HMRC - VATSC42400 - Hotel Cancellation Fees

The reservation terms and conditions may allow customers to cancel a booking without penalty up to an agreed time. After that they will be charged a cancellation fee. The cancellation charge is outside the scope of VAT in line with the ECJ ruling in Société thermale d’Eugénie-les-Bains (see VATSC42200).

On the other hand, a cancellation fee for a guaranteed room (see VATSC42300) incurred after the specified deadline will be subject to VAT, as the hotel has undertaken to keep a room available.

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