HMRC - VATSC42300 - Hotel Reservations

Reservation guarantee

Customers booking hotel rooms, whether directly with a hotel or via an agent, may be required to provide credit card details to secure the booking. Although no payment is deducted from the credit card at this stage, provision of the details acts as a form of security and confirms that accommodation will be made available. This is often referred to as a “reservation guarantee”. It is an integral part of the contract with the hotel, but only becomes effective when the customer arrives at the hotel to take up the reservation.

In the majority of cases this guarantee does not serve to allocate the customer a specified room for the duration of their stay; in other words the customer is not receiving a guarantee in respect of a particular room number. Under the terms of the guarantee, the hotel is merely confirming that it will provide the agreed standard of accommodation (for example a single, twin, or double room) for the required period, to be provided from any of the suitable rooms available at the time the customer checks in. In some cases, if suitable accommodation is not available at the time of arrival, the hotel may honour the reservation by offering accommodation in another hotel close by.

Guaranteed rooms or reservations

In rare circumstances a customer may require that a room be guaranteed at a specific hotel. The customer can elect to make a “guaranteed booking” under which they agree to pay the hotel for the room whether they occupy it or not. Under the terms of the agreement, the hotel is contractually obliged to retain an empty room and is not able to re-let during the agreed period. The customer can arrive at any point within the guaranteed period and the room will be available for them to use. This type of arrangement is also referred to as a “guaranteed room” or “guaranteed reservation”.

Although this type of arrangement does not always involve a specified room number, it is most commonly encountered when guests require a specific category of room. Examples include bridal suites, a penthouse, or a room with special adaptations for disabled persons

In these circumstances any fee charged is consideration for a supply of keeping the room available and is subject to VAT. This follows the High Court decision in Bass plc (see VATSC42200).

Previous page

Next page