

# **IRAS CIRCULAR**

## **CIRCULAR ON PROPERTY TAX ASSESSMENT FOR HOTELS**



INLAND REVENUE  
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OF SINGAPORE

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PTD Circular 10/07

8 October 2007

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## **CIRCULAR ON PROPERTY TAX ASSESSMENT FOR HOTELS**

With effect from 1 January 2008, the basis for assessing hotels will change. The Annual Value of Hotel Rooms will be assessed based on 20% (currently 15%) of the gross room receipts, while that of the other lettable areas in the hotels will be assessed based on estimated market rents. From 2009 onwards, the rate will be increased from 20% to 25%.

The Property Tax (Valuation by Gross Receipts for Hotel Premises) Order was first introduced on 1<sup>st</sup> July 1986 to provide certainty to the hoteliers on property tax computation. It prescribes a formula for determining the Annual Values of gazetted hotels<sup>1</sup> that are not let. These hotels have been assessed at 15% of gross room receipts and 5% of the food and beverage (F&B) receipts.

This basis has not been revised since 1986. Since then, the hotel industry has gone through changes that render the current basis outdated. From 2008 onwards, the formula will be revised so that the Annual Values will better reflect the market rents of hotels.

The new assessment basis will apply to all hotels licensed under the Hotels Act (Cap. 127).

We have arranged the following seminars to brief hotel owners and operators on the changes:

- Seminar 1: For Non-gazetted hotel owner-operators  
Date: 18 Oct 2007; Time: 9.30 – 11.00 am
- Seminar 2: For Non-gazetted hotel owner-operators  
Date: 23 Oct 2007; Time: 3.00 to 4.30 pm
- Seminar 3: For Non-gazetted hotel tenant-operators  
Date: 24 Oct 2007; Time: 4.00 to 5.30 pm

A fact sheet summarizing the changes and a standard form for reporting of receipts to IRAS are enclosed. In addition, an e-tax guide on the changes to the property tax assessment for hotels will be available on our website ([www.iras.gov.sg](http://www.iras.gov.sg)) from November 2007. It will include a list of frequently asked questions for easy reference.

Please disseminate this Circular to your members. For clarification, SHA members can contact Miss Elaine Leong at Tel: 6351 2432 (Email: [Elaine\\_leong@iras.gov.sg](mailto:Elaine_leong@iras.gov.sg)) or Miss Ong Choon Heing at Tel: 6351 2425. (Email: [ong\\_choon\\_heing@iras.gov.sg](mailto:ong_choon_heing@iras.gov.sg)).

Ms Sally Mok  
Tax Director (PT - Commercial Branch)  
for Chief Assessor  
Inland Revenue Authority of Singapore

Note:

<sup>1</sup> Gazetted hotels refer to premises declared to be a tourist hotel under the Singapore Tourism (Cess Collection) Act.

## Property Tax Assessment for Hotels from 1 January 2008 and 1 January 2009

### Introduction

With effect from 1 January 2008 and 1 January 2009, the basis for assessing hotels will change.

Hotel Rooms will continue to be assessed based on Gross Receipts. However, F&B areas and other lettable areas in the hotels will be assessed based estimated current market rent.

### Background

The Property Tax (Valuation by Gross Receipts for Hotel Premises) Order was first introduced on 1<sup>st</sup> July 1986 to provide certainty to the hoteliers on property tax computation. It prescribes a formula in determining the Annual Values of gazetted hotels<sup>1</sup> that are not let.

The current rates have not been revised since 1986. Since then, the hotel industry has gone through changes and the current basis has become outdated. We have revised the formula to better reflect the market rents of hotels.

Furthermore, in order to harmonize the property tax treatment of all hotels, the change in assessment basis will be extended to all hotels licensed under the Hotels Act (Cap. 127).

### The Changes

#### 1. Who is affected?

All hotels licensed under the Hotels Act (Cap. 127), whether owner-operated or let-out, will be assessed under the revised basis.

#### 2. What is the new basis of assessment?

The changes to the basis of assessment are summarized below:

|                                 |                     | Rooms  | Food & Beverage (F&B) Areas                      | Other Lettable Areas          |
|---------------------------------|---------------------|--|--|-------------------------------|
| Current                         | Gazetted Hotels     | 15% of gross room receipts in the preceding year | 5% of gross F & B receipts in the preceding year | Estimated current market rent |
|                                 | Non-gazetted Hotels | Estimated current market rent                    |  |                               |
| With effect from 1 January 2008 |                     | 20% of gross room receipts in the preceding year | Estimated current market rent                    |                               |
| With effect from 1 January 2009 |                     | 25% of gross room receipts in the preceding year | Estimated current market rent                    |                               |

### [A] Assessment of Hotel Rooms

From 2008, Annual Values of hotel rooms will be based on 20% of room gross receipts in the preceding year. From 2009 onwards, the rate will be 25%.

<sup>1</sup> Gazetted hotels refer to premises declared to be a tourist hotel under the Singapore Tourism (Cess Collection) Act.

Gross hotel room receipts refer to the sales of hotel rooms or suites, including beds in the hotel premises. It does not include the additional charges such as:

- Telephone, cable & telex services
- Laundry services
- Secretarial services
- Goods and services tax (GST)

**[B] Assessment of 'Non-saleable' Rooms**

'Non-saleable' rooms include rooms occupied by hotel staff, complimentary rooms or rooms closed for renovation or upgrading works. These rooms will be assessed based on assessment rate of saleable rooms.

**[C] Assessment of Other Lettable Areas**

Other lettable areas in the hotels that are not used exclusively by hotel room guests will be assessed based on estimated current market rents.

Examples of lettable areas are

- Food & Beverage outlets
- Retail shops
- Function rooms/ meeting rooms/ ballrooms
- Car parks
- Gymnasium/ fitness centre/ spa/ health centre
- Business centre/ serviced offices
- Space let-out to tour desks/ car rental kiosks/ ATM space/ advertisement banners and flags/ telecommunication base stations/ retail pushcarts
- Let-out advertisement panels/ billboards/ display cases

Please refer to the e-tax guide on "Investor's Guide to Property Tax" at the IRAS website for more explanation on various ways to estimate current market rent (Annual Value):

<http://www.iras.gov.sg/ESVPortal/resources/investorsguidetopropertytaxamended.pdf>

**3. What do you need to furnish us?**

As a hotel operator, you are required to report information in a prescribed form by 31 March every year. A copy of the form is enclosed.

Downloadable forms will be available on our website from November 2007 onwards.

**Further Details and Enquiries**

An e-tax guide on the changes to the property tax assessment for hotels will be available on our website ([www.iras.gov.sg](http://www.iras.gov.sg)) from November 2007. It will include a list of frequently asked questions for your easy reference.

For clarification please call:

- Miss Elaine Leong, Tel: 6351 2432 (Email: [Elaine\\_leong@iras.gov.sg](mailto:Elaine_leong@iras.gov.sg))
- Miss Ong Choon Heing, Tel: 6351 2425 (Email: [ong\\_choon\\_heing@iras.gov.sg](mailto:ong_choon_heing@iras.gov.sg))