Topical Tax issues for Irish Hotels Federation

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Indirect Tax issues

VAT rate for Hospitality and Tourism sector

- Despite industry lobbying, the Minister has confirmed that the reduced VAT rate of 9% applying to the hospitality sector will be discontinued from 1 September 2023, at which point it will revert back to the 13.5% VAT rate. This includes catering and restaurants, as well as hotel and similar accommodation.
- Receipts from the sale of gym memberships (and other sporting facilities) and golf green fees are all currently subject to VAT at 9%. It is still to be determined if the increase will apply to such activities.
- Meeting rooms in Hotels currently subject to VAT at 9% will increase to 13.5% from 1 September 2023.
- All food provided as part of a hotel meal is currently liable to VAT at 9% (and will increase to 13.5%). Alcohol, bottled waters, soft drinks and vegetable juices are liable to VAT at 23%, while fruit juices are currently liable to VAT at 9% (will increase to 13.5%).

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Vouchers

- Vouchers sold at face value to end consumers are not subject to VAT at the time of supply
  VAT is accounted for at the time the voucher (assuming it is a Multi purpose voucher') is redeemed by the end consumer at the rate applicable to the services supplied
- What is a multi-purpose voucher (MPV)?
- Effectively any voucher issued on or after 1 January 2019 that is not a SPV is considered to be a multi-purpose voucher for VAT purposes. MPVs can be used to purchase many different goods and services that are liable to different rates of VAT and can have different places of supply. A voucher is a MPV where either the underlying supply or the VAT due is not known.
- In my experience vouchers issued by hotels would be MPV's

Advance Bookings

- If you receive a deposit or pre-payment before you have completed supplying your goods or services, a supply is deemed to have taken place at the time of receiving the payment to the value of the payment. Value-Added Tax (VAT) is chargeable on the pre-payment and you must pay the VAT to Revenue in your VAT return.
- Where you receive payment in full or instalments before the completion of the supply (of goods and services) you must issue a Value-Added Tax (VAT) invoice in the proper form not later than the 15th day of the month following that during which each such payment was received.
- It follow that where a Hotel receives a payment for a Hotel booking prior to 1 September 2023 it may avail of the existing 9% rate (albeit the booking may relate to an accommodation booking for post 1 September 2023). Any subsequent payments received post 1 September 2023 for such booking should be accounted for the increase rate of 13.5%.

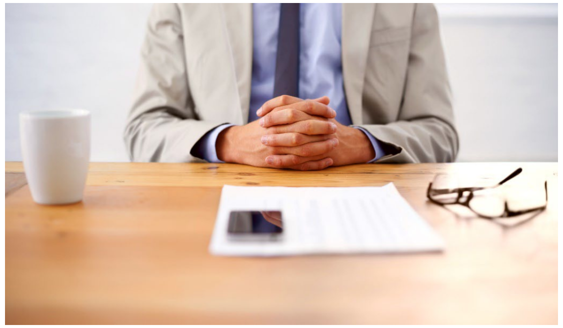
Deposits and Cancellations

- Where a deposit or payment on account or other payment is received by a hotel before the hotel has made or completed a supply of goods or services, a supply is deemed to have taken place at the time of the receipt of the payment to the value of such payment. VAT is chargeable on that deposit or payment.
- Where a deposit is retained by a hotel in the event of cancellation of the whole transaction by the customer, the hotel may reduce its VAT liability for the period in which the deposit is forfeited by an amount equal to the amount accounted for on the deposit. There are a number **of conditions that need to be satisfied in** order for this to apply:
    - the supply does not take place because the customer has cancelled it;
    - the cancellation is recorded as such in the books and records of the supplier;
    - the deposit is not refunded to the customer; and
    - no other consideration, benefit or supply is provided to the customer by any person in lieu of that amount

Enhanced Reporting – 1 January 2024

The Small Benefits Exemption

- In 2023 we saw the small benefits exemption rise to €1,000. This is the value of "gifts" that the employer can gift to any employee in a tax year.
- At present, this €1,000 can only be utilised and spread over a maximum of 2 gifts in any tax year. Meaning that even if the full €1,000 threshold is not utilised and an employer gifts a third gift/ voucher, the value of this third item will be subject to income tax.
- Calls have been made to remove this 2 gift limit and operate the small benefits exemption on a cumulative basis.



Remote Working Daily Allowance

- Where the employer makes a tax-free payment of €3.20 per day to employees for each day worked from home subject to certain conditions being satisfied
- When you are paying a Remote Working daily allowance, you must report the following:
  - total number of days
  - amount paid
    and
  - date paid.

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Enhanced Reporting – 1 January 2024

Travel and Subsistence

Payments by employers to employees to reimburse business related travel and subsistence costs including:

- Vouched travel & subsistence
- Unvouched travel & subsistence e.g. civil service mileage rates
- Country money
- Emergency travel
- Eating on site allowance

Revenue will require employers to report an employee's details, the amount paid and, in the case of the Remote Working Daily Allowance, the number of days.

There is no requirement to report details of an employee's use of company fuel cards or credit cards. Only expenses detailed above will require reporting.

How Will the Information Be Reported to Revenue?

Employers will be required to report details of the non-taxable benefits outlined above in real time, which makes this reporting requirement due on or before payment to employees.

A Revenue Online Service (ROS) facility will be provided to enable employers to submit, amend and correct enhanced reporting requirement data. From 2024, employees will be able to view information submitted by employers through their myAccount.

Reporting will be separate from payroll submissions to ensure the integrity of payroll records. Revenue envisage this separation as a means of avoiding the accidental creation of new or dummy employments purely to report benefits.

How Can an Employer Prepare for Enhanced Reporting Requirements (ERR)?

Revenue have confirmed that this initial reporting requirement is only Phase I and that further employee payments and/or benefits are likely to come within the scope of EER in the coming years.

To prepare for the target go-live January 2024 date, employers should:

1. Review how they are currently collating the reportable benefit information as systems may need to be introduced where information is currently stored in a manual format;

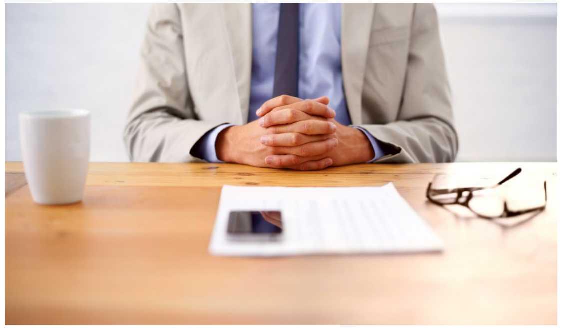
2. Consider whether a cross departmental approach to collating the data is required as information may be stored in HR systems yet Finance may be the department responsible for reporting the details to Revenue;

3. Determine how the current internal IT systems will integrate with Revenue’s on-line reporting facility;

4. Assess whether data quality may be an issue and educate approvers of claims forms on acceptable approval processes;

5. Decide whether to implement a process of tracking and allocating the data that’s compatible with the information that Revenue requires to be identified by each category.; and

6. Consider current payment timeframes may require consideration, e.g. where an employer has an on-demand expense payment policy, to determine whether these need to be changed to a more structured process to reduce potential administration.



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