



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON ACCOMMODATION PREMISES AND SIMILAR ESTABLISHMENT**

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## INTRODUCTION

1. This industry guide is prepared to assist you in understanding the Goods and Services Tax (GST) and its implications on the hospitality industry (accommodation premises and similar establishments which involve in the supply of rooms for lodging and sleeping accommodation and other supplies made by hotel, motel or lodging house to their guests).

### Overview of Goods and Services Tax (GST)

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those listed in Goods and Services Tax (Exempt Supplies) Order 2014. GST is also charged on importation of goods and services into Malaysia.

3. Payment of tax is made in stages by intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, it is ultimately passed on to the final consumer. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as the GST registered person. A GST registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim input tax on any GST incurred (input tax) on his purchases which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

## OVERVIEW OF ACCOMMODATION PREMISES AND SIMILAR ESTABLISHMENTS

5. Under the Tourism Industry Act 1992, “**accommodation premises**” means any building including hotels, inns, motels, boarding houses, hostels, rest-houses and lodging-houses held out by the proprietor, owner or manager, either wholly or partly as offering lodging or sleeping accommodation to tourists for hire or any other



form of reward, whether or not food or drink is also offered. Any person who carries on or operates accommodation premises shall be registered under such Act.

6. Under the GST Act 2014, the supplies of accommodation in “**hotels, inns, boarding houses and similar establishments**” and other facilities such as food and beverages, recreational and rental supplied in the course or furtherance of business are subject to GST.

### **Hotels, Motels, Inns, Boarding Houses and “Similar Establishments”**

7. Hotels, motels, inns and boarding houses are “**commercial accommodation premises**” typically used for short-term accommodation and multiple occupancy.

8. Any person who carries on or operates **commercial accommodation premises** is required to be registered for GST if his annual taxable turnover has exceeded RM500,000. A registered person must charge GST on their taxable supply and are eligible to claim input tax on the purchases of raw material, capital asset and operating expenses attributable to the taxable supply in the course or furtherance of the business. For further details, please refer to the GST Guide on Registration and Input tax.

### **The Concept of “Similar Establishments”**

9. “Similar establishments” refer to premises which have the characteristics similar to hotels, motels, inns or boarding houses. It includes premises which provide furnished sleeping accommodation, with or without board or facilities for the preparation of food, and which are used by or held out as being suitable for use by visitors or travelers. Similar establishments also include hostels, guests-houses, bed and breakfast, rest-houses, resorts, chalets and lodging-houses, private residential clubs, service apartments and home-stay. However, it does not include premises that are used to provide accommodation to students in connection with an education institution, such as residential colleges on university campuses.

## **IMPACT OF GST**

### **GST Treatment on Accommodation Premises and Similar Establishments**



10. Supplies provided by premises similar to hotels, motels, inns or boarding houses that attract GST are as follows:

**(a) Holiday accommodation**

“Holiday accommodation” includes, but not restricted to accommodation in a building, resort, villa, chalet, beach hut or tent, which is advertised or held out as suitable for holiday or leisure use, other than accommodation in a hotel, motel, inn and boarding house. Any rental on holiday accommodation is subject to GST.

**(b) Home-stays**

Rental on home-stays is subject to GST.

**(c) Service apartments**

The sales of service apartments is an exempt supply. Service apartments sold for residential purpose is not subject to GST. The GST treatment on secondary sale of the service apartment would depend on the design, usage or intended usage of the apartment, whether for commercial purpose or for residential purpose. Service apartments used for commercial residential premises, rented out with central management, multiple occupancy, short term stay offering with services offered such as cleaning, laundry, telephone, utilities are subject to GST. However, the provision of long term accommodation which is provided to under a lease or rental agreement will be exempt.

**(d) Camping ground**

These premises operate differently than hotels and the like. Guests may pay to stay in a hut, or a permanent cabin on the site. Alternatively, they may pay a fee to park their own tents or vehicles on the site. All these supplies are subject to GST.

The supplies or rental of any associated facilities for example camping facilities such as jungle lodges, tents, camp beds and security service are also subject to GST.

**(e) Time share program**

Charges or fees levied under the time share program is subject to GST. Facilities if provided as a package under the program, for example swimming pool, security services are not subject to GST if there is no charge. If services are charge separately, than it is subject to GST.

**(f) Admission fee to theme park**

Admission fee to theme park in a resort or hotel is subject to GST. GST is to be levied on the net ticket price, excluding entertainment duty.

**(g) Free tickets and complimentary rooms**

Free tickets given and complimentary rooms in a resort, hotel or similar establishments is not subject to GST.

**(h) Complimentary rooms let out under promotional program**

Complimentary rooms let out under promotional program (e.g. loyalty program) to attract customers are allowable. Complimentary rooms are to be treated as a discount and therefore not subject to GST.

**(i) Complimentary rooms for business associates, put up for private use**

Such complimentary rooms are subject to GST. GST is chargeable based on the open market value.

**(j) Events/Conferences/Meetings/Seminar Package**

Premises in hotels and the like are commonly offered as a venue to hold events/conferences/meetings/seminars. The services are normally offered as a package (example: rental of premises, food and beverages, facilities to be used) and are subject to GST.

**(k) Wedding Package**

Wedding package offered by hotel includes breakfast, buffet, meals, ancillary services such as floral decorations, services of toast master and room for bridal ceremony and bridal party. The whole wedding package is treated as a single taxable supply and subject to GST.

**(l) Hotel club facilities**

Hotel's club membership fees are subject to GST. Hotel's club facilities provided such as gym and swimming pool are subject to GST.

**(m) Gift provided to hotel guest**

Purchase of gift on behalf of hotel's guest at their request:

- (i) The hotel will include this cost as a separate charge
- (ii) The gift provided is a taxable supply and therefore subject to GST.

**(n) Other services provided by hotel and similar establishments (Accommodation premises)**

Other supplies of services provided by “**accommodations premises**” which attract GST include:

- (i) Supplies of spaces within the hotel for display of cabinets and advertising panels;
- (ii) Rent received from shops situated in hotel's premise;
- (iii) Hire of a sports or games room;
- (iv) Hire of sports equipments and providing coaching sessions;
- (v) Hire of rooms for trade sales and exhibitions;
- (vi) Usage of business centre;
- (vii) Usage of health centre/spa;
- (viii) Car jockey services;
- (ix) Outdoor catering; and
- (x) Parking fees when charge separately.

**GST Treatment on Promoters and Hotel Brokers**

11. Hotel brokers and promoters are marketing agent for the hotel industry. The service of the agent is a taxable supply and the agent must account for GST on the commission received if he is a GST registered person. Input tax (ITC) is claimable on commission received.

### **Deposit or Booking Fees**

12. If it is part of payment, it is a consideration and subject to GST. If it is not part of the payment, it is not a consideration and not subject to GST. Forfeited deposits/ booking fees is not considered as a supply but as a penalty and is therefore not subject to GST.

### **Retention fees/ Cancellation fees**

13. Retention fees are paid to reserve an accommodation for future use and considered as advance payment and subject to GST at standard rate. Cancellation fees are regarded as compensation and not subject to GST.

### **Exempt supplies in accommodation premises**

14. Exempt supplies in accommodation premises includes:

- (a) Deposit of money
- (b) Currency exchange

These are regarded as incidental exempt supplies and input tax on them are attributable to taxable supply and input tax (ITC) is claimable. They are to be regarded as taxable supplies for the purpose of group registration.

## **FREQUENTLY ASKED QUESTIONS**

### **Supplies of accommodation and other services**

**Q1. What is the GST treatment on rooms that are provided with furnished sleeping accommodation, spa, gym and laundry services to hotel guests?**

A1. Supply of room with furnished sleeping accommodation is subject to GST. Recreational facilities such as spa, masseur services, compact gym and laundry services are taxable supplies and subject to GST at standard rate. If services provided are not part of the room accommodation services, these services should be stated in a separate bill with the amount and GST charged



indicated. If it is provided as part of the accommodation package, then these services are to be considered as a single supply for charging GST.

**Q2. How is GST on telecommunication services such as facsimile, e-mail/internet and IDD phone used by guests in their room or at the business center to be accounted for?**

A2. All these telecommunications services and service charge, if any, by the hotel are to be standard rated, except international calls which are to be zero rated.

**Q3. Do we have to account for GST on parking facilities which are provided free of charge to the guests and how is GST to be accounted if discounts are given to those parking space that have a charge?**

A3. Parking facilities provided free of charge by the hotel are not subject to GST because normally it is inclusive of the room charges or rental of facilities. However, letting of parking space charged separately is subject to GST. If discount is given to everyone, then GST is charged on the discounted amount.

**Q4. How is GST calculated on a wedding package offered by a hotel, which includes room and ancillary facilities?**

A4. The wedding package offered may consist of wedding breakfast, buffet and meals served in a room with ancillary services provided as part of the package (including floral decorations; the service of a toast master; a room for ceremony and bridal party). This package is treated as a single taxable supply. The calculation of GST must be based on the total value of this package. The GST treatment is the same for other similar packages like conferences, seminar and gatherings with ancillary services.

**Q5. In the promotion of new membership recruitment campaign, the hotel offers “Stay 6 Nights Get One Night Free” program to all who wish to join. Do we have to charge GST on the free night accommodation?**

A5. The free night offered as a package in a promotion campaign is treated as a discount and allowable. GST is chargeable on the actual amount paid.

**Q6. Is the hotel club annual membership fees subject to GST?**



A6. Yes, the annual membership fees paid by members are subject to GST. It entitles the members to enjoy the hotel facilities with special treatment or discount.

**Q7. Members of the hotel's club enjoy certain facilities such as the gym and swimming pool at discounted rates. How do I account for GST on these services?**

A7. These services are taxable supplies and subject to GST. If discount is given for using these facilities, GST shall be accounted on the discounted amount.

**Q8. Is GST payable on hotel accommodation given free to regular customers?**

A8. GST is not payable on free hotel accommodation offered to all customers.

**Q9. Is commission paid to promoters and hotel brokers subject to GST, and if so who should account for it?**

A9. Yes, commission paid to promoters and hotel brokers are subject to GST. The promoters and brokers are the marketing agent for the hotel. The service of the agent is a taxable supply and therefore the agent must account for GST if he is a GST registered person.

**Q10. It is a common practice for a hotel to order bouquet of flowers or purchase gifts on behalf of customers at their request. The hotel will include this cost as separate charge in the invoice issued. Is this charge on the services of providing gifts subject to GST?**

A10. The supply of bouquet of flowers or gift is a taxable supply. If there is any charge on such services imposed by the hotel, such services are also subject to GST.

**Q11. As a form of goodwill, the hotel pays the taxi fare on behalf of hotel guest. The hotel will recover the exact amount in the guest's hotel bill. Is the recovery of taxi fare subject to GST?**

A11. Taxi fare is exempt from GST. The recovery of taxi fare by the hotel is not subject to GST as it is regarded as a disbursement. The tax if any (for limousine service which is taxable) would be borne by the hotel guest but paid by the hotel. The hotel is not entitled to claim input tax on the tax incurred.

Fare paid on behalf of guest is treated as disbursement. The hotel need not charge GST on disbursement.

**Q12. What is the GST treatment on complimentary rooms?**

A12. The supply of complimentary room as part of the hotel's promotional package, for example, a complimentary room given under loyalty program, or as an offer for group package such as one complimentary room for every 20 rooms booked and is open to all is not subject to GST. It is treated as a discount. However, if the Complimentary room is only given to business associates or connected person, it is subject to GST based on the room rate. In both cases, ITC is claimable by the hotel.

**Q13. A hotel making extreme promotion package, charges RM1.00 per night stay as an annual event during school holidays. On what value should GST be charged?**

A13. GST is to be charged on the actual amount paid.

**Q14. Is the supply of bed and breakfast (B & B) treated as a single supply?**

A14. The B & B establishment normally will include breakfast at an inclusive price. This is treated as a single supply and subject to GST.

**Q15. Do I have to account for GST on in-house training given to hotel employee?**

A15. The in house training (employment related skills) given free to employees to improve their working skill is regarded as a non-supply and therefore not subject to GST.

**Q16. If my hotel provides training services to other hotel's employees, do I need to account for GST on these training services given?**

A16. Yes, you have to account for GST on the fees paid for training services to other hotel's employees.

**Q17. Are takings from coin-operated machines located in the hotel's premise subject to GST?**

A17. Yes. The supplies of goods or services through any coin-operated machines, such as video game, vending machine or snack machines are subject to GST.

The supplier of these machines must account for the total value of the coins/tokens removed from the machine, and GST is to be accounted for by applying the GST fraction, i.e. If GST rate is 6%:-

$$\begin{aligned}\text{Output tax} &= \frac{\text{GST rate}}{\text{GST rate} + 100\%} \times \text{takings} \\ &= \frac{6\%}{(6\% + 100\%)} \times \text{takings} \\ &= \frac{6\%}{106\%} \times \text{takings}\end{aligned}$$

The time of supply is the date the coins/takings are removed from the machine.

**Q18. What is the GST treatment on letting out hotel's sports facilities, such as golf course and golf driving range?**

A18. Sports facilities are facilities used for sport or physical recreation which are normally designed or equipped premises or land for particular sporting activities. The letting out of such facilities is subject to GST at standard rate.

**Q19. What is the GST treatment on the disposal of a hotel's business assets, for example disposal of used curtain and furniture?**

A19. The disposal of goods which form part of the business assets, by selling, giving them away or using them for private use, is a taxable supply. You have to account for GST on disposal of business assets based on the disposal value.

**Deposit, booking fee, retention fee and cancellation charge/fees**

**Q20. I run a small hotel and ask for deposit on advanced booking. Do I have to account for GST on it?**

A20. Yes. Deposit serves as an advance payment, is treated as part of the consideration for the supply. You must account for GST in the taxable period in which you received the payment. If you have to refund it (with tax) due to cancellation of the booking, you can claim the GST that you have refunded in

the next return. It is tax inclusive if it is part payment. Hotel will have to show the deposit collected and the GST amount separately in the invoice to the customers as follows:

**Example:**

Deposit 20% of the room charges	RM200.00
GST 6%	<u>RM 12.00</u>
Total Charge	RM212.00
Refund (deposit + GST)	RM212.00

**Q21. What is the GST treatment on the retention fees and cancellation charge?**

A21. Retention fees which are paid to reserve an accommodation for future use, is considered as an advance payment and therefore it is to be standard rated. If you imposed a cancellation charge/fee to a guest who makes a no show or cancel the booking, no GST is due on the charge/fee. Cancellation charge is regarded as compensation and is not a taxable supply.

**Example:**

Retention fee	RM1000.00
GST 6%	<u>RM 60.00</u>
Total Charge	<u>RM1060.00</u>
Cancellation Charges 10%	RM 100.00
Refund (retention fee balance +GST)	RM 960.00

**Q22. Is deposit charged as a security for payment of a supply which is refundable upon settlement of the hotel bill attract GST?**

A22. Such deposit is not treated as a consideration for the supply but merely as security, therefore it is not subject to GST. One example is when you check in into a hotel, settlement of hotel bill is to be made by credit card. You are asked to pay a deposit in cash of a certain amount that is refundable upon checking out from the hotel.

**Q23. In the course or furtherance of my business, I may invite tenders for a future supply of goods and services. The person applying the tender will have to pay a deposit. Is the deposit subject to GST?**



A23. In this case, the deposit is taken as a security and not as a payment for supply which is eventually refundable, is therefore not subject to GST.

**Q24. What is the GST treatment on no show charge, if a hotel charge a customer on booking cancellation?**

A24. No show charge is subject to GST. It cannot be treated as penalty since the supply of room has been made to customer.

### **Tips**

**Q25. Are tips given by guests voluntarily subject to GST?**

A25. A tip given voluntarily by guests or customers to a hotel's staff as token of appreciation for services rendered is not part of consideration for the supply, and is therefore not subject to GST. However, if the tip is included in the customer's bill as a mandatory service charge, then GST is chargeable. GST is to be calculated on the value of the supplies (customer's bill) inclusive of the service charge.

Customer will have to pay GST on the supplies and also on service charge (normally at 10%) to the customers.

### **Business entertainment expenses**

**Q26. As a hotel director, I usually entertain my clients by giving free lunch or drink. What is the GST treatment on this business entertainment?**

A26. Free lunch or services given to any person who is not connected to you is not subject to GST.

**Q27. A hotel operator engaged services of professionals such as interior decorator, architect, auditor and management consultant from abroad. Are these services subject to GST and who should account the tax?**

A27. Imported taxable services received by persons who belong in Malaysia in the course or furtherance of his business are subject to GST. The supplies are treated as made by the recipient and the recipient must account the tax by way of reverse charge mechanism. In this particular case, the hotelier must account for the tax and input tax is claimable.

*(For further information please refer to the GST General Guide on Imported Services).*

### **Compensatory payment**

**Q28. A guest was charged for breaking the hotel tea pot. Is the charge subject to GST?**

A28. The guest will have to pay for the broken tea pot inclusive of GST.

### **Time share accommodation**

**Q29. What is the GST treatment on the supply of holiday accommodations under a time-share scheme?**

A29. If you supply holiday accommodations under a time-share or multi ownership schemes, the supply is subject to GST.

**Q30. Are other charges related to time-share package such as advance license fee for security, annual license fee for use of club facilities, annual maintenance fee, upgrading fee and administrative charges for transfer services subject to GST?**

A30. These charges are consideration for supplies related to time-share package. They are taxable supplies and therefore subject to GST.

**Q31. Time share offer owners the possibility to exchange their package to stay at one of the resorts worldwide. Most time share companies charge a transfer fee or surcharge. Is GST due on this fee?**

A31. The transfer fee or surcharge is subject to GST because the fee is consideration for the transfer of services.

**Q32. The time-share membership entitled members to stay in the participating hotels/resorts within Malaysia or abroad. What is the GST treatment if members used the time share rights to stay in the participating hotels/resorts outside Malaysia?**

A32. The time-share membership is a holiday/vacation package. It is a taxable supply and is subject to GST at the point of sale. However, purchase of room

outside Malaysia by the time-share management to accomplish the request of members to use their time share right abroad is out of scope.

On the other hand, purchase of room in hotels/resort in Malaysia by affiliate time-share management abroad for their time share members is subject to GST because the service is to be consumed in Malaysia.

**Q33. Time share membership is open/sold to a non-resident. Is the sale subject to GST?**

A33. The supply of time-share membership by a taxable person is subject to GST, even though purchased by a non-resident. A supply of service is treated as made in Malaysia if the supplier belongs in Malaysia.

**Q34. A time-share management in Malaysia does marketing/recruitment overseas. Is the time-share membership sold during the promotion subject to GST?**

A34. Yes, the time share membership sold is subject to GST because the time-share package and the supplier belongs in Malaysia.

**Q35. Time-share owners can elect to stay at their resort during the prescribed period. They can also sell or rent out their rights (e.g. one week stay). What is the GST implication on these transactions?**

A35. If you sell or lease your holiday accommodation (rights), your supply is standard rated. If you sell or lease the time-share rights through the time-share management they must account for GST through. If you make your own arrangement you must account for GST if you are a GST registered person.

**Q36. Does the redemption of goods and services under the time-share scheme reward point system subject to GST?**

A36. Redeemable reward points are subject to GST upon redemption.

**Q37. What is the GST treatment on refund payment due to the cancellation of the time-share membership?**

A37. Refund for cancelled time-share membership is not subject to GST because it is not a supply, and any tax paid on the balance of membership fee is



refundable. Time-share management must produce evidence of tax refunded to the member before claiming tax refund from the government.

**Q38. GH group comprises of subsidiaries and associated companies on entertainment industry and resort chain. Is GH entitle for group registration and what are the benefits of group registration?**

A38. GH group is entitle to group registration if the company fulfil the following criteria:-

Group registration under the GST Act is a facility applicable only to subsidiary companies that make wholly taxable supplies. The group has to appoint a representative member to account for GST and claiming of input tax for the group. However, each member of the group is also required to be GST registered person before becoming a member of the group. The benefit is supply between members of the group is to be disregarded.

*(For further information, please refer to the GST Guide on Registration)*

**Other Related Issues**

**Q39. What is the GST treatment for service apartments? Is it treated as commercial accommodation or similar establishments (i.e. hotel, motel etc.)**

A39. Service apartments such as hotel, motel are commercial accommodation and is subject to GST.

**Q40. Are residential apartments packaged with other services such as 24 hours security, swimming pool, landscape and other common facilities can be classified as service apartments? Are these services subject to GST?**

A40. Residential apartment does not become service apartment by providing services as classified above. However, when management fees charged for maintenance of the services are subject to GST. Security services provided is a taxable supply and the security company will have to charge GST on the security services provided to the management company. If the management company is a GST registered person the GST paid to the security company is claimable as input tax.

**Q41. Service apartments are occasionally rented out as residential apartments to individuals or companies. Is the rent received subject to GST?**

A41. Service apartments operated by a GST registered company which collect rent on short/long stay is subject to GST. GST will be charged on the value offered by the hotel for long stay. If the apartment is sold to an individual for residential purpose, it is not subject to GST. The GST treatment on service apartments will depend on the usage of the apartments whether for commercial or residential purposes. If it is for commercial, it is subject to GST and if it is for residential, it is not subject to GST.

**Q42. A company bought a turnkey residential project and converted it to service apartments. What is the GST treatment on these kind of service apartments?**

A42. Purchase of residential property is an exempt supply with no tax liability, but changing the status of residential property to commercial apartment attracts GST. Sales of the apartment becomes sales of a taxable supply.

**FEEDBACK AND COMMENTS**

15. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either Rozila Binti Saad (rozila.saad@customs.gov.my) or Navukarasu A/L Ganesan (navukarasu.ganesan@customs.gov.my).

**FURTHER ASSISTANCE AND INFORMATION**

16. Further information can be obtained from:

- (a) GST Website: [www.gst.customs.gov.my](http://www.gst.customs.gov.my)
- (b) GST Hotline: 03-88822111
- (c) Customs Call Centre:
  - Tel : 03-78067200 / 1-300-888-500
  - Fax : 03-78067599
  - E-mail : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)

