

## **NO VAT CLAIMS ON HOTEL EXPENSES**

In some cases, employees are required to travel and conduct services outside their workstations or to other towns or cities. In such cases, the employer might provide the employees with hotel accommodation for them to stay and execute the required task or job. However, some Value Added Tax (VAT) registered business operators tend to claim such expenses incurred on hotel accommodations on the basis that it was incurred for the purposes of trade. Such expenditure is regarded as a prohibited claim for VAT purposes. Allow us to enlighten you on this aspect and avoid unnecessary VAT penalties. In this article, words importing the masculine shall be deemed to include the feminine.

### **Input tax**

Firstly, it is vital that we lay down a few basic VAT principles before we get to the gist of the matter. Generally, any VAT-registered person is permitted to claim VAT incurred on purchases related to the production of his Vatable income. Technically, this is the primary and basic concept on which VAT suffered on purchases i.e., input tax, is claimed. However, it is of vital importance to note that the VAT laws do not permit all VAT-bearing purchases to be claimed as input tax. In that regard, VAT-registered business operators must understand that VAT cannot be claimed on any hotel or accommodation-related expenditure. To be explicit, the VAT Act specifically prohibits a deduction of input tax paid in respect of 'goods or services acquired for the purposes of entertainment or providing entertainment.' Let us have a look at this provision in relation to hotel expenditure.

### **The law**

As alluded to above, the VAT related to entertainment expenditure does not qualify for input tax credits. In the same vein, we must pay particular attention to the statute's definition of words rather than their general day-to-day meaning. In this case, the definition of the word entertainment provided by the VAT Act is wide and basically extends to any gesture or act of sympathy. In verbatim, the Act states that entertainment means, 'the provision of food, beverages, tobacco, accommodation, amusement, recreation, or hospitality of any kind by a registered person whether directly or indirectly to any person in connection with a taxable activity carried on by the registered person.'

### **Prohibited!**

Based on the statutory definition above, it is apparent why input tax on hotel expenditure is regarded as a prohibited or invalid input tax claim. Put differently, hotel expenditure incurred by the employer is construed to be entertainment regardless of whether the expense was incurred for the purposes of trade. Conversely, the VAT Act permits input tax credit incurred in the ordinary course of a business that continuously or regularly supplies such entertainment to clients or customers for a consideration which is at least equal to the cost. Technically, restaurants, lodges, motels and hotels are allowed to claim VAT on the entertainment of their clients (but not employees or consultants) as that is their business.

**Conclusion**

In conclusion, hotel expenses incurred by employees are not eligible for input tax claims. As a VAT-registered business, it's essential to understand what expenses can be claimed as input tax to avoid any potential penalties or disputes. It is prudent to consult a tax professional if you're unsure about expenses that can be claimed for VAT purposes.

Well, folks, we hope that was insightful. As we say goodbye, remember to pay Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us at [jhore@aupracontax.co.bw](mailto:jhore@aupracontax.co.bw). You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax articles' tab.