



Frequently Asked Questions – Hospitality

➤ **Can hotel accommodation be considered as supply of residential accommodation?**

Any commercial building that is used as a hotel, motel, bed and breakfast establishment, or hospital or similar establishment will not be termed as residential accommodation. Thus, the supply of hotel accommodation should be chargeable to VAT at 5%.

➤ **What is a ‘serviced apartment’ and can a serviced apartment be termed as supply of residential accommodation?**

An accommodation where services in addition to the supply of accommodation are provided is known as a serviced apartment. A serviced apartment will not be termed as residential accommodation and it shall be subject to VAT at 5%.

➤ **What is the place of supply in the case of hotel and restaurant services?**

For the supply of restaurant, hotel, and food and drink, catering services, the place is the where those services are actually performed.

➤ **Is VAT applicable on Tourism Dirham and Municipality Fees?**

As per the clarification issued by the Department of Tourism and Commerce Marketing (applicable to hotels situated in Dubai Emirate), it has been stated that VAT is to be levied on the room rate plus the service charge, but not to be imposed on Tourism Dirham and Municipality Fees.



➤ **Can VAT be recovered on expenses incurred for supply of food and uniform to staff and employees?**

- VAT charged on expenses in relation to food can be recovered in the following two scenarios:
 - Where supply of food is provided under any legal obligation as per applicable labour law in the State or Designated Zone
 - Where it is a contractual obligation or documented policy to provide those services or goods to those employees in order that they may perform their role and it can be proven to be normal business practice in the course of employing those people
- Typically, uniforms are provided to employees as a specific business requirement and this could be construed as expenses incurred in relation to the taxable supply. Thus, VAT incurred on uniform expenses would be recoverable.

➤ **Is VAT applicable on advances received?**

Yes, VAT is chargeable where any advance is received for hotel services to be provided. The date of receipt of the advance is the date of supply and accordingly, VAT would be applicable on the advance amount received.

➤ **Can multiple series of invoice numbers be used for different categories of services?**

Yes, multiple series of invoicing can be followed for different services such as room-stay, restaurant, recreation service, etc. Thus, as long as a unique identification number is maintained for the tax invoice, separate sequential series can be followed for different types of supplies.

➤ **When can a simplified invoice be issued?**

A simplified invoice can be issued:

- If the recipient of supply is not a registrant
- If the recipient is registered and the consideration of supply does not exceed AED 10,000/-

➤ **Where a tax invoice is issued for a particular service, such as restaurant service, should a consolidated tax invoice be issued again along with the tax invoice for the stay?**

Only one tax invoice should be issued for a taxable supply. Accordingly, where a tax invoice is issued at the time when restaurant service provided, then for the same service, no separate tax invoice should be issued.



➤ **Can VAT be recovered on the basis of a simplified tax invoice?**

Yes, VAT paid on expenses or purchases can be recovered based on simplified tax invoice where the input tax paid for goods and services which used or intended to be used for making any of the following:

- a. Taxable supplies.
- b. Supplies that are made outside the State which would have been taxable supplies had they been made in the State.
- c. Supplies specified in the Executive Regulation of this Decree-Law that are made outside the State, which would have been treated as exempt had they been made inside the State.

➤ **Is VAT applicable on agents fee for accommodation booking?**

Yes, in the case of travel agent services received by a taxable person in the UAE, it would attract VAT under reverse charge mechanism as the services received in the UAE would qualify as import of service. Accordingly, the taxable person shall be responsible for all applicable tax obligations and accounting for due tax in respect of these supplies.



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