements. The practical effect is that authorities are less willing to accept headquarters' allocations without robust evidence of substance and comparability.

A recurring consequence of these disputes is double taxation. If France asserts that a portion of an OTA's contracting profits should be taxed locally while the Netherlands continues to tax the full amount under its residence-based rules, the same profit may be subject to tax twice. Although treaties and mutual agreement procedures exist to resolve such conflicts, they are slow, uncertain, and often costly. For travel groups operating on thin margins, this exposure can turn a compliance dispute into a material financial threat.

B. OECD Guidance and Intangibles in Travel (Brands, Platforms, IP)

The OECD Transfer Pricing Guidelines require multinational groups to allocate profits in accordance with the arm's length principle, assessing where economic value is created rather than relying solely on legal form. In travel, this mandate collides with the prevalence of intangible assets such as brands, technology platforms, and customer data.

Brand royalties are a frequent flashpoint. Hotel chains often assign brand value to headquarters entities and charge local subsidiaries a royalty calculated as a percentage of revenue. Local authorities, however, may argue that the royalty rate exceeds what an independent operator would pay for a comparable brand, or that the local entity is itself contributing to brand value by investing in customer service, local marketing, or product innovation.

Platform intangibles present a newer frontier. OTAs, booking engines, and travel tech platforms generate significant value through proprietary algorithms, booking optimisation systems, and access to global customer data. Yet the question of where that value is created is unsettled. Should profits be allocated to the jurisdiction where the code was developed, where the platform is hosted, or where the customers are located? Increasingly, tax authorities contend that customer-facing markets contribute materially to value creation, and therefore merit a share of residual profit, regardless of where the technology is legally owned.

Even support functions are under scrutiny. Contracting teams that negotiate with hotels, customer service staff resolving booking disputes, or local agents who customise itineraries are increasingly recognised as value-creating. Authorities are prepared to "look through" legal contracts and assert that income should be attributed where substantive human functions occur, rather than where invoices are issued. This trend overlaps with the permanent establishment debates already evident in the section titled The Global Tax Landscape for Travel Businesses: the same staff who risk creating nexus also generate grounds for reallocating profit.

C. Practical Compliance Approaches and Emerging Risks

In this environment, travel businesses must take a proactive stance on transfer pricing. Benchmarking intercompany transactions, whether management fees, commissions, or licensing royalties, against external comparables is essential. Simply applying a uniform charge across all subsidiaries is unlikely to withstand audit challenge without evidence of market alignment.

The OECD recognises several methods for determining arm's length pricing, each with relevance to travel:

- Comparable Uncontrolled Price (CUP): useful for commissions, where external market rates can be observed for similar services.
- Transactional Net Margin Method (TNMM): often applied to support functions such as IT services or contracting hubs, benchmarking operating margins against industry peers.
- Profit Split Method: increasingly relevant for platforms where multiple entities contribute significant value (for example, technology in one jurisdiction and marketing in another).

Documentation is equally important. OECD-compliant master files and local files should describe not only the group's financial flows but also the people, systems, and functions underpinning them. For travel companies, this means mapping where contracting decisions are taken, where risk is borne, and where customer relationships are managed. Tax authorities are increasingly requesting detailed functional analyses, and businesses without such files face reassessments and penalties.

Operational substance also matters. If a group assigns high profits to a contracting hub, it must ensure that hub employs sufficient staff with genuine decision-making authority. Empty shells or letterbox entities are easy targets for challenge. Likewise, centralised entities receiving royalties or

commissions should be able to demonstrate technical or managerial input consistent with the revenue earned.

The scale of potential exposure is evident in disputes already public. In the United States, Expedia faced IRS challenges regarding the allocation of profits to offshore subsidiaries, with the Service arguing that functions performed domestically warranted greater income attribution. Similar controversies have arisen in Europe over franchise fee allocations by international hotel groups. These cases underline that transfer pricing enforcement in travel is not theoretical but active and ongoing.

Finally, the policy landscape is shifting. OECD Pillar Two will impose a global minimum tax, reducing the attractiveness of low-tax hubs that historically captured travel profits. Groups structured around such hubs may find that tax benefits erode while compliance burdens increase. At the same time, ongoing implementation of OECD Pillar One is set to reallocate taxing rights toward market jurisdictions, further strengthening the argument that customer-facing countries should share in residual profit.

Together, these developments suggest that transfer pricing in travel is no longer a technical afterthought but a central component of strategic planning. Businesses that treat intercompany allocation as a compliance exercise risk being caught unprepared by audits, litigation, or systemic reforms. Those that approach it as part of their tax architecture by aligning legal structures with real functions and market realities, will be better positioned to navigate the next decade of global tax change.

The dynamics examined in the section titled Transfer Pricing in Global Travel reveal how fragile traditional allocation models have become under modern enforcement. Even where documentation is robust and methods are carefully applied, the combined weight of double taxation risk, disputes over intangibles, and the erosion of low-tax advantages leaves travel groups exposed to ongoing challenge. These vulnerabilities are magnified by reforms now moving from policy to implementation. The section titled Forward-Looking Regulation and ESG considers how OECD Pillar One and Pillar Two, together with environmental levies and rising expectations of tax transparency, will redefine the landscape in which travel businesses operate.

7. Forward-Looking Regulation and ESG

A. OECD Pillar One and Pillar Two Reforms

The OECD's two-pillar framework represents the most significant overhaul of international taxation in decades, and its implications for the travel industry are profound. Pillar One reallocates taxing rights toward market jurisdictions, particularly for digital and consumer-facing businesses. This has direct relevance for online travel agencies and booking platforms that centralise profits in low-tax hubs while deriving revenue from customers worldwide. Jurisdictions hosting the consumers and suppliers may soon receive a greater share of taxable income, challenging legacy models built around headquarters consolidation.

Pillar Two, by contrast, imposes a global minimum tax of 15% on multinational groups exceeding the revenue threshold. For travel companies headquartered in traditionally low-tax jurisdictions, this sharply reduces the benefit of routing revenue through contracting hubs. Instead, compliance obligations will expand, as groups must reconcile effective tax rates across multiple countries and top up taxes where necessary. Even medium-sized intermediaries may be swept into these rules as thresholds are lowered or as national governments introduce domestic minimum taxes inspired by the OECD framework.

Digital Services Taxes (DSTs) remain a live issue during the transition to OECD Pillar One. France, Italy, Spain, and India have already enacted DST regimes that impose levies, often around 2–3% of digital revenues derived from local users. While originally targeted at large technology companies, these measures have captured online travel platforms where revenue is booked offshore but sourced from local markets. For travel businesses, the challenge is not only the financial burden but also the compliance complexity of reporting revenues by jurisdiction. As Pillar One advances, many of these DSTs are expected to be repealed or absorbed, yet in the interim they represent a parallel regime that must be managed carefully.

B. Carbon and Environmental Taxes in the Travel Sector

Beyond corporate and indirect tax, environmental levies are becoming embedded in the fiscal landscape of travel. Airlines face carbon charges under the EU Emissions Trading System, with similar mechanisms emerging in Asia and the Americas. Hotels and resorts are increasingly subject to sustainability levies earmarked for environmental preservation or infrastructure investment. For travel intermediaries, these charges are not merely pass-through costs: when bundled into packages, they can alter VAT treatment, raise pricing disputes, and complicate disclosure obligations.

The intersection of environmental levies with VAT is already visible. In certain jurisdictions, eco-taxes charged per night are treated as part of the taxable base for accommodation, increasing the effective VAT burden. As governments expand environmental taxation, travel businesses must prepare for scenarios where sustainability-linked levies cascade into multiple tax layers. This demands systems capable of classifying such charges accurately and contracts that specify responsibility for collection and remittance.

Examples are already visible at both regional and local levels. The Balearic Islands apply a Sustainable Tourism Tax of up to €4 per night on accommodation, earmarked for environmental projects, while the EU Emissions Trading System imposes carbon costs on airlines flying within the bloc. These charges demonstrate the breadth of environmental taxation: from local bed-night

levies that directly affect hotel pricing, to regional carbon markets that increase airline operating costs and ultimately the price of travel packages.

C. ESG, Tax Governance, and Reputational Risk

Environmental, social, and governance (ESG) frameworks are reshaping investor and consumer expectations, with tax conduct increasingly seen as part of corporate responsibility. Aggressive tax planning that once passed as efficient structuring is now viewed as reputationally risky, particularly in consumer-facing sectors such as travel. Public scrutiny of Booking.com, Airbnb, and global hotel groups illustrates how tax transparency has become a mainstream concern.

From a governance perspective, boards are expected to treat tax strategy as a matter of oversight, not simply compliance. This entails documenting risk appetite, embedding controls into financial operations, and ensuring that tax decisions align with the group's stated ESG commitments. For travel businesses reliant on consumer trust and brand value, reputational fallout from perceived tax avoidance can outweigh the savings generated. The challenge is not only technical compliance but also demonstrating to stakeholders, investors, regulators, customers, that the company's tax architecture is responsible, transparent, and aligned with long-term sustainability.

Operationalising tax governance requires more than policy statements. Leading travel businesses are adopting tax risk registers, conducting board-level reviews of tax exposures, and publishing voluntary tax transparency reports that explain their effective tax rates and approach to compliance. Internal training is increasingly used to ensure that sales, contracting, and finance teams understand how operational decisions create tax exposure. These measures both mitigate regulatory risk and demonstrate to stakeholders that governance is embedded, not symbolic.

Investors and ESG ratings agencies are also incorporating tax conduct into their evaluations. Aggressive structuring that shifts profits to low-tax jurisdictions may result in lower ESG scores, higher financing costs, or exclusion from sustainability indices. For travel companies that rely heavily on brand reputation and consumer trust, the financial consequences of being perceived as non-compliant extend well beyond tax assessments and penalties.

8. Anonymous Case Studies (Antravia Strategic Analysis)

A. Case Study 1: Global Bedbank – FX and VAT Mismatch

A large international bedbank operating across Europe and North America relied heavily on virtual credit cards to settle hotel invoices. While commercially efficient, this model created exposure when cards were issued in one currency but used months later in another. Hotels often rejected cards at check-in when exchange rates had shifted, leading to booking disruptions and disputes.

From a tax perspective, the bedbank compounded the problem by failing to maintain consistent VAT documentation. Invoices were often issued by offshore subsidiaries that were not registered locally, while VAT reclaim was attempted through entities lacking the required presence. National authorities in two jurisdictions challenged the reclaim, arguing that the entity named on the invoice was not the one bearing the cost. The result was a dual exposure: unrecoverable VAT on hotel costs and financial losses from FX volatility.

Lesson: In complex payment flows, the failure to align financial processes with tax requirements creates a structural vulnerability. FX and VAT should be treated as integrated risks, not separate silos.

B. Case Study 2: Luxury DMC – High-Value Payments and Indirect Tax Exposure

A luxury DMC specialising in bespoke itineraries for affluent travellers packaged high-value services including five-star accommodation, private transfers, and exclusive excursions. The DMC assumed that because it invoiced international travel advisors on a B2B basis, the reverse charge mechanism applied and no local VAT registration was required.

A subsequent audit in its home jurisdiction reclassified the DMC as acting as a principal, not an agent, under the EU Tour Operators Margin Scheme (TOMS). This meant VAT was due on the margin for all packages sold, and input VAT recovery was blocked. The reassessment covered three years of operations and included penalties, creating a liability that exceeded the company's annual net profit.

Lesson: Bundling services into high-value packages without careful VAT analysis exposes DMCs to systemic reassessment risk. Contract wording and invoicing structures must reflect the substance of the supply chain.

C. Case Study 3: Caribbean Hotel – Local Tourist Tax Miscommunication

A luxury resort in the Caribbean relied on international wholesalers and OTAs for much of its distribution. The resort applied a nightly tourist levy imposed by the local government but assumed that intermediaries would disclose this charge at the booking stage. In practice, many vouchers provided to guests were marked "paid in full," with no mention of the tax.

At check-in, guests were informed that the levy, which was often payable in cash, remained outstanding. Dissatisfied customers lodged complaints with intermediaries, and several agencies terminated contracts with the resort. The reputational damage extended beyond the immediate revenue loss, as the property was publicly criticised on travel forums for misleading billing practices.

Lesson: Even relatively minor local taxes can create disproportionate reputational harm if communication is unclear. Hotels and intermediaries must align on disclosure practices to preserve trust and avoid brand erosion.

The cases in the section titled Anonymous Case Studies (Antravia Strategic Analysis) demonstrate that tax risk in travel is rarely abstract. Whether through FX mismatches, incorrect VAT treatment, or poor disclosure of local levies, the consequences manifest in financial losses, reputational damage, and strained supplier relationships. These outcomes also reveal a common pattern: exposures are often underestimated until they accumulate across years of trading. The section titled Quantifying the Financial Impact of Tax Non-Compliance examines how these risks translate into measurable costs, from margin erosion to penalties, and why proactive investment in compliance is more cost-effective than remediation after the fact.

9. Quantifying the Financial Impact of Tax Non-Compliance

A. Cost Categories: Fines, Legal Fees, Reputational Damage

The financial burden of tax disputes extends well beyond the initial liability. Tax authorities typically impose penalties of 10–40% of the unpaid amount, along with interest that accrues from the date the liability should have been settled. Legal and advisory fees escalate quickly, especially when disputes cross multiple jurisdictions. In 2022, for example, the French court ruling against Booking.com for €153 million in back taxes and penalties underscored how assessments can multiply when authorities allege deliberate avoidance rather than technical error.

Reputational damage, although less easily quantified, can erode long-term profitability. Consumer-facing brands such as Airbnb and global hotel chains have been criticised for perceived tax avoidance, generating negative press coverage that far outweighed the monetary assessments. For travel intermediaries that rely heavily on supplier trust, even the perception of tax instability can lead to contract renegotiations or exclusion from distribution networks.

Double taxation risk further amplifies exposure. When two jurisdictions both assert taxing rights over the same profit stream, businesses face liability without any increase in revenue. For example, if a booking platform routes revenue through a headquarters entity in one country but a market jurisdiction reattributes part of that income locally, the result may be two full assessments on the same profit. Even when relief is technically available through treaties, the cost of pursuing mutual agreement procedures can extend for years and require significant legal expenditure. This transforms what might appear to be a technical adjustment into a material financial burden.

B. Illustrative Margin Erosion Example (Impact of Unrecoverable VAT)

Tax exposure is particularly disruptive in travel because the industry operates on thin gross margins. Even modest disallowances can materially alter profitability. Consider the following illustrative scenario:

- A travel advisor sells a $1,000 European itinerary to a client.
- Direct costs for hotels, transfers, and excursions total $900, leaving a $100 gross margin.
- The advisor fails to register for VAT in France, where part of the itinerary is delivered. French authorities subsequently determine that 20% VAT should have been applied to the gross margin.
- The VAT liability amounts to $20. Applied retroactively to three years of bookings, this liability grows into six figures.

The $20 liability erodes a $100 margin to $80, a 20% reduction in profitability. When scaled across hundreds of transactions, this converts a sustainable business into a loss-making one. In higher-VAT jurisdictions such as Denmark (25%) or Hungary (27%), the erosion is even more severe. This illustrates why indirect tax compliance is not simply a legal matter but a determinant of commercial viability.

C. Strategic Implications for Travel Businesses

These quantifications reveal that tax compliance is not ancillary but central to financial strategy. In a sector where average net margins often hover in single digits, penalties, reassessments, and unrecoverable VAT can transform competitive positioning. Non-compliant operators face not only regulatory costs but also structural disadvantages: suppliers may prefer compliant

intermediaries, investors may demand higher risk premiums, and ESG ratings may penalise aggressive structuring.

Conversely, investment in compliance, such as automated tax engines, transfer pricing documentation, staff training, and contractual safeguards, is consistently less expensive than remediation. The lesson should be clear: proactive structuring of tax architecture is not optional but a prerequisite for resilience in a sector built on cross-border flows.

10. Conclusion

A. The Strategic Nature of Tax Architecture in Travel

Global travel businesses operate in a sector where the allocation of value is no longer neutral. As the section titled The Global Tax Landscape for Travel Businesses demonstrated, exposure arises wherever bookings are made, contracts are negotiated, or services are consumed, regardless of where headquarters are located. The issues explored in Indirect Tax Risk in Global Travel and U.S. Tax Exposure show that non-resident suppliers and intermediaries can be drawn into local regimes without warning.

The section titled Transfer Pricing in Global Travel confirmed that profit allocation is now a frontline issue. Intangible assets such as brands and booking platforms are central to value creation, and tax authorities increasingly demand that profits follow the people and markets that contribute to them. Combined with Pillar One, Pillar Two, and transitional Digital Services Taxes described in the section titled Forward-Looking Regulation and ESG, the trend is clear: travel groups can no longer rely on historic models of centralised profit booking.

For hotels, DMCs, OTAs, and intermediaries alike, tax architecture has become strategic. It defines competitiveness, access to supplier networks, and even investor trust. As shown in the section titled Anonymous Case Studies (Antravia Strategic Analysis), errors in VAT treatment or tourist tax disclosure undermine reputation as much as profitability. The margin erosion calculations in the section titled Quantifying the Financial Impact of Tax Non-Compliance reinforce the point that financial viability is inseparable from tax design.

B. Moving from Reactive Compliance to Proactive Control

Historically, many travel companies treated tax as a back-office function, reacting only when audits or disputes arose. The evidence presented throughout this paper demonstrates why this posture is no longer sustainable. Penalties, unrecoverable VAT, double taxation, and reputational damage compound quickly, while treaty relief and dispute resolution mechanisms remain slow and uncertain.

Proactive control requires embedding tax into strategic decision-making. This means investing in FinTech tools for VAT classification and reconciliation, aligning contracts to clarify principal versus agent roles, and maintaining OECD-compliant transfer pricing documentation. It also means board-level governance, with tax risk integrated into ESG frameworks and communicated transparently to stakeholders.

The direction of travel should be clear. Those who continue to rely on reactive compliance will face rising costs, narrower margins, and deteriorating trust. Those who build proactive control into their tax architecture will not only reduce risk but also secure a competitive advantage in an industry where credibility, resilience, and transparency are now as critical as product and price

Closing Observation

The travel industry has always thrived on complexity, such as connecting suppliers, intermediaries, and customers across borders. That same complexity now defines its tax risk. The choice facing travel businesses is not whether they will engage with this reality, but how. Those who treat tax architecture as an afterthought will find themselves exposed to disputes, penalties, and reputational

loss. Those who invest in proactive, transparent, and strategically aligned structures will find that compliance becomes more than defence: it becomes a foundation for trust, resilience, and long-term growth.

11. Appendix A - Glossary of technical terms

Arm's Length Principle

The standard in transfer pricing requiring that transactions between related parties be priced as if they were conducted between independent entities in comparable circumstances.

Base Erosion and Profit Shifting (BEPS)

A term coined by the OECD to describe tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax jurisdictions.

Comparable Uncontrolled Price (CUP) Method

A transfer pricing method that determines arm's length pricing by comparing the price charged in a controlled transaction with the price charged in a comparable uncontrolled transaction.

Digital Services Tax (DST)

A revenue-based tax imposed by certain jurisdictions on digital companies that derive income from local users, often applied to online platforms, advertising, and intermediation services.

Double Taxation

A situation in which the same income or profit is taxed in more than one jurisdiction, often arising from conflicting views of permanent establishment or profit allocation.

Economic Nexus

A tax concept in the United States where businesses can be required to collect and remit state sales tax if they exceed sales or transaction thresholds, even without physical presence in the state.

Environmental Levies / Carbon Taxes

Taxes imposed to address environmental costs, such as carbon pricing schemes under the EU Emissions Trading System (ETS) or sustainable tourism taxes applied by local governments.

Functional Analysis

An examination of the functions performed, assets used, and risks assumed by entities within a multinational group, forming the basis for transfer pricing allocation.

Intangibles (for Transfer Pricing)

Assets such as brand, customer data, or proprietary technology that generate value but are not physical in nature. Their location and contribution are central in allocating taxable profits.

Mutual Agreement Procedure (MAP)

A treaty-based process allowing jurisdictions to resolve disputes over double taxation, typically arising from transfer pricing adjustments or permanent establishment claims.

OECD Pillar One

An element of the OECD's international tax reform reallocating taxing rights toward market jurisdictions for large digital and consumer-facing businesses.

OECD Pillar Two

A global minimum tax framework requiring multinational groups to pay at least 15% effective tax on profits, regardless of where they are headquartered.

Permanent Establishment (PE)

A fixed place of business or significant economic presence that gives a jurisdiction the right to tax the profits of a foreign company operating within its borders.

Profit Split Method

A transfer pricing method that allocates profits between related entities based on the relative value of contributions made by each.

Tour Operators Margin Scheme (TOMS)

An EU-specific VAT regime applying to businesses that package and resell travel services as principals, taxing only the margin and blocking input VAT recovery.

Virtual Credit Cards (VCCs)

Single-use payment instruments frequently used in the travel industry to settle supplier invoices. While efficient, they create challenges around FX exposure and VAT compliance.

Withholding Tax

A tax deducted at source by a payer on certain cross-border payments such as royalties, commissions, or service fees, often reduced or eliminated by tax treaties.

12. Appendix B - Illustrative VAT and Sales Tax Rates in Key Travel Jurisdictions

Indirect tax rates vary significantly across jurisdictions and represent a primary source of risk for travel intermediaries. The following examples are illustrative and highlight the breadth of exposure:

European Union (EU)

Standard VAT rates range from 17% in Luxembourg to 27% in Hungary. Countries with high VAT, such as Denmark (25%) and Hungary (27%), create material exposure when input VAT cannot be recovered under the Tour Operators Margin Scheme (TOMS).

United Kingdom

Standard VAT rate is 20%, with special schemes for travel. Non-resident suppliers of services consumed in the UK may be required to register locally.

United Arab Emirates (UAE)

VAT was introduced in 2018 at 5%. While low relative to Europe, it applies broadly to hotel accommodation, packaged travel, and intermediary services, capturing many foreign suppliers.

United States

No national VAT. Instead, state and local sales taxes apply, typically in the 4–10% range. For example, New York imposes a combined sales tax of 8.875%, while Miami-Dade County applies a 6% tourist development tax in addition to state sales tax.

These differences illustrate why non-resident travel sellers frequently misclassify transactions or overlook local obligations, leading to irrecoverable costs and retrospective penalties.

13. Appendix C - Illustrative VAT and Sales Tax Rates in Key Travel Jurisdictions

The OECD Inclusive Framework has established clear thresholds for the application of its two-pillar reforms:

- **Pillar One (Reallocation of Taxing Rights)**

  Applies to multinational enterprises with:

  - Consolidated global revenue above **€20 billion**, and
  - Profitability above **10%** (measured as profit before tax to revenue). Once in scope, a portion of residual profit ("Amount A") is reallocated to market jurisdictions where customers are located.

- **Pillar Two (Global Minimum Tax / GloBE Rules)**

  Applies to multinational groups with:

  - Annual consolidated revenue exceeding **€750 million** in at least two of the four preceding fiscal years.
  - A requirement to pay an effective tax rate of at least **15%** in each jurisdiction where they operate. Where the effective tax rate falls below this threshold, "top-up tax" can be imposed under the GloBE rules.

For travel groups, this means that even if headquartered in a low-tax jurisdiction, global profits may be subject to additional taxation in countries where the group operates. While many mid-sized operators fall below these thresholds, larger OTAs, hotel groups, and vertically integrated travel companies will be directly affected.

14. Appendix D - References and Links

For full transparency and further reference, we've included all our source materials below. These are drawn from official provider sites, industry publications, and regulatory filings.

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- IRS – United States Income Tax Treaties (withholdings and treaty benefits) https://www.irs.gov/businesses/international-businesses/united-states-income-tax-treaties-a-to-z
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- Balearic Islands Government – Sustainable Tourism Tax https://www.caib.es/sites/impostturisme/en/
- European Commission – EU Emissions Trading System (aviation and carbon costs) https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en

References: Anonymous Case Studies (Antravia Strategic Analysis)

(Note: These are anonymised scenarios based on industry practice. Supporting references provide context for FX, VAT, and tourist taxes.)

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