

Treasury
Customs and Excise Division

Notice 709/3A (MAN)

Isle of Man

Accommodation in hotels and similar Establishments in the Isle of Man (reduced rate)



August 2011



Isle of Man
Government

Reilts Ellan Vannin

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Table of VAT Rates

From	To	Standard rate	Reduced rate
	30/11/2008	17.50%	5.00%
01/12/2008	31/12/2009	15.00%	5.00%
01/01/2010	03/01/2011	17.50%	5.00%
04/01/2011		20.00%	5.00%

Notice 709/3A MAN - August 2011

Reduced Rate of VAT on Accommodation Provided by Hotels and Similar Establishments in the Isle of Man

1. Scope of reduced rate

Reduced rates of VAT apply to certain supplies provided by hotels and similar establishments in the Isle of Man.

- (a) If you provide a person with accommodation in a hotel or similar establishment, your supply has been liable to a reduced rate of VAT from 1st October 1994. This also includes the provision of holiday accommodation and the letting of camping sites and caravan parks (including the pitch rental). **It does not however include the provision of timeshare accommodation.**
- (b) With effect from 1st April 1995, where a single supply of "Bed & Breakfast" is made, then the whole of the "Bed & Breakfast" tariff is subject to the reduced rate of VAT, the breakfast being seen as incidental to the main supply of accommodation. Where breakfast is supplied in any other tariff or meal arrangement, or charged separately on the customer's invoice, it is a supply of catering. This supply cannot be considered as incidental to the provision of accommodation and must be subject to VAT at the standard rate. See paragraph 5 re mixed supplies.

2. Law

Section 2(4) of the Value Added Tax Act 1996 allows for a reduced rate of VAT.

Schedule 1 to the Act details the supplies to which the reduced rate may be applied.

3. Accounting procedures

The value of reduced rate supplies exclusive of VAT should be entered in Box 10 of the VAT return and the VAT due in Box 1 together with any other VAT due.

If using the Tour Operator's Margin Scheme please see VAT Notice 709/5 MAN.

In the case of stays of over four weeks the calculations for VAT due from the 29th day remain unaltered - see VAT Notice 709/3 Hotels and Holiday Accommodation for further information.

4. Tax invoices

The total VAT actually charged must be shown on all tax invoices and the invoice must state clearly that the VAT rate is at the reduced rate on the qualifying element of the charge, (see (a) and (b) above).

The use of less detailed and modified tax invoices as detailed in Notice 700, Section 16 is not permitted.

5. Mixed supplies

Where mixed supplies are provided under a single price then the tax due at the reduced rate on the accommodation element will have to be separately calculated. For example where Half or Full Board is provided, only the accommodation element will be liable to VAT at the reduced rate, whilst the balance will be subject to VAT at the standard rate.

Where an inclusive charge is made for bed and board other than Bed & Breakfast, you must apportion it reasonably and charge VAT at the standard rate on the non accommodation element. The percentage charged for included catering should normally be not less than 35% of the Half or Full Board inclusive tariff.

Examples of calculations are given in this Notice.

6. **Deposits**

VAT payable when a deposit is received will be at the same rate as the accommodation until such time as the services are actually provided, at which time the apportionment at paragraph 5 above is to be applied.

7. **Transitional arrangements**

The rules relating to changes of rate of tax are set out in Notice 700, Section 30.

8. **Self Catering, Holiday Flats, etc**

The reduced rate may be applied to self catering, holiday flats and similar accommodation charges.

9. **Tour Operator's Margin Scheme (TOMS)**

Under VAT rules the normal place of supply of many of the services (e.g. travel, hotel and other holiday provisions) covered by TOMS is where they are enjoyed, but the margin on resale by the tour operator is taxed in the country where he belongs. This avoids the need for most tour operators to register for VAT in more than one country. Any supply of Isle of Man accommodation by a travel agent outside of the TOMS will also be standard rated.

Information on the Tour Operator's Margin Scheme is contained in VAT Notice 709/5 MAN.

10. **Further enquiries**

If you need any help or advice please contact the VAT Enquiry Officer, Custom House, Douglas by letter or telephone Douglas (01624) 648130.

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North Quay
Douglas
Isle of Man
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Examples of Calculations for Various Tariffs

The following examples are based on a reduced rate of 5% VAT and a standard rate of 20% VAT.

It **MUST** be noted that the following examples relate to the tariff charge made for

- (a) Bed and Breakfast, *or*
- (b) Dinner, Bed and Breakfast, *or*
- (c) Full Board.

Any other charges made for catering or facilities such as dinner when the client is on Bed and Breakfast terms, and drinks, telephone etc must have the VAT accounted for **in addition to the example calculations.**

If your actual charge for catering is more than the 35% of the tax inclusive tariff as detailed in paragraph 5 of the leaflet, then you **must** use the actual charge.

Example 1

In respect of a **VAT Inclusive** bill of £100.00 for 'bed and breakfast'

- (a) Total tax inclusive charge £100.00
- (b) VAT due on inclusive charge at 5% rate ((a) x 1/21) £4.76

	ie	£	£
Bed & Breakfast (VAT exc)			95.24
VAT @ 5%		4.76	
Total VAT			4.76
	Total (VAT inc)		100.00

Example 2

In respect of a **VAT Inclusive** bill of £100 for 'Dinner, Bed and Breakfast' where the catering is 35% of the total bill.

(a)	Total VAT inclusive charge	£100.00	
(b)	Tax inclusive charge for catering (35% of charge)	£35.00	
(c)	VAT due on catering at 20% ((b) x 1/6)		£5.83
(d)	Balance of charge (accommodation) ((a) - (b))	£65.00	
(e)	VAT due on accommodation at 5% rate ((d) x 1/21)		<u>£3.10</u>
(f)	Total VAT due ((c) + (e))		£8.93

	ie	£	£
Dinner, Bed & Breakfast (VAT exc)			91.07
VAT @ 20%		5.83	
VAT @ 5%		3.10	
Total VAT			8.93
	Total (VAT inc)		100.00
	Other Charges	X	Y

Example 3

In respect of a **VAT Exclusive** bill of £91.07 for 'Dinner, Bed and Breakfast' where the charge for catering is 32% of the VAT Exclusive charge (i.e. 35% of the VAT inclusive tariff).

(a)	Total tax exclusive charge	£91.07	
(b)	Tax exclusive charge for catering (32% of charge)	£29.14	
(c)	VAT due on catering ((b) x 20%)		£5.83
(d)	Balance of charge (accommodation) ((a) - (b))	£61.93	
(e)	VAT due on accommodation at 5% ((d) x 5%)		<u>£3.10</u>
(f)	Total VAT due ((c) + (e))		£8.93

	ie	£	£
Dinner, Bed & Breakfast (VAT exc)			91.07
VAT @ 20%		5.83	
VAT @ 5%		3.10	
Total VAT			8.93
	Total (VAT inc)		100.00
	Other Charges	X	Y

Formulae

The following formulae can be applied to any VAT inclusive charges for meals and accommodation where the catering element is NOT separately identified. (Any separately charged items should be excluded from the calculations, but then added back at the appropriate rate).

Note: these percentages are based on a reduced rate of 5% VAT and a standard rate of 20% VAT.

	D, B&B	or	FB
1	Catering element	(charge) x	35%
2	Accommodation element	(charge) x	65%
3	To calc VAT on catering	(charge) x	5.83%
4	To calc VAT on accommodation	(charge) x	3.10%
5	To calc total VAT	(charge) x	8.93%
6	To calc VAT ex total	(charge) x	91.07%
7	To calc Box 10 total	(charge) x	61.09%

For VAT exclusive charge

1	Catering element	(charge) x	32%
2	Accommodation element	(charge) x	68%
3	To calc VAT on catering	(charge) x	6.40%
4	To calc VAT on accommodation	(charge) x	3.40%
5	To calc total VAT	(charge) x	9.80%
6	To calc Box 10 total	(charge) x	68%

Published by:
Isle of Man Customs & Excise Division
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