



Ministry Of Finance

VAT Department

VAT Rule 2015-022

Treatment of Mandatory Gratuities



VAT RULE 2015-022

Treatment of Mandatory Gratuities

A. Authority

This Rule is made under section 17 of the Value Added Act, 2014.

B. Legislation

All legislative references are to the Value Added Tax Act, 2014 and/or the Value Added Tax Regulations 2014, unless otherwise stated.

C. This Rule applies in respect of:

Section 17(5) and 17(6) of the Value Added Tax Regulations, 2014 speaks to the treatment of Value Added Tax on gratuity payments.

D. Application of Rule

This Rule is for the purpose of providing clarity on the treatment of mandatory gratuities collected for the delivery of services and applies in situations where gratuities is paid in restaurants, hotels and similar service entities and is itemized on the bill issued to the customer.



E. Comptroller's Rule

1. To qualify for exemption from the charge of VAT,
 - a) the gratuity must be itemized on the overall bill ;
 - b) the entire amount of gratuity must be paid into a pool for the sole distribution to staff;
 - c) the gratuity must be paid to staff who are directly involved in the delivery of the service;
 - d) other than contributions to the national insurance board, service charges and other fees may not be deducted from the amounts paid to the employees; and
 - e) the gratuity must form a part of the insurable wages for contributions made to by the National Insurance Board

F. The period for which this Rule applies

This Rule shall apply for the period beginning on January 1st, 2015 until it is withdrawn or replaced.

