



Sales Tax Guide

**FOR DELUXE AND FIRST CLASS HOTELS &
RESTAURANTS**

Sales Tax Guide

This Guide has been prepared by the General Commission for Taxes (GCT) to assist taxpayers to fulfill their obligations to account for Sales Tax. It explains the requirements of the legal provisions stipulated in the Resolution No.36 and the 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 restaurants 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 shown separately on the invoice, the words '*Sales Tax included*' are to be shown. In this case the tax constitutes $1/11^{\text{th}}$ 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 "*Sales 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 to 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 is 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 invoice 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 invoices must be numbered consecutively. Establishments that have more than one point where invoices are issued, i.e. several waiters, must establish clearly defined and transparent rules to ensure that all invoices are accounted for and properly recorded in the records of the business.

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

4.b Sales Record

Each hotel and restaurant required to collect the tax must also maintain a daily record of sales for each month. The sales record must 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;
- 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 required to collect the tax must also maintain a record of purchases. The record must 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 maintained in a computerized system. A copy of each invoice should be kept in addition to the taxpayer's records to be presented to the inspectors as needed. If records are held in computerized form, inspectors of the Tax Commission must be given access to the system and, if required, hard copy prints of information made available.

5. Submitting Tax Declarations

Hotels and restaurants required to collect the tax shall submit the prescribed 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 will not be accepted unless all its fields are completed correctly.

One of the copies will be returned to the business and must be kept for at least five years and must be made available for any examination 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. On the reverse of the declaration are notes to explain how it is to be completed.

6. Registering for the Sales Tax

Every taxpayer must have a unique Taxpayer Identification Number (TIN). If the business already files returns and makes payment of tax to the General Commission for Taxes they will be automatically allocated a TIN and this will have been advised to the business. If the business is new it is obliged to register with the General Commission for Taxes. The local branch office will be able to provide assistance and information. Further details, are given in the guide "The Taxpayer Identification Number for Businesses".

Once a TIN has been allocated the number must be quoted on all declarations filed 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 (the definition of exempt supplies follows) 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 (a sample of the exemption certificate is at attachment #4).

Exempt Supplies: means supplies of services for official use or for the performance of contracts in Iraq rendered to the following persons or entities that are exempt under CPA Order 37 of 2003 and CPA Order #17 (as revised) of 2004.

- 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 organisations providing technical, material, financial and human resource assistance to Iraq.

Important notes

1. The management of premises must submit the monthly sales tax declaration during the period 1-10 of the following month for the month when the tax is due, whether the business is still in operation or not. No declaration will be accepted unless all fields are completed.
2. In the case of closure for any reason of a business that is subject to sales tax, the owner must notify the Branch office of the GCT where the premises are located. A check may be made to verify that closure has actually been carried out. A copy of the notification is to be forwarded to the income tax and wage withholding departments for the same purpose. If business operations are restarted the Branch is to be informed promptly.

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 basis, 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)

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Official Stamp

Date of Reception

200___/___/___

INSTRUCTIONS FOR COMPLETION OF SALES TAX DECLARATION

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 2006, enter 08.2006.

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 declaration 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 into ID according to the rate announced by The Iraqi Central Bank on the date services were performed (www.cbiraq.org). The conversion table below is an example of the method for showing details of calculations of the exchange of foreign currency to ID. If the conversion rate varies during the month a separate calculation will need to be made for each change.

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) of 2004 and the person is exempted by virtue of CPA Order #37 of 2003. 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.

Example of Currency exchange Table

Currency	Exchange Rate	Total Services		Exempted Services	
		Total Amount in foreign currency	Total amount in Iraqi Dinars	Total amount in foreign currency	Total amount in Iraqi Dinars
US Dollar					
Pound Sterling					
Euro					

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 or restaurant)

(Name & Address)

It is certified hereby that the services shown on invoice number _____ will be used exclusively for the official use/*for the performance of a contract in Iraq by the purchaser. The purchaser is an exempt person/organisation as defined in CPA Order No. 37 of 19 September 2003 and as further defined in CPA Order #17 (Revised) of 27 June 2004 which also define the purpose for which the exemption from tax is permitted.

*Delete whichever does not apply

(Signature)

(Date)

(Full name of authorized signatory)

(Address)

Stamp of the authorized body