

The Virgin Islands Consortium

Hotel Room Tax Hike Takes Effect January 1, 2016, BIR Reveals

Business / **Published On October 27, 2015 09:33 AM /**

Ernice Gilbert **October 27, 2015**



ST. THOMAS -- Recently passed legislation that increased the hotel occupancy tax from 10 percent to 12.5 percent, will take effect on January 1, 2016, the Virgin Islands Bureau of Internal Revenue made known through a press release Government House issued on Monday.

The hotel room tax is now 12.5 percent of the gross room rental, which includes the gross room rate plus any additional charges, such as energy surcharges and maintenance fees, according to the release. The increased tax rate will apply to every guest that resides in a hotel, villa, time share, inn, or any other sleeping accommodations for a period of less than 90 days, it further stated.

The 12.5 percent hotel room tax should be separately stated on the invoice to avoid any appearance of collecting more tax than is allowed by law. According to Director Pickering, it is imperative that taxpayers are able to easily identify the tax charges on their bill, to ensure that the tax is being properly calculated.

In past Senate hearings, Dept. of Tourism Commissioner Beverly Nicholson-Doty said she supported the increase — which was last raised from 8 percent to 10 percent in 2010 and went into effect the following year — because it was not burdensome.

The hotel tax currently brings revenue of \$20 million annually to the general fund. Once the increase goes into effect, it will generate an additional \$5.8 million, according to Bureau of Internal Revenue Director Marvin Pickering.

As for the extra money's uses, the Dept. of Education will see \$500,000 for sporting activities between the islands' schools, along with events in PR and the BVI. Another \$500,000 will be set aside for the Dept. of Sports, Parks and Recreation for sporting and recreational activities. And critically, \$1 million will be appropriated to the Dept. of Agriculture's Revolving Fund, as Governor Mapp has been an advocate for additional funding for said department, and the recent drought has only worked to strengthen his stance.

Nicholson-Doty said at a recent Committee on Finance hearing that even after the 2.5 percent increase, the territory's rates will still be well below that of some Caribbean destinations.

"Even with the increase, the U.S. Virgin Islands will not be at the highest end of the room tax spectrum and our destination does not have the departure taxes that many independent nations and territories in the region levy," she said, adding that other taxes in the Caribbean region range from 5 percent to 20, while most were in the range of 10-12 percent.

The commissioner did, however, recommend not increasing the rates above the soon-to-be adopted 12.5 percent. Hotel room tax returns are due on the 30th day after the end of each month, the release concluded.

Feature Image: Buccaneer Hotel, St. Croix.

Image Credit: Travel2TheCaribbeanBlog.