

# **GOODS AND SERVICES TAX**

## **QUESTIONS AND ANSWERS RELATING TO THE HOTEL INDUSTRY**



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**1. INTRODUCTION**

This handbook aims to explain the Goods and Services Tax (GST) treatments for the hotel industry.

**2. BAD DEBT RELIEF**

**2.1 *When can the hotel claim bad debt relief?***

You can claim GST relief on your bad debts if you meet the conditions and requirements under the GST (General) Regulations 2001. To ensure that you are eligible to claim this relief, please use the form 'Self-review of eligibility to claim bad debt relief. You can download this form from IRAS website at [www.iras.gov.sg](http://www.iras.gov.sg).

**3. BUSINESS ENTERTAINMENT**

**3.1 *Sometimes the hotel employees entertain clients in the hotel's F&B outlets. Should the F&B outlets bill the hotel employees for GST on the entertainment expenses?***

No GST is to be accounted for if the expenses are incurred in the course of the hotel's business. However, where possible, a separate record must be kept of goods used for entertaining.

**4. COMPENSATORY PAYMENT**

**4.1 *A guest has compensated the hotel for burning a hole in the carpet. Is the compensatory payment subject to GST?***

Since there is neither a supply of goods nor services, the payments will be regarded as out-of-scope and will not attract GST.

**5. COMPLIMENTARY ROOMS**

**5.1 *What is the GST treatment of complimentary banquet room (i.e. guests only pay for the food and beverages only)?***

GST will be chargeable on the price for the package.

**5.2 *Is GST chargeable on the provision of complimentary rooms to corporate companies or businesses?***

No GST will be chargeable on the provision of complimentary rooms provided the hotel uses the complimentary rooms as part of their promotional package to attract customers for its business.

**6. DEPOSITS**

**6.1 *Is GST chargeable when a deposit is received for the booking of hotel accommodation?***

No, unless:-

- (i) the final amount of the bill for room(s) and food & beverage (i.e., the package price) is known in advance; or
- (ii) the deposit is subsequently used as a payment for room(s) or food & beverage GST shall be chargeable at the time the deposit is used for the payment.

For the forfeiture of deposits, please refer to section 9.1 "No-show and Cancellation Charges."

**6.2** *Is GST chargeable when a deposit is received for the booking of a banquet/function?*

Since the deposit will be used as a part payment for the banquet/function, GST shall be chargeable at the time the deposit is received.

**6.3** *Is GST chargeable on a security/floating deposit which is used as a security bond and is fully refundable?*

No.

However, if at the end of the transaction, the floating deposit is used as a payment for rooms or F&B, GST shall be chargeable at the time the deposit is used for the payment.

**7. FREE GIFTS**

**7.1** *If the hotel purchases 100 gifts worth S\$150 each to be given away to 100 different customers, do we need to account for GST on the gifts?*

Since the cost of each gift is not more than S\$200 for each customer, the hotel is not required to account for GST on these gifts.

However, if a gift forms a part of a series of gifts, even though the cost of each gift may not be more than S\$200, deemed output tax is to be accounted for.

"Series of Gifts" Rule: When 3 or more gifts are given to the same person within a period of 3 months, these gifts will be considered as a "series of gifts."

**7.2** *What if the gifts were purchased from a non-GST-registered trader?*

If the gifts were purchased from a non GST-registered trader, hotels are not required to account for deemed output tax even if the cost of each gift is more than S\$200 or if the gift forms a part of a series of gifts. This is because previously, no input tax has been claimed by the hotel. However, for the purpose of determining a series of gifts, gifts purchased from non-GST-registered traders have to be taken into account.

**8. FRINGE BENEFITS**

**8.1 *What are the types of fringe benefits that will attract GST?***

(a) Meals & Accommodation

If the meals and accommodation are provided free to the employees, no GST is chargeable. On the other hand, if the meals are subsidised and the employees pay a portion of the charges, GST is to be accounted for on the extent of consideration paid by employees.

(b) Staff Uniform

If uniforms are given away to the employees, the hotel is required to account for output tax on the cost of the uniforms, unless--

(i) the cost of the uniforms is not more than \$200 for each employee and the uniforms do not form part of a series of gifts (refer to section 7.1 for "Series of Gifts- rule); or

(ii) the uniforms are purchased from a non GST-registered trader.

(c) Staff Laundry

No GST will be chargeable on free supply of services to employees.

(d) Staff Discounts

GST will be chargeable on the discounted price.

**8.2 *If the hotel gives incentive payments to staff who have achieved a certain sales target, do these incentive payments attract GST?***

Since the cash payments form part of the staff remuneration package, no GST is to be accounted for.

**9. NO-SHOW AND CANCELLATION CHARGES**

**9.1 *Are no-show and cancellation charges subject to GST?***

Yes.

No show or cancellation charges levied on customers, who made guaranteed reservation of hotel rooms but who subsequently failed to take up the rooms, are subject to GST.

**10. OFFENCES & PENALTIES**

**10.1 *Who will be responsible for the accuracy of information and declarations made to the Comptroller of GST?***

Directors, managers, secretary or other similar officers purporting to act in that capacity shall be deemed to be guilty of an offence committed by the registered person, unless he proves that the offence was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of the offence.

**11. DISBURSEMENTS & REIMBURSEMENTS**

**11.1 *It is a common practice for us to order bouquets of flowers or purchase gifts on behalf of hotel guests upon their requests. To recover the costs from the guest, we will include these costs as separate charges in the invoice issued to the guest. Is the billing of these costs subject to GST?***

Yes, since the supplier's invoice is likely to show the hotel as the customer and the hotel is responsible to make payments to the suppliers.

**11.2 *Sometimes, a hotel guest would order bouquets of flowers or purchase goods from the shops in the hotel but choose to include the charges in their hotel bill. The hotel will then include these charges, separate from other items, in the hotel bill. After collecting these charges from the guest, the hotel will remit the exact amount of these payments to the shops. Are these charges subject to GST?***

No, since it is the guest's responsibility to pay the supplier and the hotel is merely acting as a collecting agent.

**12. PAID-OUTS - TAXI FARE**

**12.1** *Quite often, as a form of goodwill, the hotel pays taxi fare on behalf of hotel guests who arrived at the hotel without any Singapore currency. The hotel will subsequently recover from the hotel guest the exact amount of the taxi fare. This amount of taxi fare will be included and separately itemised in the guest's hotel bill. Is the recovery of this taxi fare from the hotel guest subject to GST?*

No. The taxi fare paid by the hotel guest to the hotel is treated as a disbursement and therefore not subject to GST.

**13. OTHER SUPPLIES**

**13.1** *Are takings from coinphones (public) subject to GST?*

Yes. GST on the takings must be accounted for by the person who supplies the use of the phones to the public. The takings must be calculated and GST to be accounted for is determined by applying the GST fraction, i.e.,

output tax =  $7/107 \times$  takings

**13.2** *Are shop rentals subject to GST?*

If the landlord is a GST-registered person, he or she will charge GST on the rental of the space.

**13.3** *Are car park fees/coupons subject to GST?*

If the car park owner is a GST-registered person, he will charge GST on the car park fees/coupons.

**13.4** *Are union fees subject to GST?*

If the union is registered for GST, the fees paid by union members will be subject to GST.

**13.5** *Are service charges levied on cash advances subject to GST?*

Yes.

**13.6 *Is GST chargeable on tips received? Will the answer be different if the tips received go directly to the employees?***

GST is not chargeable on tips received by the hotel or its employees because there is no supply being made.

**13.7 *Is GST chargeable on money exchange activities?***

The exchange of currency is an exempt supply. In this case, the value of supply to be declared in your GST return is the realised cumulative net gain or loss (excluding translation differences). Where there is a cumulative loss, the negative sign is ignored, i.e., the amount is treated as a positive number.

**13.8 *If the hotel charges its customers for IDD calls, are such charges subject to GST?***

The on-charging of I DD calls will be zero-rated.

However, zero-rating shall not be extended to the surcharge, i.e. call set-up charge, if such surcharge is levied by the hotelier as a mark-up on the international calls.

**13.9 *Are commissions derived from the sale of postage stamps, bus tickets, tour desk, etc., subject to GST?***

If you are merely acting as a selling agent. GST will be chargeable on the commission received if you are GST registered. This is because you have rendered your services to the respective principals.

**13.10 *Is a service apartment treated as a residential or commercial premises?***

Service apartments are approved for residential use. In this respect, the rental of service apartments will be treated as an exempt supply.

**14. OVERSEAS TRAVEL AGENT COMMISSION**

**14.1 *Please advise as to whether commission paid to overseas travel agent is subject to reverse charge.***

Reverse charge will only apply to "imported services prescribed by the Minister. To-date, no such services have been prescribed.

If the agency is registered for GST, the agency will charge you GST for the supply of agency services made in Singapore.

**15. PRICE DISPLAY**

**15.1 *Is a hotel or restaurant required to include GST in the price display of its goods and services?***

In general, all price displays must be GST-inclusive.

However, IRAS has granted an administrative concession to hotels and F&B outlets to display GST exclusive prices for goods and services that are subject to service charge. Where the concession applies, hotels and F&B outlets must have a clear statement on their price display to show customers that prices are subject to service charge and GST.

## 16. TAX INVOICE

### 16.1 *Under what circumstances do I issue a tax invoice?*

Whenever you supply standard-rated goods or services to another registered person, you must issue him a tax invoice. Your customers need tax invoices to claim the input tax on the GST you have charged them.

### 16.2 *What information is required on a tax invoice?*

A tax invoice must show the following:

- (a) the words "tax invoice" in a prominent place
- (b) an identifying number
- (c) the date of issue of the invoice
- (d) your name, address and registration number
- (e) your customer's name (or trading name) and address
- (f) the type of supply - whether cash or credit terms

*IRAS has granted approval to all SHA hotel members to exclude the "Type of Supply" description on tax invoices.*

- (g) a description of the goods or services supplied
- (h) for each description, the quantity of goods or the extent of services and the amount payable (excluding tax)

*IRAS has granted approval to all SHA hotel members' to invoice amount payable including the tax fir outlets' charges that are posted to the guest folios. However, these transactions must be flagged accordingly.*

- (i) any cash discount offered
- (j) the total amount payable excluding tax, the rate of GST and the total tax chargeable shown separately
- (k) the total amount payable, including tax
- (l) the breakdown of exempt, zero-rated or other supply, stating separately the gross amount payable in respect of each, if applicable

**16.3** *It would be difficult to indicate on the tax invoice the name and address of all patrons at our F&B outlets. Is there an alternative?*

Yes. If the total amount payable, including GST, is \$1000 or less, you may wish to use a simplified tax invoice. A simplified tax invoice should have the following information:

- a) the name, address and GST registration number of the hotel;
- b) the date of issue of the invoice;
- c) an identifying number, e.g. invoice number;
- d) a description sufficient to identify the goods or services supplied;
- e) the total amount payable including the total GST chargeable; and
- f) the statement "Amount payable includes GST".

**16.4** *It is difficult to serially number the guest folio which is a computer folio that can be called up anytime to check the guest balances. Is it possible to just print the reservation number or any control number on the folio?*

A tax invoice need not be serially numbered. Therefore, you can use control numbers on the tax invoices.

**16.5** *Can the restaurant bills be treated as tax invoices?*

Yes. The bills can be treated as tax invoices if all the information that is required of a tax invoice is displayed in the restaurant bill.

## 17. RECEIPTS

### 17.1 *Can the hotel issue receipts instead of tax invoices?*

Yes, if your customer is not a GST registered trader, you may issue receipts to him provided the receipts are serially printed and show the following:

- a) your name and GST registration number;
- b) receipt date;
- c) total amount payable including GST: and
- d) the statement "Amount payable includes GST".

You must also retain a duplicate of the receipt issued by you.

Note: Your customer cannot use the receipt to claim input tax. If the customer wants to claim input tax, you must issue a tax invoice. If the total amount payable, including GST, is \$1,000 or less, you may issue a simplified tax invoice.

## 18. VOUCHERS/COUPONS

### 18.1 *Quite often, F&B outlets have promotions where customers could get a meal voucher worth \$X to be utilised in the subsequent visits if they have spent more than \$Y in one receipt at the outlets.*

*Upon redemption of the meal voucher in the subsequent visit, how should GST be calculated? For example, on the subsequent visit, customer may spend \$150 before GST and use a meal voucher of \$50 for redemption. Should GST be calculated on \$150 or \$100 {\$150 less \$50 voucher}?*

*When is the time of supply?*

GST should be calculated based on \$100. The total price payable (inclusive of 7% GST) by your customer is \$107.

There is no GST on the meal voucher when the voucher is given to the customer. The time of supply only arises when the voucher is redeemed by the customer.

### 18.2 *Is GST chargeable on the sale of gift voucher?*

No GST is to be accounted for on the sale of vouchers if these vouchers are sold at the face values.

However, if these vouchers are sold at a price higher than their face values, GST will be charged on the difference.