

Retail Sales Tax Exemption for Destination Marketing Fees Charged on Transient Accommodation

About this Notice

This notice explains the temporary exemption from Retail Sales Tax (RST) for destination marketing fees charged by vendors who provide transient accommodation.

Background

Transient accommodation is defined as lodging for less than a month in hotels, motels, tourist homes, lodging houses, and similar establishments. In Ontario, a number of these establishments charge a Destination Marketing Fee (DMF) to fund promotional campaigns to boost the tourism trade in their municipality or region. RST applies at a rate of 5 per cent on the total fair value of the transient accommodation, including the DMF charged on the transient accommodation, whether or not it is shown separately on the customer's invoice.

Temporary Exemption

In 2004, the government introduced a temporary exemption for DMFs charged on transient accommodation provided certain conditions were met.

Bill 44, the *Budget Measures and Interim Appropriation Act, 2008*, which received Royal Assent on May 14, 2008, has amended the *Retail Sales Tax Act* to extend the temporary exemption for DMFs billed on or before June 30, 2010.

Conditions

DMFs billed on or before June 30, 2010, are exempt from RST, providing all of the following conditions are satisfied:

- the fee is forwarded by the vendor to a non-profit agency to be used for the exclusive purpose of promoting tourism in Ontario or the municipality in which the accommodation is located
- the fee is shown as a separate item on the purchaser's invoice or receipt
- the fee does not exceed 3 per cent of the fair value of the accommodation
- the fee must be labelled on the purchaser's invoice or receipt as "Destination Marketing Fee" in order to qualify for the temporary exemption.

Other DMF charges

The temporary exemption from RST only applies to DMFs charged on transient accommodation. The exemption does not extend to DMFs that may also be charged on food, beverages, or other types of charges. If an establishment decides to add a destination marketing fee to charges other than for transient accommodation, RST applies to the charge, including the DMF, at the applicable RST rate.

For more Information

The information in this notice is only a guideline and does not replace the legislation.

To obtain additional information, please contact the Ontario Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297), Teletypewriter (TTY) 1 800 263-7776, or visit our website at ontario.ca/revenue.