

FREQUENTLY ASKED QUESTIONS (FAQs)

Supplies Of Accommodation and Other Services

1. **Q : What is the service tax treatment on provision of hotel accommodation services and other services such as gymnasium manage by the hotel and laundry services which is outsourced?**

A : Generally, all the services provided by the hotel operator are subject to service tax. However, the laundry services which is outsourced is not subject to service tax.

2. **Q : What is the service tax implication if a hotel operator manages a theme park and charges an entrance fee of RM100?**

A : The entrance fee of RM100 is subject to service tax as the service is provided by the hotel operator.

3. **Q : A hotel operator provides telecommunication services such as facsimile, e-mail/internet and IDD phone for his guests either for consumption their rooms or at the business center. Is such service subject to service tax?**

A : The telecommunication services charge by hotel operator are subject to service tax.

4. **Q : I am a hotel operator and provide parking facilities for my guests without any charges as they are staying at my hotel. Am I required to account for service tax on the parking facilities which are provided free of charge to guests and if there is a charge imposed, how do I account for service tax?**

A : Parking facilities provided to the hotel guests are not subject to service tax because it is accounted for in the guest room charges. However, letting of parking space charged separately is subject to service tax. If a discount is given, service tax will be charged on the discounted amount.

5. Q A travel agent has made a booking for 150 rooms and it is given one complimentary room by the hotel for every 100 rooms booked. What is the service tax treatment on the complimentary room?

A : The complimentary room given by the hotel to travel agent is not subject to service tax.

6. Q : How is service tax calculated on a wedding package offered by a hotel, which includes room and ancillary facilities?

A : The wedding package offered may consist of the 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 toastmaster; a room for the ceremony and bridal party). The calculation of service tax must be based on the total value of this package. The service tax treatment is the same for other similar packages like conferences, seminar and gatherings with ancillary services.

7. Q : I run a hotel with less than 25 rooms. Am I required to register for service tax?

A : Yes, you are required to register for service tax if your value of taxable service for the period 12 months exceeds RM500,000.

8. Q : A hotel charges RM1.06 (inclusive of service tax) for a night stay as an annual event during the school holidays. The hotel received a booking for 10 rooms for 4 nights. What is the amount of service tax charged?

A : The amount of service tax charge is RM2.40.

9. Q : What is the service tax implication for the food and beverage services provided by hotel operator to his guests and also to other than hotel guest (walk-in)?

A : Provision of food and beverage services by hotel operator is subject to service tax at 6%.

10. Q What is the service tax treatment on letting out hotel's sports facilities, such as golf course and golf driving range?

A : The letting out of such facilities is subject to service tax.

11. Q : ABC Property Sdn Bhd (ABCP) built a 15-storey hotel and the hotel is managed by ABC Hotel Management Sdn Bhd (ABCHM). ABCP receives net income from ABCHM after deduction of operational expenses incurred by ABCHM. Is ABCP making a taxable service?

A : ABCP is not making a taxable service but ABCHM is making a taxable service as a hotel operator.

12. Q : XYZ Property Sdn Bhd (XYZP) built a 15-storey hotel building and XYZP leased the hotel building to XYZ Hotel Management Sdn Bhd (XYZHM). Is XYZP making a taxable service?

A : XYZP provides leasing services which is not a taxable service under the First Schedule of Service Tax Regulations 2018.

13. Q : We are a hotel operator and also a service apartment operator and we provide accommodation to our customers besides other facilities available at the hotel and apartment. Are we required to charge service tax for operating the hotel and the service apartment or only the hotel?

A : You are required to charge service tax for the services of operating the hotel and service apartment.

Membership

14. Q : In the promotion of the 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 service tax on the free night accommodation?

A : The free night offered as a package in a promotion campaign is treated as a discount and allowable. Service tax is chargeable on the actual amount paid.

15. Q Members of the hotel’s club enjoy certain facilities such as the gym and swimming pool at discounted rates. How do I account for service tax on these services?

A : These services are taxable services and subject to service tax. If a discount is given for using these facilities, service tax shall be accounted on the discounted amount.

Time-share Accommodation

16. Q : Is a timeshare programme sold by a timeshare provider subject to service tax as the programme provides its members timeshare week rights to stay in participating hotels/resorts?

A : No, a timeshare program sold by a timeshare provider is not subject to service tax.

Deposits / No Show Charges

17. Q : What is the service tax treatment on no show charge, if a hotel charges a customer on booking cancellation?

A : No show charge is subject to service tax. It cannot be treated as a penalty since the provision of accommodation has been made to the customer.

Compensatory Payment

18. Q : A guest was charged for breaking the hotel teapot. Is the charge subject to service tax?

A : No, the guest does not have to pay the service tax for the broken teapot.

19. Q : A guest purchased a towel and mug from the hotel operator. Is the purchase subject to service tax?

A : Yes, the purchased is subject to service tax.

Other Related Services

20. Q : It is a common practice for a hotel to order bouquets of flowers or purchase gifts on behalf of customers at their request. The hotel will include this cost as a separate charge in the invoice issued. Is this charge for the services of providing gifts subject to service tax?

A : The supply of bouquets of flowers or gifts to the hotel operator is not a taxable service. However, when it is provided by the hotel operator to his guest for a charge, such services are also subject to service tax.

21. Q : What is the service tax treatment for the provision of food and beverage services provided by a restaurant operator (other than hotel operator) within the premises of the hotel?

A : Provision of food and beverage services provided by restaurant operator is subject to service tax if his total annual taxable turnover exceeds RM1,000,000.

22. Q : Is the collections taken from the coin-operated machines located in the hotel's premise subject to service tax?

A : Yes. The provision of services through any coin-operated machines, such as video game, vending machine or snack machines are subject to service tax.

Service tax is to be accounted as a tax fraction of the total value of the coins/tokens removed or collected from the machine.

23. Q : Are tips given by guests voluntarily subject to service tax?

A : A tip given voluntarily by guests or customers to a hotel's staff as a token of appreciation for services rendered is not subject to service tax. However, if the tip is included in the customer's bill as a service charge, then service tax is chargeable. Service tax is to be calculated on the value of the services inclusive of the service charge.

Price display

24. Q : Is the price displayed at the hotel for accommodation, food and beverage etc. required to be inclusive or exclusive of service tax?

A : The price displayed may be inclusive or exclusive of service tax.

Transitional Issues

25. Q : Andrew checks into a hotel on 28 August 2018 and checks out on 7 September 2018. Is the hotel operator required to issue 2 invoices for his stay before and after 1 September 2018? What is the tax treatment on accommodation for the period of 1 September 2018 to 7 September 2018?

A : The hotel operator should issue an invoice to the customer where a GST of 0% charged on accommodation for the period 28 August 2018 to 31 August 2018 and service tax chargeable on accommodation for the period 1 September 2018 to 7 September 2018.

26. Q : Indah Hotel Sdn Bhd issued a privilege card for a fee to the members of the hotel's club for an annual programmed from 1 June 2018 to 31 May 2019 to enjoy certain facilities such as the gymnasium and swimming pool at a discounted rate. The members have paid the full amount on 31 July 2018. Is the issuance of the privilege card subject to service tax on 1 September 2018?

A : The issuance of the privilege card is not subject to service tax on 1 September 2018.

27. Q : Yusra made a hotel booking and paid the full amount of RM600 through Agoda on 20 August 2018 for a stay from 30 August 2018 until 2 September 2018. What is the tax implication on the stay?

A : The stay from 30 August 2018 to 31 August 2018 is subject to GST at 0% but the stay from 1 September 2018 to 2 September 2018 is subject to service tax at 6%.