KPMG

Meijburg & Co
Tax Lawyers

Travel, Leisure & Tourism Tax developments concerning the hotel business 2016

Meijburg & Co's Travel, Leisure and Tourism market group has wide practical experience in this sector and would be pleased to help you solve your tax issues. If your interest has been piqued by one or more of the issues discussed below, please feel free to contact us.

VAT

Application of the reduced VAT rate

In addition to providing accommodation (6% VAT), hotels also provide other services that are normally subject to 21% VAT. However, under certain conditions, these additional services can be regarded as services that are – to put in briefly – subordinate to the provision of accommodation and therefore the 6% rate can be applied. Examples of this are offering parking facilities and laundry services. With regard to the VAT position of hotels, it is essential that the correct VAT rate is applied to the various types of services provided.

Cancellations and no-shows

Guests who cancel their stay or do not turn up ('no-shows') often have to pay a cancellation fee. Under certain conditions, this fee is not subject to VAT. We notice that, in practice, some hotels wrongly pay VAT on cancellation fees. At the same time, we expect that, as a result of new case law on this issue, the Dutch tax authorities will start monitoring the VAT treatment of cancellations and no-shows more closely in future. We therefore recommend that hotels re-examine how they deal with VAT.

Credit surcharge

To ensure that guests pay on time, a credit surcharge is sometimes stated on the invoice. It is possible to optimize the VAT treatment of this credit surcharge.

Staff benefits

Our experience shows that some hotels wrongly fail to apply a VAT adjustment to the goods and services used privately by staff. If this is identified during an audit by the Dutch tax authorities, a supplemental VAT assessment could be imposed.

VAT Tour Operators Margin Scheme

Hotels may be faced with the special VAT Tour Operators Margin Scheme if they offer certain packages/excursions in their own name. In practice, it appears that hotels are not aware of the VAT Tour Operators Margin Scheme that was introduced in the Netherlands on April 1, 2012. In short, this special VAT scheme means that the hotel is not entitled to recover the VAT on the purchase of travel components and that 21% VAT is payable on the profit margin.

We would be happy to analyze your company's current VAT treatment of the abovementioned issues by way of a specific VAT quick scan for hotels.

Corporate income tax

Deferral of corporate income tax

Dutch companies pay corporate income tax on their taxable profit. The rate is 20% if the profit does not exceed EUR 200,000 and 25% on the part of the profit above this. Corporate income tax is levied on the 'taxable amount', which, in short, consists of the profit for tax purposes as recorded in the financial statements, which is still subject to various tax adjustments. This is because the rules applying to tax are different from those applying to annual reporting. For example, it is possible to deduct costs for tax purposes sooner or to temporarily exclude certain income from taxation. By efficiently applying the tax rules, corporate income tax can be deferred, thus leading to a temporary or permanent benefit.
An example may serve to clarify this. Every 10 years a hotel carries out large-scale building maintenance. On the basis of current accounting principles, a large part of the maintenance costs are capitalized. However, for tax purposes it is possible to deduct part of these costs immediately rather than capitalize them. In this way a substantial expense item can be deducted, which would otherwise be recognized at a later date by means of the depreciation on the building.

Avoidance of loss expiry
If your business has tax losses, these can be offset against profits realized in the previous year or profits still to be made during the next nine years. The possibility of offsetting the loss expires after nine years ("loss expiry"). Meijburg & Co has extensive experience in avoiding the expiry of corporate tax losses.

Investment in business assets and restructuring
The Corporate Income Tax Act 1969 includes various arrangements that provide credits or additional deductions for investment in business assets, in particular if these are energy efficient or environmentally friendly. If you have recently invested in business assets or if you are planning to do so, you may be able to make use of these favorable tax rules. In addition, there are tax incentives for the restructuring of your business, such as the creation of a structure separating the operating activities from the property: the 'Opco/Propco structure'. Such structures enable the company to focus entirely on its core business, whether this involves the provision of hotel business services or the management of real estate, and also enable companies to attract outside investors. If you are considering restructuring your business, we would like to discuss with you how your company can make use of such incentives.

WOZ/local taxes

In particular in the case of hotels, there was, for a long time, hardly any agreement about how the value of the property for the purposes of the Valuation of Immovable Property Act ("WOZ") had to be determined. This uncertainty has now come to an end with the taxation guide for hotels produced by the VNG (association of Netherlands municipalities). The VNG is committed to greater uniformity in property valuation and to this end has issued guidelines for municipal appraisers. In practice, however, the result of this is that the WOZ values are on average higher than in the past.

There are also differences of opinion in practice about tourist tax and then in particular about the tax base for its calculation.

Meijburg & Co helps its clients with the evaluation of the WOZ decision and files a notice of objection if the value is set too high. You can also contact our specialists if, for example, you have questions about tourist tax and frontage tax.

Payroll tax and social security contributions

Staff benefits
Hotels often have a large number of staff whose employment also entails various tax aspects. Staff benefits, such as meals during working hours, work clothing and staff discounts, may not only have consequences for payroll tax and social security contributions, but also for VAT. In addition, staff benefits have implications for the Work-related Costs Rules (WKR) that were implemented on January 1, 2015. The WKR also contains a tax exemption for staff benefits, but this is capped per year and per employee. We can help you to determine if you are 'in control' of the application of the WKR.

Staff from abroad
If a hotel recruits specialist staff from abroad, these employees may be eligible for a special tax rule: the 30% ruling. This ruling allows 30% of their salary to be paid tax-free. The 30% ruling can be attractive once the gross monthly salary of the foreign employee exceeds EUR 3,074 (including the vacation allowance). Please feel free to inquire about the additional conditions of this ruling.

Contact

For more information about these services please contact your regular Meijburg & Co contact or visit our Travel, Leisure & Tourism website at https://meijburg.com/page/travel-leisure-tourism-eng

meijburg.com

Tax is our business

MB160127