



TAX COMPLIANCE FOR HOSPITALITY OPERATORS

The hospitality (hotels, bars and restaurants activities) is a sector that develops quickly. However, it is ideal for early implementation of formal compliance strategies.

The key compliance risks are registration and underreporting. In particular, losses and informal employment are serious risks to revenue collections.

1. Registration risk:

From RRA research findings, it was found out that the following are the most practices:

- √ Significant number of inaccurate registrations:
 - Hide business activities,
 - Shareholders not mentioned,
 - Identification of representatives not given,
 - Wrong contact emails and telephone numbers.

The malpractice in registration doesn't allow RRA to meet the owners of hotels for education and dialogue purpose.

- √ Significant number of hotels, bars and restaurants not register all business activities:
 - The hotels with swimming pools,
 - Massage and pedicure,
 - Gym tonic,
 - Saloon,
 - Rent activities,
 - Night clubs,
 - Travel and tourisms activities etc.

When all those activities are not mentioned in registration, such practice causes the problem during refund claiming and income declaration.

- √ Pervasive use of informal employment arrangements
 - Staff without contract,
 - Management agent not registered,
 - Permanent casual labor work more than 30 days/year,
 - Deal with non registered individual or companies during purchasing,
 - Experts not registered,
 - Software not declared etc.

The practice causes problems during PAYE & WTH calculation.

Registration Requirements

Any person who sets up the hotels business is obliged to register with the RDB within a period of seven (7) days from the beginning of the business or activity or the establishment of the company.



For some one to start a business must specify the following

- √ Specification of his/her business (Hotel, Motel, Bar or a Restaurant)
- √ Specific address of the business/Taxpayer
- √ Indicate types of taxes to register for
- √ Indicate the business owner, shareholders and contacts number and emails address.

2. Underreporting risk

From RRA research findings, it was found out that the following are the most practices:

- √ Pervasive underreporting of PAYE from informal employment
 - Missing of exact wages and salary not determined,
 - Retention of 15% instead of normal calculation of PAYE,
 - Lack of RSSB declaration,
 - No retention of WHT on management fees paid,
 - No retention of WHT and reversal charge on software purchased (hotels use different software for example: to open the rooms, lights, billing, booking etc..) and all payments made on their maintenance,
 - No retention of WHT on suppliers not registered,
 - No retention of PAYE on experts,
 - No retention on overtime paid,
- √ Pervasive inflation of expenses
 - Declaration of expenses related to hidden incomes,
 - Expenses related to staff meals,
 - No value given to staff meals,
 - Other benefits given to staff not valued in term of cash.
- √ Significant declaration of continual losses
 - All incomes not declared,
 - Lack of book keeping culture,
- √ Deep culture of noncompliance and inadequate deterrents
- √ Pervasive falsification of books and records.

What must be reported?

- √ All sales invoices/Revenues,
- √ Tax on Remuneration (PAYE),
- √ Report real expenses incurred on goods and services (false invoices)

Avoid overstating the imported goods more especially by investors who have investment allowances.