

# **IRAS e-Tax Guide**

## **Property Tax: Guide for Hotel Owners and Operators (Third Edition)**



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# Property Tax: Guide for Hotel Owners and Operators

## 1. Aim

- 1.1 This e-Tax Guide explains how property tax is assessed for licensed hotels in Singapore from 1 Jan 2018 onwards, under the Property Tax (Valuation By Gross Receipts for Hotel Premises) (Amendment) Order 2017<sup>1</sup>.

## 2. At a glance

- 2.1. The annual value (AV) of hotel rooms is assessed on a fixed percentage of gross hotel room receipts for the preceding year. This fixed percentage is also termed the AV assessment rate. The AV assessment rate for hotel rooms is 25% with effect from 1 Jan 2011.
- 2.2. For tourist hotels which are required to pay Formula One (F1) Cess, the computation of AV would not include the F1 Cess which is payable during the period of F1 Night Race in Singapore.
- 2.3. The AVs of food and beverage (F&B) outlets and function rooms located in the hotel premises are assessed based on an AV assessment rate of gross F&B and function rooms receipts for the preceding year. The AV assessment rate is 10% with effect from 1 Jan 2018.
- 2.4. The AVs of other assessable areas of the hotel premises such as retail shops and car park, etc., are assessed based on their estimated market rent.
- 2.5. All hotel owners or operators are required to furnish a Statement for Hotel Premises to the Chief Assessor by 31 March each year.
- 2.6. IRAS regularly reviews the AV assessment rates of the hotel rooms, F&B outlets and function rooms to ensure that they are in line with the prevailing market rents.

## 3. Glossary

### 3.1. Annual Value (AV)

AV is the gross amount at which a property can reasonably be expected to be let from year to year, the landlord paying the cost of maintenance, repairs, property tax and other taxes (other than GST).

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<sup>1</sup> This guide replaces the “*Property Tax: Guide for Hotel Owners and Operators*” published on 02 Sep 2014.

### **3.2. Licensed Hotel**

Licensed Hotel means any premises registered under the Hotels Act (Cap. 127). It does not include a hotel located in a designated site within the meaning of Casino Control Act (Cap 33A).

### **3.3. Gross Hotel Room Receipts**

This refers to the amount received for the sales of hotel rooms or suites, and rental of beds in the hotel premises. If the reported room receipts accrue from a period of less than a year, the AV of the rooms will be based on the annual equivalent of the total gross receipts for the relevant period. The gross hotel room receipts shall exclude additional charges such as:

- a. Telephone, fax, cable & internet services
- b. Laundry services
- c. Secretarial/concierge services
- d. Room service and mini bar sales
- e. Complimentary guest meals
- f. Service charge (10%) in lieu of tipping, charged on top of room rates
- g. Goods and services tax (GST)

### **3.4. Rooms Available for Sale/ Rooms Not Available for Sale**

Rooms available for sale refer to hotel rooms which are available for guest occupation. Such rooms may either be sold or vacant.

Rooms not available for sale refer to hotel rooms which are not available for guest occupation. These include rooms set aside for use by hotel staff, complimentary rooms or rooms closed for renovation or upgrading works. Rooms not available for sale are to be assessed for property tax, notwithstanding the fact that they are not available for guest occupation. The AV for such rooms shall be estimated using the AV rate assessed for rooms available for sale.

### **3.5. Room Nights**

Room nights are derived from multiplying the number of hotel rooms by the number of nights. For a 100-room hotel, the maximum number of room nights in a year is 100 room x 365 days, or 36,500 room nights.

For hotels operating transitional business (i.e. rooms are sold on an hourly basis) owners are required to estimate the equivalent rooms available for sale when submitting the Statement for Hotel Premises. Alternatively, owners may submit the number of rooms not available for sale.

### **3.6. Gross F&B Receipts**

This refers to the amount received for the sales of all F&B including complimentary guest meals, room services, mini bar, etc. If the reported F&B receipts accrue from a period of less than a year, the AV of the F&B outlets will be based on the annual equivalent of the total gross receipts for the relevant period. The F&B receipts shall exclude GST and service charge (10%) in lieu of tipping, charged on top of F&B sales receipts.

### **3.7. Gross Function Room Receipts**

This refers to the amount received for sales related to the use of function rooms including banquet sales and rental of the function room space. If the reported function rooms receipts accrue from a period of less than a year, the AV of the function rooms will be based on the annual equivalent of the total gross receipts for the relevant period. The function rooms receipts shall exclude GST and service charge (10%) in lieu of tipping, charged on top of function room receipts.

### **3.8. Other Assessable Areas**

These include areas in the hotel premises besides the hotel rooms, F&B outlets and function rooms:

- a) Business centre<sup>2</sup>
- b) Gymnasium<sup>2</sup>
- c) Car park
- d) Fitness centre / spa / health centre
- e) Offices
- f) Retail shops
- g) Space let out to tour desks, ATMs, car rental kiosks, kiosks, advertisement banners & flags, telecommunication base stations, pushcarts
- h) Areas that are capable of being let, or used for the purposes of guest enjoyment or hotel operations

## **4. Property Tax Assessment for Licensed Hotels**

Property tax is payable at 10% of the total AV of the hotel.

## **5. Assessment Basis with effect from 1 Jan 2018**

### **5.1 AV of Hotel Rooms**

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<sup>2</sup> If these areas are used exclusively by hotel guests and complimentary, no separate AV will be ascribed to them.

The AV of hotel rooms is assessed on a fixed percentage (AV assessment rate) of gross hotel room receipts for the preceding year. Since 1 Jan 2011, the AV assessment rate of hotel rooms was set at 25% of gross room receipts for the preceding year. The AV assessment rate of hotel rooms will be maintained at 25% with effect from 1 Jan 2018.

## **5.2 F1 Cess**

Tourist hotels gazetted under the Singapore Tourism (Cess Collection) Act (Cap.305C) are required to pay F1 Cess. For the computation of AV, gross hotel room receipts shall exclude F1 Cess which is payable during the period of 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 (STB).

## **5.3 AVs of F&B Outlets and Function Rooms**

Between 1 Jan 2008 and 31 Dec 2017, the AVs for F&B outlets and function rooms located in the hotel premises were assessed based on their estimated market rents which were determined using primary valuation methods such as the rental comparison method and the profits method.

With effect from 1 Jan 2018, the AVs of such F&B outlets and function rooms are assessed based on a fixed percentage (AV assessment rate) of gross F&B and function rooms receipts for the preceding year. The AV assessment rate is fixed at 10%.

## **5.4 AVs of Other Assessable Areas**

The AVs of other assessable areas within the hotel premises are assessed based on their estimated market rents which are determined using primary valuation methods such as the rental comparison method and the profits method.

## **5.5 Illustration of Hotel Assessment**

Please refer to Annex A for an illustration how AV is computed for hotels under the Property Tax (Valuation by Gross Receipts for Hotel Premises) (Amendment) Order 2017.

## **6. Obligations of the Owner or Operator**

It is a statutory requirement for the hotel owner or operator of the hotel to submit the Statement for Hotel Premises to the Chief Assessor by 31 March each year. The information to be reported include the gross room receipts and gross receipts for F&B outlets and function rooms located in the hotel premises 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 other areas that are let-out. The Statement for Hotel Premises can be downloaded from <http://www.iras.gov.sg> (Quick Links > Forms > Property > Non-Residential Properties).

## **7. Non-application of Hotel Order**

The Hotel Order may not apply under certain circumstances<sup>3</sup>. Two common scenarios where the Order may not apply are, where:

- a. In the opinion of the Chief Assessor, the total gross receipts of hotel rooms, F&B outlets and/or function rooms shown in the furnished Statement for Hotel Premises do not fairly reflect the total gross receipts of hotel rooms, F&B outlets and/or function rooms from a comparable hotel.
- b. The Statement for Hotel Premises is not furnished by the 31 March in the year of assessment.

## **8. Frequently Asked Questions**

### ***On the Hotel Order***

#### **Q1. What is the Hotel Order?**

The *Property Tax (Valuation by Gross Receipts for Hotel Premises) Order* (termed the “Hotel Order”) was first introduced on 1 July 1986 to provide certainty to the hoteliers on property tax computation. The Hotel Order provides for the assessment of hotel premises by way of the use of a statutory formula based on the gross receipts of the hotel.

#### **Q2. What are the main changes in the Hotel Order with effect from 1 Jan 2018?**

The amended Hotel Order with effect from 1 Jan 2018 continues to be applicable to all hotels licensed under the Hotels Act (Cap. 127), whether owner-operated or letout, but does not include a hotel located in a designated site within the meaning of Casino Control Act (Cap 33A). The main changes in the amended Hotel Order pertain to the AV assessment basis for F&B outlets and function rooms within the

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<sup>3</sup> Refer to the Property Tax (Valuation by Gross Receipts for Hotel Premises) (Amendment) Order 2017 for more details.



hotel premises. The AVs for F&B outlets and function rooms within the hotel premises will be based on 10% of their gross receipts from the preceding year.

There will be no change in AV assessment basis for licensed hotels without any F&B outlet and function room within its premises.

### ***On the assessment of hotel rooms***

#### **Q3. Why are hotel rooms assessed based on a fixed percentage of gross room receipts?**

This assessment basis is a proxy to estimate the rent that a tenant-operator is willing to pay for the hotel rooms. It provides hotel owners with greater certainty and clarity on the computation of property tax.

#### **Q4. Why are rooms not available for sale i.e. rooms that are for complimentary use, closed for renovations/ upgrading works/ staff use and others, assessed when hotel operators are not receiving revenue for these rooms?**

Property tax is a tax on immovable properties, not a tax on net profits. The assessment of property tax payable does not depend on whether the property is owner-occupied, let-out or vacant. The AV of a property will be determined assuming that the property is available for letting. In line with this principle, the existing hotel rooms which are not available for sale will continue to be assessed for property tax, notwithstanding the fact that the hotel operator did not receive any revenue from these rooms. The AV for such rooms shall be determined using the AV rate assessed for the other rooms available for sale in the hotel.

#### **Q5. Do the gross room receipts include complimentary guest meals?**

The gross receipts for hotel rooms should exclude the cost of providing the complimentary guest meals.

### ***On the assessment of F&B outlets and function rooms***

#### **Q6. Why is there a change of the AV assessment basis for F&B outlets and function rooms?**

The change in AV assessment basis for F&B outlets and function rooms is to provide hotel owners with greater certainty and clarity on the computation of property tax. The change will take effect from 1 Jan 2018.

**Q7. Is there a difference in the assessment method for owner-operated F&B outlets and F&B outlets that are let-out?**

No. All F&B outlets within the hotel premises, whether owner-operated or let-out will be assessed based on 10% of their preceding year's gross receipts.

**Q8. What if I am unable to obtain the gross receipts of F&B outlets that are rented out from my tenant(s)?**

Your tenant may report the gross receipts information directly to IRAS. If, however, the gross receipts of F&B outlets are not reported by the statutory deadline for submission (i.e. by 31 March of each year), the AV of the F&B outlets will be determined based on rents of comparable F&B outlets.

**Q9(A). If the F&B outlet in the hotel is vacant for 6 months from July to December 2017, how is the 2018 AV for this F&B outlet computed?**

The 2018 AV for this F&B outlet will be based on 10% of the annualized 6 months (i.e. from January to June 2017) gross receipts in 2017.

**Q9(B). If the same F&B outlet in the hotel remains vacant in both years 2018 and 2019, how is the 2019 AV for this F&B outlet computed?**

If the same F&B outlet continues to be vacant in both years 2018 and 2019, the fixed percentage rate of gross receipts method of assessment would not apply. The 2019 AV for this F&B outlet will be assessed based on market rents of comparable F&B outlets.

**Q10. Why are function rooms assessed at the same AV assessment rate as F&B outlets in hotels?**

As more than 90% of the gross receipts for function rooms comes from banquet sales, function rooms effectively function as another F&B outlet within the hotel. Having one AV assessment rate for F&B outlets and function rooms within hotel premises keeps the tax computation basis consistent, clear and simple for hotel owners and operators to understand. Therefore, we have adopted a single AV assessment rate for F&B outlets and function rooms within hotel premises.

***On the assessment of other assessable areas***

**Q11. How are the other assessable areas within the hotels assessed?**

These areas are assessed based on the estimated annual rent that it can fetch if it were rented out. In determining the AV of these areas, IRAS will consider the rentals of similar properties in the vicinity, size and physical condition of the property, and other relevant factors. The AV of such areas is determined in the same manner regardless of whether the area is let-out, owner-occupied or vacant.

## **9. Contact Information**

For any clarification, please contact Property Tax Division at [www.iras.gov.sg](http://www.iras.gov.sg) (select "Contact Us").

**Annex A – Illustration on the Computation of Annual Value of Hotel under the Property Tax (Valuation by Gross Receipts for Hotel Premises) (Amendment) Order 2017**

**Hotel Rooms**

Total no. of Rooms		200 rooms
No. of Rooms available for sale	(a)	150 rooms
Gross room receipts in the preceding year	(b)	\$7,500,000
AV for rooms available for sale	(c) = (b) x 25%	\$1,875,000
Annual room rate (\$/room/annum)	(d) = (c) / (a)	\$12,500

No. of Rooms not available for sale e.g. Complimentary Rooms/ Rooms under Renovation/ Rooms closed for staff use	(e)	50 rooms
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Using Annual room rate (\$/room/annum)	(d)	\$12,500
AV for Rooms not available for sale	(f) = (e) x (d)	\$ 625,000

**AV for hotel rooms only** (g) = (c) + (f) **\$2,500,000**

**F&B Outlets**

Gross receipts for F&B outlets in the preceding year	(h)	\$1,000,000
	(i) = (h) x 10%	<b>\$100,000</b>

AV for F&B Outlets

**Function Rooms**

Gross receipts for function rooms in the preceding year	(j)	\$500,000
AV for Function Rooms	(k) = (j) x 10%	<b>\$50,000</b>

**Retail Outlet**

**AV for retail outlet** (l) = 500ft<sup>2</sup> x \$15/ft<sup>2</sup>/month x 12 months **\$90,000** with area: 500ft<sup>2</sup> assessed at say \$15/ft<sup>2</sup>/month

**Total Annual Value for the Property** (g) + (i) + (k) + (l) **\$\$2,740,000**

**Total Tax Payable** Tax payable = Total AV x 10% **\$\$274,000**