

IRAS e-Tax Guide

Property Tax: Guide for Hotel Owners and Operators (Revised Edition Jan 2010)



INLAND REVENUE
AUTHORITY
OF SINGAPORE

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Property Tax: Guide for Hotel Owners and Operators

1. Introduction

This e-Tax Guide explains how property tax is assessed for [licensed hotels](#) from 1 Jan 2008.

This revised guide also informs that the increase in assessment rate for hotel rooms from 20% to 25% will be deferred. This means that the assessment rate for hotel rooms will remain at 20% in 2010, but the rate will be increased to 25% in 2011 instead. Details are found in para 3.1

2. Property Tax Assessment for Licensed Hotels

Property tax is payable at 10% of the total Annual Value¹ (AV) of the hotel property.

Hotel properties generally comprise hotel rooms and other areas such as Food and Beverage (F&B) outlets and function rooms which are assessable for property tax purposes. The AV of hotel rooms for a given year is based on a fixed percentage of the gross receipts of hotel rooms for the preceding year and the AV of other areas assessable to tax are based on the estimated prevailing market rentals.

A detailed explanation of the assessment basis of hotels from 1 Jan 2008 is given below.

3. Assessment Basis from 1 Jan 2008

3.1 Annual Value of Hotel Rooms

The AV of hotel rooms is assessed on a **fixed percentage (assessment rate) of gross hotel room receipts² of the preceding year**. The government had announced in 2007 that for 2008, the assessment rate would be 20% of gross hotel room receipts in respect of 2007 and from 1 Jan 2009, the assessment rate would be 25% of gross hotel room receipts in the preceding year.

If room receipts reported relate to a period of less than a year, the AV of the rooms will be based on the annual equivalent of the total gross receipts of that period.

a. Deferral of Assessment Rate

In Budget 2009, the government announced that the assessment rate would be retained at 20% for 2009, instead of increasing the assessment rate to 25%, due to the uncertain conditions in the tourism and hotel industry.

For 2010, taking into consideration the continued fluidity in the hotel industry due to the emerging economic recovery and the anticipated growth in hotel rooms, the Government

¹ Refer to Appendix 1 Glossary of Terms for definition of Annual Value

² Refer to Appendix 1 Glossary of Terms for definition of Gross Hotel Room Receipts

has deferred the increase in assessment rate to 25% for hotels. The assessment rate will therefore remain at 20% for 2010 and will be increased to 25% for 2011.

b. Assessment Rate from 2008 to 2011

The assessment rates for the AV of hotel rooms from 1 Jan 2008 are summarised below:

Period	Rooms
From 1 January 2008	20% of gross hotel room receipts in 2007
From 1 January 2009	20% of gross hotel room receipts in 2008
From 1 January 2010	20% of gross hotel room receipts in 2009
From 1 January 2011	25% of gross hotel room receipts in the preceding year

c. Formula One (F1) Cess

Tourist hotels gazetted under the Singapore Tourism (Cess Collection) Act are required to pay F1 Cess. For the computation of AV, gross hotel room receipts will not include F1 Cess payable from 24 - 28 Sep 2008 and 24 - 27 Sep 2009, the period of the F1 Night Race in Singapore. The amount to be excluded from gross hotel room receipts is the actual amount declared in the F1 Cess Form and paid to the Singapore Tourism Board.

More information on F1 Cess is available at <http://www.iras.gov.sg> (Other Taxes/Cess section).

3.2 Annual Value of Other Assessable Areas

Assessable areas⁴ refer to all other areas that are not hotel rooms, such as F & B outlets, function rooms, retail shops and carparks, which are assessable for property tax purposes. These areas will be assessed based on their estimated prevailing market rentals, derived using valuation methods such as rental comparison or profit method. In estimating the market rent of the property using market rents of comparable properties, the Chief Assessor will take into account factors such as the size, location, and other physical attributes of the property.

3.3 Illustration of Hotel Assessment

Please refer to Appendix 2 for an illustration how AV is computed for hotels for 2008, 2009 or 2010.

4. Obligations of the Owner or Operator

It is mandatory for the hotel owner or operator of the hotel development to complete and submit an annual [statement](#) known as the "Statement for Hotel Premises" to the Chief Assessor by **31 March** each year. The information to be reported include the gross room receipts for the preceding year, the current floor areas of F&B outlets, function rooms and other assessable areas as well as the current tenancy details of all let-out areas. The Statement for Hotel Premises can be downloaded from <http://www.iras.gov.sg> (Quick Links > Forms > Property Tax).

⁴ Refer to Appendix 1 Glossary of Terms for Types of Assessable Areas

5. Contact Information

For any clarification, please contact:

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Glossary of Property Tax

1. **Annual Value** is defined in the Property Tax Act as the gross amount at which the same can reasonably be expected to be let from year to year...”

The AV reflects the estimated prevailing market rent of the property. All properties have an AV, regardless of whether it is let-out, owner-occupied or left vacant. To illustrate, in the case of hotels, if an owner of a 300-room hotel chooses to close 50 rooms for staff use or for upgrading purposes, these 50 rooms will not be excluded from property tax assessments. The AV of the hotel will be assessed on the basis of a 300-room hotel.

2. **Gross hotel room receipts** refer to the amount received for the sales of hotel rooms or suites (which comprises both saleable and non-saleable rooms), and beds in the hotel premises. It does not include additional charges such as:

- a. Telephone, cable & telex services
- b. Laundry services
- c. Secretarial services
- a. Inclusive meals ^a
- b. Service charge (10%), charged on top of room rates
- c. Goods and services tax (GST)

3. **Saleable rooms** refer to the number of rooms that are available for guest occupation, and room nights are derived from saleable rooms. **Non-saleable rooms** include rooms set aside for use by hotel staff, complimentary rooms or rooms closed for renovation / upgrading works. These non-saleable rooms also assessed for property tax purposes, on the basis that a property is assessed as it stands, as if vacant and available for letting. These rooms will be assessed based on the same room rate achieved by the saleable rooms of the hotel.

4. **Room nights** of a hotel room refer to the number of times the rooms are sold, which is up to 365 times (or nights) in a year. Thus a 100-room hotel can have a maximum of 36,500 room nights available for sale, out of which some nights may not be sold if they are set aside for complimentary use, renovation, upgrading, or staff use.

Hotels operating transitional business (i.e. rooms sold on hourly basis) are encouraged to estimate their equivalent room nights sold, vacant and for complimentary use when submitting the Statement for Hotel Premises. Alternatively, you may submit the number of room nights closed for renovation / upgrading works, staff use and other purposes.

5. **Assessable areas** refer to:

- a. Business centres ^b
- b. Car parks
- c. Fitness centres / spa / health centres
- d. Food and Beverage (F&B) Outlets

^a Some hotel room rates are inclusive of a breakfast or meals. These charges are excluded from room receipts

- e. Function rooms / meeting rooms / banquet halls/ ballrooms
- f. Gymnasium ^b
- g. Offices
- h. Retail shops
- i. Space let out to tour desks, ATMs, car rental kiosks, kiosks, advertisement banners & flags, telecommunication base stations, pushcarts
- j. Areas that are capable of being let, or used for the purposes of guest enjoyment or hotel operations

^b Some gymnasiums and business centres are owner-operated and are used exclusively by hotel room guests. These areas will not be assessed separately as they are deemed to have been assessed within the hotel room annual values.

Illustration of Computation of Annual Value of Hotel for Year 2008/2010

A. Hotel Rooms

No. of Rooms Sold & Vacant Rooms	(a)		150 rooms
Gross room receipts in the preceding year	(b)	\$	7,500,000
Annual Value for rooms sold and vacant	(c) = (b) x 20%	\$	1,500,000
Annual room rate (\$/room/annum)	(d) = (c) / (a)	\$	10,000
No. of Complimentary Rooms/ Rooms under Renovation/ Rooms closed for staff use	(e)		50 rooms
Impute annual room rate (\$/room/annum)	(d)	\$	10,000
Annual Value for Complimentary Rooms/ Rooms under Renovation/ Rooms closed for staff use	(f) = (e) x (d)	\$	500,000
Annual Value for room component	(g) = (c) + (f)	\$	2,000,000

B. F&B Outlet

Annual value of F&B outlet with area: 1,000ft ² assessed at \$7/ft ² /month	1,000ft² x \$7/ft²/month x 12 months	\$	84,000
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C. Retail Outlet

Annual value of retail outlet with area: 500ft ² assessed at \$15/ft ² /month	500ft² x \$15/ft²/month x 12 months	\$	90,000
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D. Function Rooms/ Ballrooms

Annual value of function rooms / ballrooms with total area: 1,000ft ² assessed at \$5/ft ² /month	1,000ft² x \$5/ft²/month x 12 months	\$	60,000
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E. Total Annual Value for the Property

		SAY \$	2,234,000
Total Tax Payable	Tax payable = Total AV x 10%	\$	223,400