



Sales Tax Guide

**FOR DELUXE HOTELS AND FIRST CLASS
RESTAURANTS**

Sales Tax Guide

This Guide has been prepared by the General Commission for Taxes to assist taxpayers to fulfill their obligations under the Sales Tax. It clarifies the legal provisions stipulated in the Resolution No.36 and respective implementing Financial Instruction No.7 of 1997 and the amendments stipulated in the financial instructions No.4 of 2005 (see attachment 1 for a copy of legislation and instructions).

1. What is sales tax?

It is the tax imposed on the values of goods and services supplied by the deluxe and first class hotels and restaurants in a rate of 10% of the value of supplied goods or services.

2. Who is in charge of payment and how to collect the sales tax?

The Sales Tax is an indirect tax whereby deluxe and first class hotels and restaurants are required to charge, collect and remit the tax to the GCT. The hotels and restaurant are required to charge the tax from the actual taxpayer (customer). For example, if a guest stays at hotel XY for three nights and the price per night is 90,000 ID; in preparing the bill, the hotel shall add a 10% tax on the total value of the bill, which is $90,000 \times 3 = 270,000 \times 10\% = 27,000$. Thus the total value to be paid by the customer is $270,000 + 27,000 = 297,000$ ID.

If for any reason tax is not listed separately on the invoice it should be replaced by words '*tax included*'. In this case the tax constitutes 1/11th part of the total value of the services rendered. For example, if, as in the above example, the hotel prepares the bill for 270,000 ID and adds the note "*tax included*", then, the tax within this price is $270,000/11 = 27,000$.

3. Definitions

- a. **Hotel:** means any establishment in Iraq that is certified by an official relevant body to rent sleeping accommodation and related services to persons who occupy such accommodation as guests.
- b. **Temporary guest:** the person who is accommodated for less than 12 months in the hotel.
- c. **Restaurant:** means any establishment in Iraq that is certified by an official relevant body with seating capacity, whether indoor or outdoor or as a combination of both, where food and/or beverages are served to customers for consumption at that place or elsewhere in exchange for payment in cash or in kind for the purpose of realizing profit.
- d. **Deluxe and First Class Restaurants and Hotels:** means any hotel and restaurant referred to above which is licensed by the proper tourism agency and has obtained four or more hotel stars.
- e. **Tax Period:** is a calendar month.
- f. **Taxable Person:** the management of the hotel or restaurant that supplies the service. It is responsible on charging the tax from the customer.
- g. **Premises:** means a hotel and a restaurant authorized to charge, collect and remit the

tax on behalf of the financial authority.

- h. **Filing period:** the period that starts on the first day of the month following the tax period and ends on the 10th of the same month. For a business that closes before the end of the month the filing period starts the day the business closes and ends 10 days after the close of the business. For a business that starts operating during the tax period the filing period start in the first day of the month following the tax period and ends on the 10th of the month following the tax period.

In case of failure in filing or payment, the delay interests shall be imposed according to paragraph 3 of resolution# 36 of 1997 and instructions #7 that were issued in accordance to this resolution.

- i. **Person:** natural or juristic person.
- j. **Juristic person:** any establishment or management that legally authorized such as all types of societies and corporations.

4. Books and records

Taxable Persons are required to create and maintain proper books and records in accordance with the rules noted below.

4.a Invoices

An invoice must be issued for each supply of services made by hotels and restaurants to their customers. Each hotel and restaurant authorized to collect the tax must produce two copies of an invoice for each payment received in exchange for supplies of services rendered. The first copy of the receipt must be given to the recipient of services. The second copy of the invoice must be retained by the establishment for a period of at least five years and must contain at least the following information:

- Name and logo of the establishment
- Address of the establishment.
- Taxpayer Identification Number (TIN) of the owner or company.
- A sequential serial number
- Date of issue
- Description of services rendered
- Value of the service rendered
- Tax at 10% of the value of the service rendered.

Each series of receipts must be numbered consecutively. Establishments that have more than one point of issuance of receipts, i.e. several waiters, should establish transparent rules in assuring that all receipts are properly recorded in the book.

A sample page of sales record is at attachment #3 of this guide.

4.b Sales Record

Each hotel and restaurant authorized to collect the tax should also maintain a daily record of sales for each month. The sales record should be kept for a period of at least five years and must contain at least the following information on a daily basis:

- Premises name.
- Premises address of.
- TIN of premises.
- the date that the service is rendered;
- the number of the first receipt in each series used;
- the number of the last receipt in each series used;
- Total amount from all receipts.

4.c Purchases record

Each hotel and restaurant authorized to collect the tax should also maintain a record of purchases. The record should contain the following information:

- Name and address of seller.
- TIN of seller.
- Name and address of buyer.
- Details of good or service.
- Total value of good or service.

These records may be developed by computer system. A copy of each receipt should be kept in addition to the taxpayer's records to be presented to the inspectors as needed.

5. Submitting Tax Declarations

Hotels and restaurants authorized to collect the tax shall submit the mentioned declaration in triplicate, one original and two carbon copies to the HQ or branch office of the General Commission for Taxes, within 10 days after the last day of each month. The declaration shall not be accepted unless all its fields are filled correctly in accordance to the automated tax system.

One of the copies shall be given to the premises management that should keep it for five years at least and make it available for any detection by GCT inspectors. When the filing date is a holiday the declaration is to be submitted on the working day immediately after the holiday.

Tax declaration forms are available for free at HQ or any branch office of the General Commission for Taxes since January 2006. The format of the tax declaration is at Attachment# 2 of this Guide. The declaration shall be filled as follows:

Part 1. Identification Data Part

Box [1]: Enter the month in two digits and the year in four digits, i.e. for the month of August 2004, enter 08.2004.

Box [2]: Enter the Taxpayer Identification Number provided by the General Commission for Taxes.

Box [3]: Enter the name of the facility.

Box [4]: Enter the address of the facility.

Box [5]: This box has two options. You should cross one of the boxes in accordance with the following situations: **a) Original Declaration** is to be crossed when you want to file an

original return for the first time for a tax period and **b) Amended Declaration** is to be crossed when you want to amend the original declaration.

Part 2. Activity Data Part

Box [6]: Enter the taxable sales for the month which should be the sum of both supplies in ID and in foreign currency converted in ID according to the rate announced by The Iraqi Central Bank on the date services were performed (www.cbiraq.org). Use the conversion table (attachment #3) for the exchange of foreign currency to ID.

Box [7]: Enter the amount of exempt supplies provided to eligible persons. An eligible person (Multinational Forces, Sending States, Foreign Contractors) must provide to the hotel or restaurant a statement certifying that the service is used on official business in the course of performing contracts in Iraq as stated by CPA Order #17 (as revised) or the person is exempted by virtue of CPA Order #37. This certification must be kept by the facility and be available for future checks by tax officials.

Box [8]: enter the amount of taxable sales that should be equivalent to the difference between [6] and [7] during this month.

Box [9]: Enter the amount of tax charged for the month which should equal 10% of the amount entered in box [8].

Box [10]: Enter the first and last serial number of invoices issued during the month and the date of the first and last invoice issued during the month.

Enter the name and signature of the designated person and also the date in which declaration is prepared. (This Declaration is signed under penalty of perjury).

Part 3.

Leave the third part blank to be completed by an official of the General Commission for Taxes.

6. Registering for the Sales Tax

Every taxpayer must have a unique Taxpayer Identification Number (TIN). If you are already filing returns and/or making payment of tax to the General Commission for Taxes you will be automatically allocated a TIN and this will be advised to you by letter. If you are a new business then you will be obliged to register with the General Commission for Taxes. Your local branch office will assist you. For further details, consult the guide “The Taxpayer Identification Number for Businesses”.

Once you have been allocated a TIN you must include this number on all declarations you file and in all communications with the General Commission for Taxes.

7. Exemption from Tax

In order to claim exemption from the tax, an eligible person (see definition of exempt supplies hereinafter) must provide to the hotel or restaurant a statement certifying that the service has been supplied on official business in the course of performing contracts in Iraq. This certification must be attached to the invoice and retained by the hotel or restaurant. No

exemption may be applied unless a properly completed certificate has been supplied by the customer (find a sample of the exemption certificate at attachment #4).

Exempt Supplies: means supplies of services rendered to the following persons or entities that are exempt under CPA Order #37 or conducting work in Iraq under a contract as defined in CPA Order #17.

- The Multinational Forces - Multinational Forces means all non-Iraqi military and civilian personnel under the command of the MNF contingent commanders.
- Sending States - mean State providing personnel, consultants, services, equipment, provisions, supplies or construction work to the MNF, international reconstruction or humanitarian efforts and Diplomatic or Consular Missions.
- Contractors - Contractors mean non-Iraqi legal entities or individuals not normally resident in Iraq, including their non-Iraqi employees and subcontractors not normally resident in Iraq supplying goods or services in Iraq under a contract.
- Not-for-profit organizations providing technical, material, financial and human resource assistance to Iraq.

Important notes

1. The management of premises should submit the monthly sales tax declaration during the period 1-10 of the next month for the month when the tax is due, whether the premises is still in operation or not. No declaration shall be accepted unless all fields are completed.
2. in case of the close of a premises that is subject to sales tax for any reason, it should a request to the branch office of GCT where the premises or its owner is registered to notify for the closing period so as to be indicated or conduct a field detection to verify the correctness of the claim. A copy of that request is to be forwarded to the wage withholding department/sales tax section for the same purpose above.

Attachments

Attachment #1

A. Resolution #36 of 1997:

Republic of Iraq
Revolutionary Command Council
5/4/1997

Pursuant to the provisions of paragraph (A) of Article 42 of the constitution, the Revolutionary Command Council resolved to issue the following:

1. A sales tax of 10% of the value of services will be imposed on services which are rendered by deluxe and first class restaurants and hotels.
2. The restaurants and hotels mentioned in paragraph 1 shall be in charge of collecting the sales tax and remitting it to the Ministry of Finance, on monthly bases, during the first 10 days of the month following the month in which it arose.
3. Bank interest, equivalent to the rate charged by commercial banks on overdrafts, shall be imposed on sales tax amounts that have been collected but not been remitted during the period mentioned in para.2 for any reason, and on non collected sales tax amount. The management of the premises shall be responsible of the payment of this interest.
4. The premises management that is in charge of collecting the sales tax is responsible on the tax due amounts and the bank interest on overdrafts in case of not collecting the tax.
5. The Minister of Finance may issue the necessary instructions to facilitate executing this resolution.
6. This resolution shall be issued in the Official Gazette and executed on the first day of the month following publication.

B. Fiscal Instructions #7 of 1997

Pursuant to the provisions of article Five of the (resolved) Revolutionary Command Council's resolution #36 of 4/5/1997, the following instructions were issued:

Instructions #7 of 1997 Financial Instructions for the collection of the Sales Tax

Article 1. The General Commission for Taxes shall be responsible on the charge of the sales tax and follow up its collection in a rate of 10% of the total values of services supplied by the deluxe and first class hotels and restaurants.

Article 2. A new unit called (the sales Tax section) is to be formed within the GCT. This unit is responsible on keeping books that contain names of the tourism premises that are included by the provisions of these instructions, and to follow up the charge of sales tax. It may monitor and audit to ensure the correctness of the charge and collection of this tax.

Article 3. Managements of the premises mentioned in article 1 of these instructions are obligated to issue invoices stating the values of supplied services and the amount of charged sales tax according to the fixed rate of the total invoice amount. The sales tax amount shall be recorded in the account of GCT and remitted to the GCT during the first ten days of the month that follows the month when the tax arose.

Article 4. When the tourism premises mentioned in article 1 of these instructions collect the price of their services in foreign currency, the rate of sales tax should be calculated in Iraqi Dinar using the market exchange rate announced by the central Iraqi Bank. These amounts are to be recorded in the account of the GCT and remitted to it according to article 3 of these instructions.^{1*}

Article 5. The amounts of sales tax that are collected in accordance to the provisions of these instructions shall not be subject to the foreign currency rate that the tourism premises deserve.

Article 6. Managements of the tourism premises that are included by the provisions of these instructions are obligated to:

- a. Payment of the bank interest that is charged by commercial banks on overdrafts, for the collected tax amounts but not been remitted to GCT during the period mentioned in article 3 of these instructions.
- b. Payment of the due tax amounts and the bank interest stipulated in (a) above, in case of not charge at all.

¹ As amended by instructions #4 of 2005 published in the official gazette of 22/9/2005, previously article 4 was read as followed:

“When receiving the costs of services, the tourism establishments mentioned by these Instructions should determine the sales tax in the same currency that was used for payment of service cost, the Sales Tax is to be recorded in one of the governmental commercial banks for the account of ITC during the period that was set in article 3 above.”

Article 7. Managements of the tourism premises that are included by the provisions of these instructions are obligated to keep the required records for the collected sales tax amounts. These records should be available for the monitoring and auditing of the GCT.

Article 8. These instructions are to be published in the official gazette and executed since 1/6/1997.

Original Instructions signed by Mr. Hikmat Al-Azzawi, Minister of Finance.

C. Instructions #4 of 2005:

Pursuance to article five of the late revolutionary command council resolution #36 of 1997, the following instructions was issued:

Instructions #4 of 2005

First amendment for the financial instructions related to the sales tax #7 of 1997

Article 1. The following abolishes and replaces article 4 of the instructions:

Article 4: when the tourism premises mentioned in article 1 of these instructions collect the price of their services in foreign currency, the rate of sales tax should be calculated in Iraqi Dinar using the market exchange rate announced by the central Iraqi Bank. These amounts are to be recorded in the account of the GCT and remitted to it according to article 3 of these instructions.

Article 2: these instructions are valid from the date of publish in the official gazette.

Ali abdil Amir Alawi
Minister of Finance

Attachment #2

**Republic of Iraq
Ministry of Finance
General Commission for Taxes**

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(for official use only)

Monthly Sales Tax Declaration

[1] Tax Period

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[2] Taxpayer Identification Number

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[3] Name of Facility
(Hotel/Restaurant)

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[4] Address of the Facility

[5] Mark a cross in one of the boxes when applicable:

[5a] **a** Original Declaration

[5b] **b** Amended Declaration

[6] Gross supplies for the month (tax exclusive)	
[7] Exempt Supplies for the month	
[8] Taxable supplies for the month ([6] – [7])	
[9] Tax due for the month (10% of [8])	

[10] The above data represent supplies according to invoices starting from invoice no. _____ issued on ___/___/_____ to invoice no. _____ issued on ___/___/_____.

I, the undersigned, declare that to the best of my knowledge facts reported in this tax declaration are true and accurate.

Designated Person's Name and Signature
(_____)

200___/___/_____

(for official use only)



Date of Reception

200 __/__/__

Form 0101

Attachment #3

Sample page of Sales record

- a. Premises name
- b. Premises Address
- c. TIN

Date	No. of first receipt	No. of last receipt	Amount of exempt supplies	Taxable supplies	Total of supplies	Total Tax
1/1/2005	00000001	00000021	5,000,000	20,000,000	25,000,000	2,000,000
2/1/2005						
.....						
31/1/2005						

Name and signature of the preparing person:

Attachment #4

**CERTIFICATION
Of exemption from Sales Tax**

Purchaser (Customer)

(Name & Address)

Supplier (Hotel and restaurant)

(Name & Address)

Hereby it is certified that the services noted on invoice number _____
will be exclusively used for the purpose for which the exemption from tax has been allowed
and that the purchaser is conducting work in Iraq under a contract as defined in CPA Order
#17 or is an exempt person/organisation as defined in CPA Order #37.

(Signature)

(Date)

(Full name of authorized signatory)

(Address)

Stamp of the authorized body