



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON LODGING OR HOLIDAY ACCOMMODATION SERVICES

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The Guide on Accommodation Premises and Similar Establishments revised as at 15 January 2016 is withdrawn and replaced by the Guide on Lodging or Holiday Accommodation Services revised as at 20 September 2017.

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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 relating to lodging or holiday accommodation which involves supply of rooms for lodging and sleeping accommodation and also other related supplies.

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 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 a 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.

IMPACT OF GST

Lodging or holiday accommodation

5. The supplies of lodging or holiday accommodation and other facilities such as food and beverages, recreational and rental supplied in the course or furtherance of business are subject to GST.

6. Lodging or holiday accommodation includes:

- (a) hotels, inns, boarding houses;
- (b) holiday accommodation which is advertised or held out as suitable for holiday or leisure use such as resort, villa, chalet, beach hut or tent; or
- (c) similar establishments

7. “Similar establishments” refer to premises which have the characteristics similar to hotels, 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 guest 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.

Exempt Supply

8. Under item 19 Second Schedule Goods and Services Tax (Exempt Supply) Order 2014, the grant of a right, interest or license to occupy a building for residential purposes where the building is designed or adapted for used as dwelling is an exempt supply.

9. “Dwelling” generally means any building used and occupied for human habitation or intended to be so used, being the place where the individual ordinarily resides and routinely returns to after visiting other places for a reasonably significant period of time except that it does not include any building used solely for a seasonal vacation purpose.

Difference between the provision of dwelling and lodging / holiday accommodation

10. A table is provided in Appendix 1 as a guidance to providers to distinguish between a dwelling and lodging / holiday accommodation.

GST Treatment on Similar Establishments

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

(a) Home-stays

Rental on home-stays is subject to GST.

(b) Service apartments

Service apartments used as a lodging or holiday accommodation rented out with central management, multiple occupancy, short term stay offering with services offered such as cleaning, laundry, telephone, utilities are subject to GST.

(c) 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.

(d) 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 and security services, are not subject to GST if there is no charge. If services are charged separately, then it is subject to GST.

Related supplies

12. Related supplies which may also be provided by the lodging or accommodation provider that attract GST are as follows:

(a) 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.

(b) Free tickets and complimentary rooms

Free tickets or complimentary rooms being a supply freely offered to the guest in a resort, hotel or similar establishments is not subject to GST.

(c) 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.

(d) Complimentary rooms put up for private use for business associates (not connected person)

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

(e) Events/ Conferences/ Meetings/ Seminar Package

Premises in hotels and the like are commonly offered as avenue 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.

(f) Wedding Package

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

(g) 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.

(h) Gift provided to hotel guest

Gift provided to hotel guest will be subject to gift rules under subitem 5(2) of the First Schedule, Goods and Services Tax Act 2014.

(i) Other services that attract GST:

- (i) Supply of space 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 equipment 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 charged separately.

GST Treatment on Promoters and Hotel Brokers

13. 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 is claimable if it is attributable to a taxable supply.

Deposit or Booking Fees

14. If the deposit or booking fee forms part of payment, it is a consideration for a supply of accommodation and is subject to GST at a standard rate. If it is not part of the payment, it is not a consideration and not subject to GST.

15. 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

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

Exempt supplies made by lodging or holiday accommodation provider

17. The exempt supplies includes:

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

These are regarded as incidental exempt supplies and input tax incurred for the making of such supplies is treated as input tax attributable to taxable supply and the input tax is claimable.

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 a 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.

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.

Membership

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. 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?

A6. 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.

Miscellaneous supplies

Q7. 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 on the services of providing gifts subject to GST?

A7. The supply of bouquets of flowers or gifts is a taxable supply. If there is any charge on such services imposed by the hotel, such services are also subject to GST.

Q8. A hotel charges RM1.00 per night stay as an annual event during school holidays. On what value should GST be charged?

A8. GST is to be charged on the actual amount paid.

Q9. Is the supply of bed and breakfast (B & B) treated as a single supply?

A9. The B&B establishment normally will include breakfast at an inclusive price. This is treated as a single supply and subject to GST.

Q10. Does a hotel operator have to account for GST on in-house training given free to his employees?

A10. The in-house training (employment-related skills) given free to his employees is to improve their working skill and is regarded as a non-supply and therefore not subject to GST. If the operator provides a similar training to other hotel's employees for a fee, the fee is subject to GST at a standard rate.

Q11. Are takings from coin-operated machines located in the hotel's premise subject to GST?

A11. 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 as below:

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

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

Q12. What is the GST treatment on letting out hotel's sports facilities, such as golf course and golf driving range?

A12. Sports facilities are facilities used for sports 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 a standard rate.

Q13. What is the GST treatment on the disposal of a hotel's business assets, for example disposal of used curtains and furniture?

A13. 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.

Deposits / No Show Charges

Q14. In the course or furtherance of my business, I may invite tenders for a future supply of goods and services. The person applying for the tender will have to pay a deposit. Is the deposit subject to GST?

A14. In this case, the deposit is taken as a security and not as a payment for supply which is eventually refundable. It is therefore not subject to GST.

Q15. What is the GST treatment on no show charge, if a hotel charges a customer on booking cancellation?

A15. No show charge is subject to GST. It cannot be treated as penalty since the supply of room has been made to customer.

Business entertainment expenses

Q16. As a service apartment operator, I usually entertain my guests on New Year's Eve. What is the GST implication on this business entertainment?

A16. The input tax incurred on the entertainment expenses to your existing guest is claimable.

Q17. A hotelier engaged services of professionals such as interior decorator, architect, auditor and management consultant from abroad to refurbish his

hotel. Are these services subject to GST and who should account for the tax?

A17. Those services qualify to be treated as imported taxable services and are subject to GST. The supplies are treated as made by the hotelier and he must account for the output tax by way of reverse charge mechanism. In this particular case, the hotelier must account for the output tax and input tax attributable is claimable.

For further detail please refer to the GST General Guide on Supply.

Compensatory payment

Q18. A guest was charged for breaking the hotel teapot. Is the charge subject to GST?

A18. Yes, the guest will have to pay for the broken teapot inclusive of GST.

Time-share accommodation

Q19. What is the GST treatment on the supply of rights to stay at a holiday accommodation under a time-share program by the timeshare management provider to a member?

A19. The supply of rights to stay at a holiday accommodation under a time-share is subject to GST.

Q20. 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?

A20. These charges are consideration for supplies related to time-share package. They are taxable supplies and therefore subject to GST.

Q21. Time-share programs offers owners the possibility to exchange their package to stay at one of the resorts worldwide. Most time-share

management providers charge a transfer fee or surcharge. Is GST due on this fee?

A21. The transfer fee or surcharge is subject to GST because the fee is consideration for the transfer of services.

Q22. The time-share program 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?

A22. 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 rooms outside Malaysia by the time-share management provider to accomplish the request of members to use their time-share right abroad is not within the scope of GST.

On the other hand, purchase of rooms 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.

Q23. Time-share program is sold to a non-resident where the member has a right to stay in a holiday accommodation in Malaysia. Is the sale subject to GST?

A23. Yes, the supply of time share program by a taxable person to the non-resident is subject to GST.

Q24. A time-share management provider in Malaysia does promotion of his program overseas where the buyer has a right to stay in a holiday accommodation in Malaysia. Is the time-share membership sold during the promotion subject to GST?

A24. Yes, the time-share membership sold is subject to GST because the time-share package is in Malaysia and the supplier belongs in Malaysia.

Q25. Time-share members can elect to stay at their resort during the prescribed period or they can also sell or rent out their rights (e.g. one week stay). What is the GST implication on these transactions?

A25. If they sell or lease their holiday accommodation (rights), the supply is standard rated. If they sell or lease the time-share rights through the time-share management, they must account for GST. If they make their own arrangement to sell or lease their holiday accommodation, they must account for GST if they are registered for GST.

Q26. Is the redemption of goods and services under the time-share scheme reward point system subject to GST?

A26. Redeemable reward points are subject to GST upon redemption.

Q27. What is the GST treatment on refund payment due to the cancellation of the time-share membership?

A27. 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.

Other Related Issues

Q28. Generally, service apartments provide services such as 24-hour security, swimming pool facilities, landscape and other common facilities. Are these services subject to GST?

A28. When management fees are charged for maintenance of the above services, the fee is subject to GST. If the management company is a GST registered person, the GST paid to the service providers is claimable as input tax.

Q29. Service apartments are occasionally rented out as a dwelling to individuals or companies. Is the rent received subject to GST?

A29. No, the supply is an exempt supply and not subject to GST. The GST treatment on service apartments will depend on the usage of the apartments. If it is for providing accommodation and not dwelling purposes, it is subject to GST.

Q30. Are tips given by guests voluntarily subject to GST?

A30. 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%).

INQUIRY

1. For any inquiries for this guide please contact:

Sector IV

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email: gstsector4@customs.gov.my.

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information on GST can be obtained from :

(a) GST website : www.gst.customs.gov.my

(b) Customs Call Center :

• Tel : 03-7806 7200 / 1-300-888-500

• Fax : 03-7806 7599

• E-mail : ccc@customs.gov.my

APPENDIX 1

Difference between the provision of dwelling and lodging / holiday accommodation.

NO.	DESCRIPTIONS	ACCOMMODATION (SR)	DWELLING (ES)
1.	Short-term vs Long-Term	Short-term Rate based on per night stay	Short-term or Long Term Rate based on monthly or annual rental
2.	Central Management services such as Front Office, security, parking facilities, house-keeping, etc.	Hotel-like amenities without charges	Non hotel-like amenities includes maintenance fee
3.	Multiple occupancy	High frequency	Low frequency
4.	Tenancy Agreement	With operator	With landlord
5.	Deposit	Fixed amount based on stay per night	Based on monthly or annual rental
6.	Responsibility to upkeep the premise occupied	Operator	Tenant
7.	Notice of extension	Short notice (verbally)	Generally 30 days notification before expiry of tenancy agreement and in writing
8.	Renewal term	Not applicable	One month commencing from the date of agreement

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NO.	DESCRIPTIONS	ACCOMMODATION (SR)	DWELLING (ES)
9.	Renewal rental	Not applicable	Applicable
10.	Notice of termination	Not applicable	Applicable
11.	Furnishing and fittings	Fully furnished without any charges	Fully/ partially with charges or no furnishing and fittings
12.	Period of usage	Temporary	Permanent

SR- Standard Rated Supply

ES- Exempt Supply