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# IRAS e-Tax Guide

## GST Guide for the Hotel Industry (Third Edition)



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## **1 Aim**

- 1.1 This e-Tax Guide<sup>1</sup> explains the GST principles applicable to the hotel industry. Specifically, it highlights the GST treatment for the various forms of payments received by hotels, and common business arrangements undertaken by hotels as part of their business.

## **2 At a Glance**

- 2.1 Hotels provide a wide spectrum of services. Other than accommodation, they often provide ancillary services such as telecommunication and laundry. For the convenience of customers staying in the hotels, goods and services can also be purchased on behalf of their customers, for which the hotels will recover the costs from these customers. Hotels also receive various forms of payment, such as advance payments and deposits, security deposits and no-show and cancellation charges.
- 2.2 GST is chargeable on all taxable supply of goods and services made in Singapore. GST-registered hotels are therefore required to charge and account for GST at the prevailing rate for all standard-rated supplies, other than supplies that can qualify for zero-rating or are exempted.

## **3 Advance Payments and Deposits**

- 3.1 With effect from 1<sup>st</sup> Jan 2011<sup>2</sup>, GST needs to be accounted for on standard-rated supply of goods or services at the earlier of the following events:
- (a) When an invoice is issued; or
  - (b) When payment is received.
- 3.2 If a hotel's customer makes a payment for advance booking or reservation for a specific standard-rated supply of goods or services, it is part payment for the supply. Tax point (b) above is triggered, and the hotel must charge and account for GST on the payment received. For example, if a hotel receives a \$1,000 deposit for the booking of a banquet/function, GST is chargeable on the \$1,000 at the time the deposit is received.
- 3.3 Deposit not earmarked for a specific supply
- 3.3.1 If a hotel collects a deposit not for any specific supply of goods and services, but for the general reservation of rooms, general hotel facilities and food and beverage to be consumed in the hotel, as an administrative concession, hotels are allowed to treat the deposit as money held in trust. That is, GST

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<sup>1</sup> This e-Tax Guide replaces the IRAS's e-Tax Guide on "GST: Questions and Answers Relating to the Hotel Industry" published on 1st Oct 2012.

<sup>2</sup> Refer to IRAS website for more information on the time of supply rules prior to 1<sup>st</sup> Jan 2011.

will not be chargeable until the deposit is used to offset payment for the supplies made or when it is forfeited. This concession will apply only if:

- (a) The actual expenses incurred are not known at the time the deposit is paid;
- (b) The deposit can be used to offset any expenses incurred by the hotel's customers, such as the supplies made by the outlets leased out by the hotel, food and beverage (F&B) outlets, etc; and
- (c) There is possibility of double charging of GST for the same supply made - once at the point when deposit is received and another time, when the actual bill is raised with no knowledge that GST on the deposit payment has been received.

### 3.4 Security deposit

- 3.4.1 If a hotel collects a security/floating deposit which is used as a security bond and is fully refundable, GST is not chargeable.
- 3.4.2 If the security/floating deposit is subsequently used as a payment for rooms, food and beverage, etc, GST is chargeable at the time the deposit is used for the payment.

## 4 **Complimentary Room**

- 4.1 Hotels may provide complimentary rooms as part of a sale package to attract customers. For example, the customer pays for 3 nights only but stays at the hotel for 4 nights. Another example is where the customer pays for a wedding banquet held in the hotel and receives a complimentary 1 night stay. GST should be accounted for on the total price charged to the customers.
- 4.2 On the other hand, if the hotel room is offered for private use, or given free not for the purpose of the hotel's business (e.g. private use by the director's family members), GST needs to be accounted for on the deemed supply of the hotel room based on its open market value.

## 5 **Vouchers and Loyalty Points**

### 5.1 Vouchers for free hotel room nights

- 5.1.1 Hotels may issue vouchers for free hotel room nights. As these vouchers are given away for no consideration, no GST needs to be accounted for at the point of issuing the vouchers.
- 5.1.2 When the vouchers are redeemed for the hotel rooms, whether GST is chargeable or not depends on whether they are offered for the purpose of the business.

5.1.3 If they are offered for business purpose, no GST needs to be accounted for upon redemption. On the other hand, if they are offered for private use, or given free not for the purpose of the hotel's business, GST needs to be accounted for on the deemed supply of the hotel room based on its open market value.

## 5.2 Discount vouchers

5.2.1 Discount vouchers may be given to customers for purchase of hotel room nights at discounted prices. As these vouchers are given away for no consideration, no GST needs to be accounted for at the point of issuing the vouchers.

5.2.2 When the vouchers are redeemed upon subsequent purchase of the hotel room nights, the hotels need to charge and account for GST based on the discounted price.

## 5.3 Sale vouchers

5.3.1 Hotels may also sell vouchers that allow their customers to redeem specific goods and services (e.g. room nights) at a specified price. These are treated as non-Multi-Redemption Vouchers ("non-MRV") as they are for the redemption of specific goods and services.

5.3.2 As the hotels are both the issuer of the vouchers and the supplier of the redeemed goods and services in the above instance, the supply of the non-MRV and redemption will be treated as a single standard-rated supply of the redeemed goods and services. GST is to be charged and accounted for when payment is received for the voucher sale (which is treated as prepayment for the goods and services to be supplied) or when an invoice is issued, whichever is the earlier.

## 5.4 Loyalty Points

5.4.1 Hotels may operate their own loyalty rewards programmes that issue loyalty points to their customers for purchases made. These loyalty points may subsequently be used to make a full or partial redemption of hotel room nights.

5.4.2 For hotel rooms fully redeemed by the customer using their loyalty points without additional payment made, the hotel does not need to charge any GST.

5.4.3 For partial redemption where the customer pays for the hotel rooms with loyalty points and an additional payment, GST has to be charged on the additional payment received.

- 5.4.4 For loyalty rewards programmes that involve the participation of third party operators, the GST treatment will depend on the supply flows between all the participants in the rewards scheme. An example is the credit card rewards schemes offered by the banks to reward customers with free gifts from other merchants (e.g. the hotels) for attaining a certain amount of spending. For more information on the GST treatment, please refer to the e-Tax Guides “GST Treatment of Vouchers” and “GST Guide for the Banking Industry”.

## **6 No-Show and Cancellation Charges**

- 6.1 If “no-show” or cancellation charges are levied on customers who failed to take up the rooms even though they have made room reservation, the hotels have to charge and account for GST on these charges.

## **7 Recovery of Expenses**

- 7.1 The GST treatment for the recovery of expenses depends on whether the expenses are incurred by the hotels for the purpose of making an onward supply of goods or services to their customer, or as payment made on behalf of their customer.
- 7.2 Where the hotels purchase goods or services in their own name and then recover the expenses with or without a mark-up from their customer, they are making an onward supply of goods or services to their customer. An example is when the customer requests the hotel to purchase a bouquet of flowers. The hotel makes the purchase from a florist and subsequently recovers from the customer the cost of the flowers, which is separately itemised in the customer’s hotel bill. The hotel is required to charge GST as it is making a taxable supply of the flowers to its customer.
- 7.3 On the other hand, where the hotels merely help to pay for the goods or services purchased by their customer, the hotels’ subsequent recovery of such payment is not regarded as a consideration for any supply of goods or services to their customer. An example is when the hotel, as a form of goodwill, pays the taxi fare on behalf of the customer who arrives at the hotel without any Singapore currency. The hotel subsequently recovers the exact amount of the taxi fare, separately itemised in the customer’s hotel bill. The hotel need not charge GST on the recovery of taxi fare, as it is not making any supply of service to the customer.
- 7.4 For more information on the GST treatment of recovery of expenses, please refer to the e-Tax Guide “Guide on Reimbursement and Disbursement of Expenses”.

## **8 Compensatory Payment**

- 8.1 If a hotel's customer compensates the hotel for any loss or damage, e.g. for burning a hole in the hotel room carpet, the hotel is not treated as making any supply of goods or services to the customer. The compensatory payment is out-of-scope and the hotel does not need to charge nor account for GST.

## **9 Local Land Tours**

- 9.1 The GST treatment for the supply of local land tours depends on whether the hotel is acting as a principal or agent for the supply.
- 9.2 Where the hotel acts as an agent in selling the local land tours on behalf of the travel agency and earn a commission from the sale, it is making a standard-rated supply of service to the travel agency. GST has to be charged and accounted for on the commission earned.
- 9.3 Where the hotel acts as a principal in buying the local land tours from the travel agency for onward sales to its customers, it has to charge and account for GST on the full sale price charged to the customers.

## **10 International Direct Dialing Calls**

- 10.1 The on-charging of international direct dialing calls is an international service which can qualify for zero-rating under section 21(3)(q) of the GST Act, i.e. GST can be charged at 0%. However this zero-rating does not extend to the surcharge (i.e. call set-up charge) charged by the hotel as it is providing a local service to its customer. The hotel has to charge and account for GST at the prevailing rate on the surcharge.

## **11 Money Exchange**

- 11.1 The exchange of currency is an exempt supply where GST is not chargeable. The hotel should report the absolute value (i.e. drop negative sign, if any) of the net realised exchange gain/loss in its GST return.

## **12 Price Display**

- 12.1 GST-registered businesses must show GST-inclusive prices on all price displays, advertisements or publicity brochures to the public. Prices that are quoted verbally must also be GST-inclusive. This is so that the customer can know upfront the final price payable. If both GST-inclusive and GST-exclusive prices are shown, the GST-inclusive prices must be at least as

prominent as the GST-exclusive prices. Failure to comply with each of these requirements is an offence that can result in a fine of up to \$5,000.

- 12.2 An exception is granted to hotels and F&B establishments that impose service charge on their goods and services. They may display GST-exclusive prices for goods and services that are subject to service charge to ease their operations.
- 12.3 Some hotels with restaurants provide both dine-in and takeaway / home delivery for the same food items, but service charge is imposed on dine-in only. As an administrative concession, there is no need to display 2 price lists, i.e. one showing GST-inclusive and another showing GST-exclusive price. They are allowed to display GST-exclusive price for both, even though takeaway / home delivery is not subject to service charge. However, they must also display a prominent statement on the menu that prices displayed are subject to service charge and GST. For food items that are solely for takeaway / home delivery and are not subject to service charge, e.g. sales of mooncakes, New Year cookies, etc., the prices displayed must be GST-inclusive.
- 12.4 Please note that the exception not to display GST-inclusive prices does not apply to hotels that do not impose a service charge. It is also not applicable to establishments that levy a nominal service charge without genuine business reasons other than to avoid displaying GST-inclusive prices. Such businesses are still required to display GST-inclusive prices on all price displays, advertisements or publicity brochures must be shown. Those who do not comply with the price display requirement could be subject to a fine.

## **13 Invoicing**

### **13.1 Receipt**

- 13.1.1 If hotels supply goods and services to end consumers who are not GST-registered, it may issue a serially printed receipt instead of a tax invoice to its customers. The receipt must show its name, address, GST registration number, date of issue, total amount payable including GST, and the words "Price payable includes GST".

### **13.2 Tax invoice**

- 13.2.1 For sales value (including GST) of more than \$1,000, GST-registered hotels must issue a separate tax invoice if a GST-registered customer so requests. This is to enable the customer to make an input tax claim.
- 13.2.2 The tax invoice must comply with the legislative requirement of a proper tax invoice. The tax invoice must contain the following particulars:
- (a) the words "tax invoice" in a prominent place;
  - (b) an identifying number;

- (c) the date of issue of the invoice;
- (d) the hotel's name, address and registration number;
- (e) the name and address of the person to whom the goods or services are supplied;
- (f) a description sufficient to identify the goods or services supplied and the type of supply;
- (g) for each description, the quantity of the goods or the extent of the services and the amount payable, excluding tax;
- (h) any cash discount offered;
- (i) the total amount payable excluding tax, the rate of tax and the total tax chargeable shown as a separate amount;
- (j) the total amount payable including the total tax chargeable; and
- (k) any amount referred to in sub-paragraphs (i) and (j) expressed in a currency, other than Singapore currency, shall also be expressed in Singapore currency.

### 13.3 Simplified tax invoice

13.3.1 Where the sales value (including GST) is not more than \$1,000, a simplified tax invoice may be issued instead of a tax invoice to the GST-registered customer.

13.3.2 A simplified tax invoice only needs to show the hotel's name, address, GST registration number, invoice date, invoice number, description of the goods and services supplied, total amount payable including GST, and the words "Price payable includes GST".

## 14 **Contact Information**

14.1 For enquiries on this e-Tax Guide, please contact the Goods and Services Tax Division at [www.iras.gov.sg](http://www.iras.gov.sg) (select "Contact Us").

## 15 Updates and Amendments

	<b>Date of amendment</b>	<b>Amendments made</b>
1	6 Mar 2015	Revised paragraph 12.3 in line with amended Regulation 77 taking effect on 1 Apr 2015.
2	28 Sep 2022	i) Updated paragraphs 12.1 to 12.4 to clarify the price display requirements. ii) Updated contact information in paragraph 14.1.