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Passenger Transportation Services

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GST/HST memorandum 28.3

This version replaces the one dated January 1999.

This memorandum explains how the goods and services tax/harmonized sales tax (GST/HST) applies to supplies of passenger transportation services and other related supplies, and has been updated to reflect published information regarding these supplies.

In this publication, all legislative references to the “Act” are to the Excise Tax Act and all references to the “Regulations” are to the New Harmonized Value-Added Tax System Regulations, unless otherwise specified. The information in this publication does not replace the law found in the Act and its regulations.

If this information does not completely address your particular situation, you may wish to refer to the Act or relevant regulation, or call GST/HST Rulings at 1-800-959-8287 for additional information. If you require certainty with respect to any particular GST/HST matter, you may request a ruling. [GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service](#), explains how to obtain a ruling or an interpretation and lists the GST/HST rulings centres.

If you are located in Quebec and wish to request a ruling related to the GST/HST, please call Revenu Québec at 1-800-567-4692. You may also visit the Revenu Québec website at revenuquebec.ca to obtain general information.

For listed financial institutions that are selected listed financial institutions (SLFIs) for GST/HST or Quebec sales tax (QST) purposes or both, whether or not they are located in Quebec, the CRA administers the GST/HST and the QST. If you wish to make a technical GST/HST or QST enquiry related to SLFIs, please call 1-855-666-5166.

GST/HST rates

Reference in this publication is made to supplies that are subject to the GST or the HST. The HST applies in the participating provinces at the following rates: 13% in Ontario and 15% in New Brunswick, Newfoundland and Labrador, Nova Scotia, and Prince Edward Island. The GST applies in the rest of Canada at the rate of 5%. If you are uncertain as to whether a supply is made in a participating province, see [GST/HST Technical Information Bulletin B-103, Harmonized Sales Tax – Place of Supply Rules for Determining Whether a Supply is Made in a Province.](#)

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General

1. A supply, including a supply of a passenger transportation service, that is made in Canada is subject to the GST at the rate of 5% or subject to the HST at the applicable harmonized rate if it is made in a participating province, unless the supply is zero-rated (taxable at 0%) or exempt.
2. Generally, international passenger transportation services that are supplied in Canada are zero-rated. Domestic passenger transportation services are generally subject to the GST at a rate of 5%, or the HST at the applicable harmonized rate if made in a participating province, but may qualify for zero-rating in certain circumstances if they are part of an international continuous journey. This publication explains how to determine whether a supply of a passenger transportation service is made in Canada, whether it then qualifies for zero-rated or exempt status and, if not, the rate of tax that applies to the supply based on the province in which the supply is made.

Terms and definitions

3. Subsection 1(1) of Part VII of Schedule VI to the Act and section 1 of the Regulations define a **continuous journey** of an individual or group of individuals to mean “the set of all passenger transportation services provided to the individual or group

- a. and for which a single ticket or voucher in respect of all the services is issued, or
- b. where two or more tickets or vouchers are issued in respect of two or more legs of a single journey of the individual or group on which there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, and all the tickets or vouchers are issued by the same supplier or by two or more suppliers through one agent acting on behalf of all the suppliers where
1. all such tickets are supplied at the same time and evidence satisfactory to the Minister of National Revenue (the Minister) is maintained by the supplier or agent that there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, or
 2. the tickets or vouchers are issued at different times and evidence satisfactory to the Minister is submitted by the supplier or agent that there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued”.
4. The term continuous journey is important in determining whether a supply of a domestic passenger transportation service that would otherwise be subject to the GST/HST qualifies as part of a zero-rated international continuous journey. For HST purposes, it is also important in determining the province in which a supply is made of a domestic passenger transportation service that is not zero-rated.
5. When only one ticket or voucher is issued for one or more passenger transportation services provided to an individual or group of individuals, all of the passenger transportation services on that ticket or voucher form a continuous journey.

Example 1

A single ticket is issued to an individual for a trip from Toronto, Ontario to Sydney, Australia, which includes a flight from Toronto to Vancouver, British Columbia and a separate flight from Vancouver to Sydney. Since a single ticket was issued, these passenger transportation services form a continuous journey.

Example 2

A single ticket is issued for a trip from Toronto, Ontario to New York City, New York, USA by bus that includes a bus transfer in Syracuse

- 10:00 am, from Toronto to Syracuse, New York, USA arriving at 4:30 pm
- 5:00 pm, from Syracuse, New York to Newark, New Jersey, USA arriving at 9:15 pm

- 9:30 pm, from Newark, New Jersey to New York City, USA arriving at 11:00 pm

The passenger transportation services on this single ticket form a continuous journey.

6. When separate tickets or vouchers are issued to a person for different passenger transportation services provided to an individual or group of individuals, those services will form a continuous journey, whether or not they use the same mode of conveyance, if all of the conditions within paragraph (b) of the definition of continuous journey outlined in paragraph of this memorandum are met. Refer to paragraphs 12 to 17 of this memorandum for more information on stopover.

Example 3

A travel agent has a client who purchases a return ticket for transportation by train from Albany, New York, USA to Kingston, Ontario. To get to Kingston from Albany, the travel agent issues 2 return tickets to the client: one to board USCo Train from Albany to Montréal, Quebec and the other to immediately transfer to CanCo Train from Montréal to Kingston for the remainder of the journey.

These passenger transportation services form a continuous journey.

Example 4

An individual travels by bus from Windsor, Ontario to Chicago, Illinois, USA, then by air from Chicago to Cancun, Mexico; the bus arrives at the airport in Chicago 3 hours before the flight leaves. The individual receives separate tickets for the bus and the flight from his travel agent when he books the travel.

These passenger transportation services form a continuous journey.

7. Section 20 of the Regulations defines **leg** of a journey on a conveyance to mean “a part of the journey that begins where passengers embark or disembark the conveyance or where it is stopped to allow for its servicing or refuelling and ends where it is next stopped for any of those purposes”.

8. This definition is relevant in determining the province in which certain supplies are made for GST/HST purposes.

9. Subsection 1(1) of Part VII of Schedule VI to the Act and section 20 of the Regulations define **origin** to mean, “in respect of a continuous journey, the place where the passenger transportation service that is included in the continuous journey and that is first provided begins”.

10. This term is important in determining whether a supply of a passenger transportation service is zero-rated and, if the supply is not zero-rated, the province in which such a supply is made for GST/HST purposes.

11. The term **passenger transportation service** is not defined in the Act but it is understood to include all modes of transportation available to the general public such as transportation by bus, train, aircraft or boat. The Canada Revenue Agency (CRA) requires that the following three criteria be met in order for a service to be a passenger transportation service:

- a mode of conveyance
- an operator of the conveyance independent of the traveler
- an itinerary

12. Under subsection 1(1) of Part VII of Schedule VI to the Act, **stopover**, in respect of a continuous journey of an individual or a group of individuals, means “any place at which the individual or group embarks or disembarks a conveyance used in the provision of a passenger transportation service included in the continuous journey, for any reason other than transferring to another conveyance or to allow for servicing or refuelling of the conveyance”.

13. This definition of stopover is important for 2 reasons:

- it is used to determine whether different passenger transportation services are linked together to form a continuous journey (refer to paragraphs 3 to 6 of this memorandum)
- it is used to determine whether a passenger transportation service is zero-rated (refer to paragraphs 38 to 47 of this memorandum)

14. An interruption between 2 legs of a journey to transfer between conveyances is not considered a stopover when the interruption is 24 hours or less or ends with the next available scheduled transportation for the next leg of the journey. However, when the stop is longer than 24 hours and is for connection purposes only, the supplier or agent must provide supporting evidence that the interruption is not a stopover.

15. The number of stopovers will not affect the zero-rated status of passenger transportation services in an international continuous journey if all of those transportation services are provided on a single ticket or voucher. For more information on continuous journey, refer to paragraphs 3 to 6 of this memorandum.

16. Under section 20 of the Regulations, to determine the province in which a supply of a passenger transportation service is made, stopover, in respect of a continuous journey, has the same meaning as in subsection 1(1) of Part VII of Schedule VI to the Act (refer to paragraph 12 of this memorandum) except that it does not include, in the case of a continuous journey of an individual or group of individuals that does not include transportation by air and the origin and termination of which are in Canada, any place outside Canada where, at the time the journey begins, the individual or group is not scheduled to be outside Canada for an uninterrupted period of at least 24 hours during the course of the journey.

17. When determining the province in which the supply is made, a trans-border (between Canada and the United States) day trip that begins and ends in Canada, and does not include transportation by air, is not considered to have a stopover outside Canada if the scheduled stop is for less than 24 hours.

18. Subsection 1(1) of Part VII of Schedule VI to the Act defines **taxation area** to mean “Canada, the United States (except Hawaii), and the islands of St. Pierre and Miquelon”.

19. This definition is relevant only for a passenger transportation service that is part of an international continuous journey that includes transportation by air.

20. Subsection 1(1) of Part VII of Schedule VI to the Act and section 20 of the Regulations define **termination** of a continuous journey to mean “the place where the passenger transportation service that is included in the continuous journey and that is last provided ends”.

21. This term is important in determining whether a supply of a passenger transportation service is zero-rated and, if the supply is not zero-rated, the province in which such a supply is made for GST/HST purposes.

Place of supply – in or outside of Canada

22. Under subsection 142(1) of the Act, a supply of a service, including a passenger transportation service, is generally made in Canada if the service is, or is to be, performed in whole or in part in Canada. A supply of tangible personal property by way of sale is generally made in Canada if the property is, or is to be, delivered or made available in Canada to the recipient of the supply.

23. Certain supplies of services (other than passenger transportation services) and tangible personal property made to an individual during international travel are deemed to be made outside Canada.

24. Under subsection 142(2) of the Act, a supply of a service is made outside Canada if the service is, or is to be, performed wholly outside Canada. A supply of tangible personal property by way of sale is deemed to be made outside Canada if the property is, or is to be, delivered or made available outside Canada to the recipient of the supply.

25. Subsection 180.1(1) of the Act defines **international flight** to mean “any flight (other than a flight originating and terminating in Canada) of an aircraft that is operated by a person in the course of a business of supplying passenger transportation services”.

26. Subsection 180.1(1) of the Act defines **international voyage** to mean “any voyage (other than a voyage originating and terminating in Canada) of a vessel that is operated by a person in the course of a business of supplying passenger transportation services”.

27. Where a supply of tangible personal property or a service (other than a passenger transportation service) is made to an individual on board an aircraft on an international flight or a vessel on an international voyage, the supply is deemed under subsection 180.1(2) of the Act to have been made outside Canada and is therefore not subject to the GST/HST if:

- in the case of tangible personal property, physical possession of the property is transferred to the individual on board the aircraft or vessel
- in the case of a service, the service is wholly performed on board the aircraft or vessel

28. A supply of personal property or a service made in Canada by a non-resident person is deemed under subsection 143(1) of the Act to be made outside Canada, unless:

- the supply is made in the course of a business carried on in Canada
- at the time the supply is made, the person is registered for the GST/HST

Exempt supplies of passenger transportation services

Domestic ambulance services

29. A supply of an ambulance service made by a person who carries on the business of supplying ambulance services, but not including a zero-rated air ambulance service, is exempt under section 4 of Part II of Schedule V to the Act. Refer to paragraph 43 of this memorandum for zero-rated air ambulance services.

School bus services

30. A supply made by a school authority to a person other than another school authority of a service of transporting elementary or secondary school students to or from a school that is operated by a school authority is exempt under section 5 of Part III of Schedule V to the Act.

Municipal transit services

31. On July 22, 2016, the Department of Finance Canada announced draft legislative amendments intended to clarify the application of the GST/HST to supplies of municipal transit services and to accommodate the modern ways in which these services are provided and paid for. These amendments were enacted on December 14, 2017, effective July 22, 2016. This publication discusses the legislation as amended.

32. Section 24 of Part VI of Schedule V to the Act exempts “a supply (other than a supply made to a transit authority) of

- a. a municipal transit service;
- b. a right that exclusively entitles an individual to use a public passenger transportation service (other than a charter service or a service that is part of a tour) that is operated by a transit authority;
- c. a public passenger transportation service designated by the Minister to be a municipal transit service; or
- d. a right that exclusively entitles an individual to use a public passenger transportation service referred to in paragraph (c)”.

33. Section 24.1 of Part VI of Schedule V to the Act exempts “a supply made to a particular transit authority of intangible personal property that is a right evidenced by a ticket, pass, voucher, or other similar physical or electronic media, if

- a. the property exclusively entitles an individual to use a public passenger transportation service (other than a charter service or a service that is part of a tour) that is operated by another transit authority, or to use a public passenger transportation service designated by the Minister to be a municipal transit service under paragraph 24(c), and the particular transit authority acquires the property exclusively for the purpose of making a supply of the property; or
- b. the property exclusively entitles an individual to use a public passenger transportation service (other than a charter service or a service that is part of a tour) that is operated by the particular transit authority and the particular transit authority previously supplied the property”.

Meaning of municipal transit service

34. Section 1 of Part VI of Schedule V to the Act defines **municipal transit service** to mean “a public passenger transportation service (other than a charter service or a service that is part of a tour), or a right that exclusively entitles an individual to use the service, that is supplied by a transit authority”.

Meaning of transit authority

35. Section 1 of Part VI of Schedule V to the Act defines **transit authority** to mean “an entity that meets the following conditions:

- a. the entity is
 - i. a division, department or agency of a government, municipality or school authority, the primary purpose of which is to supply public passenger transportation services, or
 - ii. a non-profit organization that
 - A. receives funding from a government, municipality or school authority to support the supply of public passenger transportation services, or
 - B. is established and operated for the purpose of providing public passenger transportation services to individuals with a disability, and
- b. all or substantially all of the supplies made by the entity are:
 - i. supplies of public passenger transportation services provided within a particular municipality and its environs, or
 - ii. supplies of rights for individuals to use public passenger transportation services referred to in subparagraph (i)”.

Example 5

A transit authority sells transit passes to another transit authority for the purpose of resale. Each transit pass exclusively entitles an individual to use municipal transit services provided by the first transit authority. The supplies made by the first transit authority to the second transit authority would not be exempt under section 24, as section 24 does not apply to supplies made to transit authorities. However, the supplies would be exempt under paragraph 24.1(a), as all of the conditions for the exemption to apply have been satisfied.

Example 6

A local transit authority regularly provides municipal transit services. It also provides charter services to schools for special field trips, and transportation services to tour companies for sightseeing tours of the city. The supply of a charter service or a service that is part of a tour is specifically excluded from the definition of municipal transit service. Therefore, the supply to schools and tour companies of the services described above would not be exempt under section 24 even though the supply is made by a transit authority.

Ferry transportation services

36. A supply, other than a zero-rated supply, of a service of ferrying by watercraft passengers or property is exempt under section 1 of Part VIII of Schedule V to the Act, where the principal purpose of the ferrying is to transport motor vehicles and passengers between parts of a road or highway system that are separated by a stretch of water. Refer to paragraph 42 of this memorandum for zero-rated ferry transportation services. For more information on ferry services, refer to [GST/HST Memorandum 28-1, Ferries, Toll Roads and Toll Bridges](#).

Road and bridge tolls

37. A supply of a right to use a road or bridge where a toll is charged for that right is exempt under section 2 of Part VIII of Schedule V to the Act. For more information, refer to [GST/HST Memorandum 28-1](#).

Zero-rated supplies of passenger transportation services

38. Passenger transportation services supplied in Canada that are part of certain international continuous journeys are zero-rated, as are some services related to those passenger transportation services.

Continuous journey not including transportation by air

39. A supply of a passenger transportation service that is provided to an individual or group of individuals and that is part of a continuous journey of the individual or group, other than a continuous journey that includes transportation by air, is zero-rated under section 2 of Part VII of Schedule VI to the Act where:

- a. the origin or termination of the continuous journey is outside Canada; or
- b. there is a stopover outside Canada.

40. Specifically excluded from this zero-rating provision is a passenger transportation service that is part of a continuous journey if both the origin and termination of the journey are in Canada and, at the time the journey begins, the individual or group is not scheduled to be outside Canada for an uninterrupted period of at least 24 hours during the journey. Such continuous journeys (trans-border day trips) are subject to the GST/HST.

Example 7

A tour boat ride along the St. Lawrence River is not zero-rated if it starts and ends in Canada on the same day, even if the boat docks on the American side for lunch or sightseeing purposes.

Continuous journey including transportation by air

41. A supply of a passenger transportation service that is provided to an individual or a group of individuals and that is part of a continuous journey that includes transportation by air is zero-rated under section 3 of Part VII of Schedule VI to the Act where:

- the origin or termination of the continuous journey, or any stopover in respect thereof, is outside the taxation area
- the origin and termination of the continuous journey, and all stopovers in respect thereof, are outside Canada
- the origin of the continuous journey is within the taxation area, but outside Canada
- all places at which the individual or group embarks or disembarks an aircraft are outside Canada and the origin or termination of the continuous journey, or any stopover in respect thereof, is outside Canada

Example 8

A single air ticket is issued for a one-way flight from Montréal, Quebec to Paris, France. This passenger transportation service is zero-rated since the termination (Paris) of the continuous journey is outside the taxation area.

If the single ticket is for a return flight from Montréal to Paris, with a stopover in Paris, the passenger transportation services form a continuous journey and are still zero-rated, because the stopover is outside the taxation area.

Example 9

A bus ticket for return travel from Buffalo, New York, USA to Toronto, Ontario and a return air ticket from Toronto to Berlin, Germany are issued together to a passenger by a Toronto travel agency. The individual travels by bus from Buffalo to the Toronto airport and boards a flight to Berlin a few hours after arriving in Toronto. Two weeks later, the individual returns from Berlin to Toronto by air and, at the Toronto airport, boards the bus to Buffalo a few hours after arriving in Toronto.

The passenger transportation services that form part of this continuous journey are zero-rated since the origin, termination, and all stopovers are outside Canada.

Example 10

A single air ticket is issued for a return flight from Cincinnati, Ohio, USA to Edmonton, Alberta. The passenger transportation services that form part of this continuous journey are zero-rated because the origin is within the taxation area but outside Canada.

Example 11

A bus ticket for return travel from Vancouver, British Columbia to Seattle, Washington, USA and a return air ticket from Seattle to Lima, Peru are issued together to a client of a Vancouver travel agency. The individual travels by bus from Vancouver to Seattle and boards a flight to Lima a few hours after arriving in Seattle. Two weeks later, the individual returns from Lima to Seattle by air and boards the bus to Vancouver a few hours after arriving in Seattle.

The passenger transportation services that form part of this continuous journey are zero-rated because the stopover is outside Canada and all places at which the individual embarks or disembarks the aircraft are outside Canada.

International ferry transportation services

42. A supply of a service of ferrying, by watercraft, passengers or property to or from a place outside Canada is zero-rated under section 14 of Part VII of Schedule VI to the Act, where the principal purpose of the ferrying is to transport motor vehicles and passengers between parts of a road or highway system that are separated by a stretch of water. Refer to paragraph 36 of this memorandum for exempt ferry transportation services. For more information on ferry services, refer to [GST/HST Memorandum 28-1](#).

International air ambulance services

43. A supply of an air ambulance service made by a person who carries on the business of supplying air ambulance services is zero-rated under section 15 of Part VII of Schedule VI to the Act, where the transportation is to or from a place outside Canada. Refer to paragraph 29 of this memorandum for exempt air ambulance services.

Resupplies of zero-rated passenger transportation services

44. A person, such as an unregistered non-resident tour operator, may purchase supplies of passenger transportation services made in Canada from a supplier on a zero-rated basis if the person will resupply these passenger transportation services as part of an international continuous journey. The conditions for zero-rating under section 2 or 3 of Part VII of Schedule VI to the Act must be met (refer to paragraphs 39 to 41 of this memorandum for more information).

45. The purchaser must provide the supplier with sufficient documentation to prove that the passenger transportation service will be zero-rated as part of an international continuous journey, such as a certificate of zero-rated entitlement, an itinerary, and a passenger list (if the supplier agrees, the person can keep the passenger list and provide it upon request). The Appendix of this memorandum includes an example of a certificate of zero-rated entitlement that is acceptable to the CRA.

46. The itinerary must describe all elements of the passenger transportation services that form the continuous journey, including the origin, destination, stopovers, arrival and departure dates, and all modes of conveyance. The passenger list must contain the names and addresses of all the travellers.

47. If presented with a certificate of zero-rated entitlement, a supplier should determine if the conditions to zero-rate its passenger transportation service are met. If the conditions are not met, the supplier must charge the GST/HST. The supplier must also maintain sufficient documentary evidence to show that the recipient supplied the passenger transportation service as part of a zero-rated international continuous journey.

Rebate of the GST/HST paid in error

48. Occasionally, situations arise where an unregistered non-resident tour operator is charged an amount as GST/HST on domestic passenger transportation services even though the tour operator provides, or is willing to provide, certificates of zero-rated entitlement. Where the supplier refuses to adjust the amount charged as tax pursuant to section 232 of the Act, the unregistered non-resident tour operators may apply to the CRA for a rebate of the GST/HST paid in error on the domestic passenger transportation services.

49. The rebate for tax paid in error may be claimed using [Form GST189, General Application for Rebate of GST/HST](#). Unregistered non-resident tour operators must attach to their rebate claim all the requisite information that they are normally required to provide to the Canadian supplier to establish that the continuous journey criteria were in fact met. Detailed information on completing the form and claiming the rebate is available in [Guide RC4033, General Application for GST/HST Rebates](#).

Zero-rated supplies related to passenger transportation services

Baggage charges

50. A supply of a service of transporting an individual's baggage is zero-rated under paragraph 4(a) of Part VII of Schedule VI of the Act when made by a person in connection with the supply by that person of a passenger transportation service that would, if it were completed in accordance with the agreement for that supply, be included in section 2 or section 3 of Part VII of Schedule VI to the Act. Refer to paragraphs 39 to 41 of this memorandum for more information on passenger transportation services included in sections 2 and 3 of Part VII of Schedule VI to the Act.

51. The supply of a service of transporting baggage of an individual is zero-rated even if the baggage transportation is not provided on all legs of the continuous journey.

Supervision of a child

52. A supply of a service of supervising an unaccompanied child is zero-rated under paragraph 4(b) of Part VII of Schedule VI of the Act when made by a person in connection with the supply by that person of a passenger transportation service that would, if it were completed in accordance with the agreement for that supply, be included in section 2 or section 3 of Part VII

of Schedule VI to the Act. Refer to paragraphs 39 to 41 of this memorandum for more information on zero-rated passenger transportation services included in sections 2 and 3 of Part VII of Schedule VI to the Act.

53. The supply of a service of supervising an unaccompanied child is zero-rated even if the supervision is not provided on all legs of the continuous journey, or not solely during the course of the transportation itself.

Example 12

An airline provides passenger transportation services for an unaccompanied child that are part of a continuous journey consisting of a flight from Toronto, Ontario to Halifax, Nova Scotia, and a second flight from Halifax to London, England. The airline also provides services of supervising the child on the journey and at the airport in Halifax. The services of supervising the child are zero-rated because they are provided by the airline in connection with the airline's supply of zero-rated passenger transportation services.

Issuing, delivering, amending, replacing, or cancelling a ticket, voucher, or reservation

54. A supply by a person of a service of issuing, delivering, amending, replacing or cancelling a ticket, voucher or reservation for a supply by that person of a passenger transportation service that would, if it were completed in accordance with the agreement for that supply, be included in section 2 or section 3 of Part VII of Schedule VI to the Act, is zero-rated under section 5 of Part VII of Schedule VI to the Act. Refer to paragraphs 39 to 41 of this memorandum for more information on passenger transportation services included in sections 2 and 3 of Part VII of Schedule VI to the Act.

55. Where the supplier of a passenger transportation service provides a service (listed in paragraph 56 of this memorandum) and the original passenger transportation service would have been zero-rated under section 2 or 3 of Part VII of Schedule VI to the Act, the listed service is zero-rated even if it is supplied at a different time or at a different location.

Example 13

A registered supplier in Canada provides an individual with a return ticket for a zero-rated flight from Toronto, Ontario to Barcelona, Spain. While in Barcelona, the individual decides to stay another week and contacts the supplier to have the ticket for the flight home amended. The supply of a service of amending the ticket to extend the stay in Barcelona is also zero-rated.

Acting as an agent

56. A supply to a person of a service of acting as an agent in making a supply on behalf of that person of a service that would, if it were completed in accordance with the agreement for that supply, be included in any of sections 2 to 5 of Part VII of Schedule VI to the Act, is zero-rated under section 5.1 of Part VII of Schedule VI to the Act. Refer to paragraphs 39 to 41 of this memorandum for more information on passenger transportation services included in sections 2 and 3 of Part VII of Schedule VI to the Act, and paragraphs 50 to 55 of this memorandum for related supplies included in sections 4 and 5 of Part VII of Schedule VI to the Act.

Example 14

On behalf of an airline, a registered travel agency in Canada sells a passenger transportation service from Toronto, Ontario to Paris, France. Since the transportation service is zero-rated, the supply by the travel agency for its service to the airline is also zero-rated.

Services to a non-resident person

57. A supply made to a non-resident person of a service of acting as an agent of the person or of arranging for, procuring, or soliciting orders for supplies by or to the person, is zero-rated under paragraph 5(b) of Part V of Schedule VI to the Act where the service is in respect of a supply made outside Canada by or to the person.

58. For more information on services supplied to non-resident persons, refer to [GST/HST Memorandum 4-5-3, Exports – Services and Intellectual Property](#).

Example 15

On behalf of a non-registered non-resident airline, a registered travel agency in Canada sells a ticket for a direct flight from New York City, New York, USA to Paris, France. Since the supply of the passenger transportation service is made outside Canada, the supply by the travel agency for its service to the airline is zero-rated.

Taxable supplies of passenger transportation services that are not zero-rated

59. If it is determined that a supply of a passenger transportation service is made in Canada and is not zero-rated, it is necessary to determine the province where the supply of the service is made in order to determine whether the supply is subject to the GST or the HST at the applicable rate.

Place of supply – in a participating or non-participating province

60. A supply is deemed under section 144.1 of the Act to be made in a province if it is made in Canada and is, under the place of supply rules set out in Schedule IX to the Act, made in that province. A supply made in Canada that is not deemed to be made in any participating province is deemed to be made in a non-participating province.

61. Generally, where the origin is specified on the ticket or voucher issued in respect of the first passenger transportation service in a continuous journey (or the origin is otherwise known to be in a province), and the termination and all stopovers in respect of the continuous journey are in Canada, the province in which the origin is located will determine whether the supply is made in a participating province or a non-participating province.

Supply of a passenger transportation service in a participating province

62. Paragraph 21(a) of the Regulations states that “a supply of a passenger transportation service is made in a participating province if the passenger transportation service

- i. is part of a continuous journey in respect of which there is a ticket or voucher, issued in respect of the particular passenger transportation service included in the continuous journey that is provided first, specifying the origin of the continuous journey and
 - A. the origin is a place in the participating province, and
 - B. the termination and all stopovers in respect of the continuous journey are in Canada;

- ii. is part of a continuous journey in respect of which there is no ticket or voucher, issued in respect of the particular passenger transportation service included in the continuous journey that is provided first, specifying the origin of the continuous journey and
 - A. the passenger transportation service included in the continuous journey that is provided first cannot begin otherwise than in the participating province, and
 - B. the termination and all stopovers in respect of the continuous journey are in Canada;or
- iii. is not part of a continuous journey and
 - A. the passenger transportation service begins in the participating province, and
 - B. the passenger transportation service ends in Canada”.

Example 16

An individual purchases a return train ticket from Toronto, Ontario to Montréal, Quebec. The ticket specifies Toronto as the origin of the continuous journey.

The supplies of the passenger transportation services are made in Ontario because the ticket issued in respect of the first passenger transportation service in the continuous journey specifies that the origin of the continuous journey is in Ontario. The supplies of the passenger transportation services are subject to the HST at a rate of 13%.

Supply of a passenger transportation service in a non-participating province

63. Paragraph 21(b) of the Regulations states that “a supply of a passenger transportation service is made in a non-participating province if the passenger transportation service

- i. is part of a continuous journey in respect of which there is a ticket or voucher, issued in respect of the particular passenger transportation service included in the continuous journey that is provided first, specifying the origin of the continuous journey and
 - A. the origin is a place outside the participating provinces, or
 - B. the termination or a stopover in respect of the continuous journey is outside Canada;
- ii. is part of a continuous journey in respect of which there is no ticket or voucher, issued in respect of the particular passenger transportation service included in the continuous journey that is provided first, specifying the origin of the continuous journey and
 - A. the passenger transportation service included in the continuous journey that is provided first cannot begin in a participating province, or
 - B. the termination or a stopover in respect of the continuous journey is outside Canada;or

iii. is not part of a continuous journey and

- A. the passenger transportation service begins outside the participating provinces, or
- B. the passenger transportation service ends outside Canada”.

64. Where there is a termination or a stopover outside Canada in respect of a continuous journey, the passenger transportation services in that continuous journey are deemed to have been made in a non-participating province and are subject to the GST, regardless of the origin.

Example 17

An individual purchases a return air ticket from Ottawa, Ontario to Boston, Massachusetts, USA. Ottawa is specified as the origin of the continuous journey on the ticket.

Although the ticket issued in respect of the first passenger transportation service in the continuous journey specifies that the origin of the continuous journey is in Ontario, there is a stopover outside Canada in respect of the continuous journey. The supply of the passenger transportation service is therefore made in a non-participating province and subject to the GST at the rate of 5%.

Other supplies, including supplies related to passenger transportation services, that are not zero-rated

Baggage charges

65. Under paragraph 4(a) of Part VI of Schedule IX to the Act, a supply of a service of transporting an individual’s baggage by a person in connection with the supply by that person of a passenger transportation service is made in a province if the supply of the passenger transportation service is made in the province.

66. If a supply of a passenger transportation service is made in a participating province and is subject to the HST, then any related service of transporting an individual’s baggage is also subject to the HST at the same rate. Similarly, if a supply of a passenger transportation service is made in a non-participating province and is subject to the GST, then any related service of transporting an individual’s baggage is also subject to the GST.

Supervision of a child

67. Under paragraph 4(b) of Part VI of Schedule IX to the Act, a supply of a service of supervising an unaccompanied child by a person in connection with the supply by that person of a passenger transportation service is made in a province if the supply of the passenger transportation service is made in the province.

68. If a supply of a passenger transportation service is made in a participating province and is subject to the HST, then any related service of supervising an unaccompanied child is also subject to the HST at the same rate. Similarly, if a supply of a passenger transportation service is made in a non-participating province and is subject to the GST, then any related service of supervising an unaccompanied child is also subject to the GST.

Issuing, delivering, amending, replacing, or cancelling a ticket, voucher, or reservation

69. Under section 4.1 of Part VI of Schedule IX to the Act, where a person supplies a service of issuing, delivering, amending, replacing, or cancelling a ticket, voucher, or reservation for a supply by that person of a passenger transportation service, that supply is made in the same province in which the supply of the passenger transportation service would be made, if it were completed in accordance with the agreement for that supply.

70. Therefore, if a supply of a passenger transportation service is made in a participating province and is subject to the HST, then a supply of a service of issuing, delivering, amending, replacing, or cancelling a ticket, voucher, or reservation for that supply is also subject to the HST. Similarly, if a supply of a passenger transportation service is made in a non-participating province and is subject to the GST, then a supply of a service of issuing, delivering, amending, replacing, or cancelling a ticket, voucher, or reservation for that supply is also subject to the GST.

Example 18

A supply of a passenger transportation service from Gander, Newfoundland and Labrador to Toronto, Ontario would be considered to be made in Newfoundland and Labrador. A supply of a service of cancelling the ticket for that trip would therefore also be considered to be made in Newfoundland and Labrador and subject to the HST at a rate of 15%.

Passenger transportation passes

71. Two specific place of supply rules apply to a supply of intangible personal property that is, or is similar to, a passenger transportation pass entitling an individual to one or more passenger transportation services.

72. Subsection 22(1) of the Regulations states that if, at the time when a supply of such intangible personal property is made, the supplier can determine that each passenger transportation service could not begin otherwise than in the same participating province and would terminate in Canada, the supply of the intangible personal property is made in that participating province.

73. Subsection 22(2) of the Regulations states that if, at the time when a supply of such intangible personal property is made, the supplier can determine that each passenger transportation service could not begin otherwise than in a non-participating province or would terminate outside Canada, the supply of the intangible personal property is made in a non-participating province.

74. Where neither of these rules apply (for instance, where the passenger transportation services covered by the passenger transportation pass may not always begin in the same participating province), the place of supply of the intangible personal property will be determined under the general place of supply rules for intangible personal property in sections 6, 7, 8, and 11 of the Regulations. For more information, refer to [GST/HST Technical Information Bulletin B-103, Harmonized Sales Tax – Place of supply rules for determining whether a supply is made in a province.](#)

Example 19

An individual resident of Ontario purchases a rail pass at a rail station in Ontario. The pass entitles the individual to ten one-way trips from Ottawa to Toronto. When the individual wishes to travel, the individual uses the pass to obtain a rail ticket which specifies that the origin of the trip is Ottawa.

When the supply of the intangible personal property (the rail pass) is made, the supplier can determine that each passenger transportation service covered by the passenger transportation pass would always begin in the same participating province (Ontario) and would terminate in Canada. The supply of the intangible personal property is therefore made in Ontario and subject to the HST at a rate of 13%.

Property and services supplied on board a conveyance

75. Section 23 of the Regulations states that “if a supply of property or a service (other than a passenger transportation service) is made to an individual on board a conveyance in the course of a business of supplying passenger transportation services and the property or service is delivered, performed, or made available on board the conveyance during any leg of the journey that begins in any province and ends in any province, the supply is made in the province in which that leg of the journey begins”.

76. If a leg of a journey begins in a non-participating province, the supply of a property or service during that leg is subject to the GST. If a leg of a journey begins in a participating province, the supply is subject to the HST at the rate in effect in that province.

Example 20

A traveller buys an airline ticket for travel from St. John’s, Newfoundland and Labrador to Winnipeg, Manitoba via Montreal, Quebec. The traveller buys a glass of wine on the first leg of the journey to Montreal. The traveller has to pay the HST at the rate of 15% on the glass of wine because that leg of the journey begins in Newfoundland and Labrador. If the traveller buys another glass of wine on the second leg of the journey, the GST applies at the rate of 5% because that leg of the journey begins in Quebec.

Tour packages

77. Passenger transportation services may be supplied as part of a tour package. There are special rules that must be applied when prorating the selling price of a tour package based on the value of the taxable property and services included in the package. Generally, taxable property and services are the property and services included in a tour package that, if supplied separately and not as part of a package, would be taxable at 5% or the applicable harmonized rate(s). Before applying the rules found in section 163 of the Act, the supplier must ensure that what is being supplied is a tour package.

78. For more information, refer to [GST/HST Memorandum 27 1, Calculating the GST/HST on Tour Packages](#).

Air charters

79. For information on how the GST/HST applies to supplies of charter flights that are considered to be supplies of passenger transportation services for GST/HST purposes, and to other related supplies, refer to [GST/HST Info Sheet GI-170, Charter Flights Supplied to Third-Party Charterers](#).

80. The determination of the type of supply that is made in other circumstances in which an air charter is involved is a question of fact that must be determined on a case-by-case basis. This includes situations where supplies are made to owners of aircraft and to other carriers. For information on how to request a ruling with respect to a particular situation, refer to [GST/HST Memorandum 1-4](#).

Commercial ride-sharing

81. Ride-sharing services are considered to be passenger transportation services. In the case of commercial ride-sharing services, a provider of such services is subject to the same GST/HST rules that apply to taxi operators, including the requirement to register for GST/HST purposes regardless of whether the person is a small supplier, and to collect the GST/HST on those services, because the services are included in the definition of taxi business.

82. **Taxi business** is defined under subsection 123(1) of the Act and “means

- a. a business carried on in Canada of transporting passengers by taxi or other similar vehicle for fares that are regulated under the laws of Canada or a province; or
- b. a business carried on in Canada by a person of transporting passengers for fares by motor vehicle – being a vehicle that would be an automobile, as defined in subsection 248(1) of the Income Tax Act, if that definition were read without reference to a **motor vehicle acquired primarily for use as a taxi**, in paragraph (c) and without reference to paragraph (e) – within a particular municipality and its environs if the transportation is arranged or coordinated through an electronic platform or system, other than
 - i. the part of the business that does not involve the making of taxable supplies by the person,
 - ii. the part of the business that is the operation of a sightseeing service or the school transportation of elementary or secondary students, or
 - iii. a prescribed business or a prescribed activity of a business”.

83. The definition only applies to taxable supplies of passenger transportation services that are made in the course of a commercial activity. A person is considered to be making such supplies once the person starts providing commercial ride-sharing services, including commercial carpool services. A commercial activity generally means a business carried on by a person (and in the case of an individual, carried on with a reasonable expectation of profit), except to the

extent to which the business involves the making of exempt supplies by the person. The definition does not apply to the part of a business that involves the operation of a sightseeing service or the school transportation of elementary or secondary students, a business or activity of a business prescribed by regulation (to date no business or activity has been prescribed), or the part of a business that does not involve the making of a taxable supply, such as an exempt supply or non-commercial ride-sharing, including non-commercial carpooling.

84. A motor vehicle under the definition means a motor vehicle that is designed or adapted primarily to carry individuals on highways and streets and that has a seating capacity for not more than the driver and 8 passengers, and includes a motor vehicle acquired primarily for use as a taxi or of a type commonly referred to as a van or pick-up truck, or a similar vehicle.

85. For more information on the GST/HST treatment of commercial ride-sharing services, including GST/HST registration and reporting requirements, refer to [GST/HST Info Sheet GI-196, GST/HST and Commercial Ride-sharing Services](#).

Other charges

86. Pursuant to paragraph 154(2)(a) of the Act, the consideration for a supply of property or a service includes any tax, duty, or fee imposed under an Act of Parliament that is payable by the recipient, or payable or collectible by the supplier, in respect of that supply or in respect of the production, importation, consumption, or use of the property or service, other than the GST/HST that is payable by the recipient.

Air Travellers Security Charge

87. The Air Travellers Security Charge (ATSC) imposed on a passenger under the Air Travellers Security Charge Act, and collected by airlines or their agents, is part of the consideration payable for the supply of a passenger air transportation service. For more information on the ATSC, refer to [Excise Taxes and Special Levies Notice ETSL72, Notice to all Air Carriers - Rate Increases for the Air Travellers Security Charge](#).

Airport improvement fees and passenger facility fees

88. Several airports in Canada charge airport improvement fees or passenger facility fees to passengers boarding a plane at that airport. An airport authority that imposes such fees usually authorizes airlines to act as its agent for purposes of collecting both the fee and the applicable GST/HST payable by the passenger in respect of the fee, and for passing the fee and the GST/HST back to the airport authority.

89. For GST/HST purposes, an airport improvement fee or passenger facility fee is consideration payable for a separate supply by the airport authority to the passenger of a right to use real property by way of licence. A supply of real property is made in a province if the real property is situated in the province. Therefore, where the airport is situated in a non-participating province, the fee is subject to the GST, and where the airport is situated in a participating province, the fee is subject to the HST at the applicable rate.

Other fees

90. Suppliers of passenger transportation services may also separately identify various fees in the price for a passenger transportation service. These fees might include:

- fees to upgrade the travel class or for extra space
- air navigation service surcharges imposed by airlines to recover the user charges that airlines are required to pay under the Civil Air Navigation Services Commercialization Act for air navigation services
- fuel surcharges imposed by the supplier to offset fuel costs
- insurance surcharges imposed by airlines to offset aviation insurance costs

91. Generally, these fees are part of the consideration payable for the supply of a passenger transportation service and are subject to the GST/HST at the same rate as the rest of the consideration for the passenger transportation service.

Further information

All **GST/HST technical publications** are available at [GST/HST technical information](#).

To make a **GST/HST enquiry** by **telephone**:

- for **GST/HST general enquiries**, call **Business Enquiries** at **1-800-959-5525**
- for **GST/HST technical enquiries**, call **GST/HST Rulings** at **1-800-959-8287**

If you are located in **Quebec**, call **Revenu Québec** at **1-800-567-4692** or visit their website at revenuquebec.ca.

If you are a **selected listed financial institution** (whether or not you are located in Quebec) and require information on the **GST/HST** or the **QST**, go to [GST/HST and QST - Financial institutions, including selected listed financial institutions](#) or:

- for **general GST/HST or QST enquiries**, call **Business Enquiries** at **1-800-959-5525**

- for **technical GST/HST or QST enquiries**, call **GST/HST Rulings SLFI** at **1-855-666-5166**

APPENDIX – Certificate of zero-rated entitlement

To: [Name and address of registered supplier of transportation service]

We hereby certify that the following passenger transportation services that we have purchased from you, namely:

[Detailed description of the required services the registered supplier will provide]

will be included in one or more continuous journeys, and will qualify for zero-rated status under the Excise Tax Act. We will pay the GST/HST in respect of any transportation service found to be subject to the GST/HST at the applicable rate during an audit of

[Name of registered supplier]

[Dated at] [this] [day of] .

[Name and address of recipient]

[Signature of authorized representative of recipient]

[Name of authorized representative – please print] [Title of authorized representative]

Date modified:

2019-07-26