



# **OPTiM *Financial Solutions***

## ***Business Solutions for the Hospitality Industry***

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## **Vat Treatment of Cancellation Revenue – September 08**

Recently a ruling was issued by the European Court of Justice regarding the treatment of deposits if a booking was cancelled and the Deposit was held by the Hotel and subsequently raised as cancellation revenue. The court ruled that because no supply of a service had taken place this revenue was outside the scope of the VAT Regulations and therefore not subject to VAT. This would also apply to No Show or any cancellation revenue.

Prior to this ruling in Ireland the revenue would expect VAT to be calculated on any cancellation fees. This means that you are now entitled to claim the VAT back on any Cancellation Revenue that has been raised during the past four years. Any such claim should be made through your District Tax Office. Because this will have an effect of increasing your revenue during those years your Income/Corporation tax liability will have to be adjusted accordingly.

All claimants will have to submit evidence to back up the claims and to certify that such deposits were not applied to any other taxable supply.