

Ministry of Finance

Tax Bulletin



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www.fin.gov.bc.ca/rev.htm

Municipal and Regional District Tax

Hotel Room Tax Act

Do you know how a municipality or regional district can participate in the collection of an additional hotel room tax?

Do you know how the additional hotel room tax applies if you operate a hotel, motel, resort, hostel, bed & breakfast or other lodging?

This bulletin provides specific information to help municipalities, regional districts and other eligible entities understand how they can participate in the collection of an additional hotel room tax of up to 2%. In addition, this bulletin provides specific information to help registered operators of hotels, motels and other lodgings understand how this additional tax applies to their business.

Please note: As part of the introduction of the harmonized sales tax (HST), effective July 1, 2010, the 8% component of the hotel room tax will generally cease to apply to sales of accommodation. For transition rules respecting the wind-down of the 8% component of the hotel room tax, please see our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/hrt_transitional_rules.htm

However, the obligation to collect and remit the additional 2% municipal and regional district hotel room tax remains in place after July 1, 2010 (see the section below, HST and the Additional Hotel Room Tax).

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Overview

The municipal and regional district tax is an additional hotel room tax of up to 2%. The additional hotel room tax is over and above the 8% hotel room tax (HRT) charged on taxable accommodation. This additional tax is intended to assist municipalities, regional districts and other eligible entities (see below) in promoting their tourism industry and financing new tourist facilities or programs.

Municipalities, Regional Districts and Eligible Entities

A municipality, regional district or eligible entity in British Columbia, may apply to the Ministry of Finance for an additional hotel room tax of up to 2%. This tax is charged on sales of taxable accommodation within that area.

The additional hotel room tax is administered by, and sent in to, the ministry under the *Hotel Room Tax Act*, but is separate from the hotel room tax and has its own tax return form. The tax can apply to the entire municipality or regional district, or to a specific area within the municipality or regional district.

The ministry charges an administration fee to cover the additional cost of administering the tax, and provides the balance of the tax collected to the municipality, regional district or eligible entity on a monthly basis.

How to Participate

To participate in this program, you must pass a bylaw requesting the province to administer and collect the additional tax on your behalf. The bylaw must contain the following information:

- the proposed tax rate,
- the geographic area in which the tax will apply (i.e. the entire municipality or regional district, or a smaller area),
- the purpose for which you will use the funds, and
- the date you want the new tax to be effective.

Additional Information and Documentation

You also need to provide the following with your application.

- A complete list of all registered operators that are currently collecting the 8% HRT located within the area where the tax will apply.

- Documented evidence that you have consulted with the local accommodation industry, and that the majority support both the business plan and the application for the new tax.
- For a municipality, you need to show that you have consulted with the regional district in which you are located, and that the regional district agrees with the new tax.
- For a regional district, you need to show that you have consulted with the municipalities that are included in the geographical area where the tax will be collected within your jurisdiction and that they agree with the new tax being implemented. You need to also show that you are authorized to use the funds for the intended purpose, either by your letters patent or by statutory authority.
- If a municipality and regional district cannot agree on whether the additional tax should be imposed, priority will generally be given to the municipality.

For assistance with the preparation of your business plan or your application, please contact the Director, Tax Policy Branch at 250 356-5928. Send your completed application to the Minister of Finance at PO Box 9048, Stn Prov Govt, Victoria, British Columbia, V8W 9E2. Your application will be reviewed by the Ministry of Finance and the Ministry of Tourism, Culture and the Arts.

Eligible Entities

If you are an eligible entity, such as a non-profit organization that takes part in tourism marketing, you can also apply to have the additional hotel room tax administered and collected on your behalf. You will need to show that you have consulted with the regional district or the municipality that is included in the geographical area where the tax will be collected. If you are a public body, other than a municipality or regional district, interested in requesting that the additional hotel room tax be collected in a specific area, please contact the Director, Tax Policy Branch (please see above for contact details).

Compliance with Program Objectives

For a municipality, regional district or other eligible entity participating in the additional hotel room tax program, you must provide audited documentation to the ministry each year showing how the funds raised by this tax were used. You must also provide a statement that the funds were used for the purpose for which they were intended and are consistent with your business plan. The implementation of the business plan will be monitored in conjunction with the audited financial statements.

Additional Hotel Room Tax Renewal Process

The additional hotel room tax is implemented for a period of five years. In order to extend the tax for an additional five year period, you must re-apply to the ministry. You must consult the local accommodation sector as part of the renewal process. There is no restriction on the number of times you can apply for the tax to be renewed.

Registered Accommodation Providers

Charging the Tax

Registered operators are accommodation providers registered with the ministry to collect HRT. If you are a registered operator located within a newly participating area in which the additional hotel room tax will apply, you will receive information from the ministry on procedures for charging the tax.

You charge the additional hotel room tax of up to 2%, in addition to the 8% HRT, in areas of the province where the additional hotel room tax applies, on all sales of taxable accommodation. The total tax charged on taxable accommodation sales cannot exceed 10%.

You charge additional hotel room tax plus the HRT if you offer four or more units of accommodation in British Columbia, even if you offer the accommodation on behalf of another owner, or if you only rent two or three units out of the four offered. You also charge additional hotel room tax plus the HRT if you offer four or more units that are geographically dispersed throughout British Columbia.

For example, if you offer three units at a bed and breakfast in Williams Lake, a private cottage in Parksville, and a condominium in Whistler on behalf of another owner, you charge the additional hotel room tax of 2% on all sales of accommodation in Parksville and Whistler. You are offering five units (four or more) and therefore you collect 8% HRT in all three municipalities. You do not charge the additional hotel room tax on the units offered in Williams Lake as this municipality does not participate in the additional hotel room tax program.

The same rules apply to this additional tax as the HRT; that is, if you have to charge or refund the HRT, you also have to charge or refund this tax. For more information on the hotel room tax, please see our accommodation industry webpage at www.sbr.gov.bc.ca/industry_specific/accommodation/accommodation.htm

Calculating the Tax

You calculate the additional hotel room tax on the purchase price of the accommodation, the same as you do the HRT, i.e. on the total amount that a guest pays for the right to use the accommodation. This includes any additional charges for extra beds, cots, cribs, linens or pets, but does not include the goods and services tax (GST).

On the invoice to your guest, you must show the tax payable separately from the charge for the accommodation. However, you can charge the additional hotel room tax together with, or separately from, the HRT.

For example, if you charge \$80 for accommodation and the additional hotel room tax is 2%, you can show the tax payable in either of the following ways:

Room charge	= \$80.00
10% includes HRT plus the additional hotel room tax	= 8.00
5% GST	= <u>4.00</u>
Total charge	= \$92.00

or

Room charge	= \$80.00
8% HRT	= 6.40
2% additional hotel room tax	= 1.60
5% GST	= <u>4.00</u>
Total charge	= \$92.00

HST and the Additional Hotel Room Tax

As noted above, you must continue to collect and remit the additional 2% hotel room tax after implementation of the HST on July 1, 2010.

As part of the transition to HST, the provincial hotel room tax will be eliminated from the federal Taxes, Duties and Fees (GST/HST) Regulations. As a result, the additional hotel room tax will no longer be excluded from the GST/HST base. Therefore, if you sell accommodation that is subject to both the HST and the additional hotel room tax, you charge HST on both the accommodation and the additional hotel room tax.

For example, if you charge \$80 for accommodation that is subject to both HST and the additional hotel room tax, you calculate the tax as follows:

Room charge	= \$80.00
2% additional hotel room tax	= 1.60
12% HST	= <u>9.79</u>
Total charge	= \$91.39

Sending in the Tax

You use a separate tax return to send in the additional hotel room tax. If you offer accommodation in more than one area that collects the additional hotel room tax, you file a separate return for each area. At the end of each reporting period, the ministry will send you a *Hotel Room Tax Return* form (**FIN 432**), together with a *Municipal and Regional District Tax Return* form (**FIN 401**) for each area in which you offer accommodation.

The procedures for completing the returns are the same, except there is no commission allowed for collecting the additional hotel room tax.

To be considered on time, your tax return and payment must be received by the ministry before the close of business (4:30 pm) on the 23rd of the month following the end of your reporting period. If the due date falls on a weekend or statutory holiday in British Columbia, your tax return and payment are due by 4:30 pm on the first business day following the due date. You are required to complete and send in your tax return even if you did not make any sales of taxable accommodation. If you do not receive a tax return for a reporting period, you still must file a return and pay your taxes by the due date. The return forms are available on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Hotel_Room_Tax/hrt_forms.htm or from any **Service BC Centre**.

For more information about completing the tax return form, please see **Bulletin HRT 003**, *Completing the Hotel Room Tax Return Form*.

Transition Period

You charge the additional hotel room tax on all sales of taxable accommodation that you make on, or after, the date the tax becomes effective in your area.

However, your guests can apply to the ministry for a refund of the tax they paid if they booked and confirmed reservations for a specified number of days of accommodation, before the effective date.

The ministry cannot process a claim of less than \$10 and it must be received by the ministry within four years of the date the tax was paid.

To be eligible, your guest's refund application must include the following supporting documentation and show that before the effective date they:

- had a written contract,
- received written confirmation of the reservation, or
- made a deposit.

Participating Municipalities, Regional Districts and Eligible Entities

Additional hotel room tax of 2% applies in the following areas:

- Alberni-Clayoquot, Regional District of (applies to the City of Port Alberni and the Alberni-Clayoquot Regional District electoral areas B, D, E and F)
- Alert Bay, Village of (effective January 1, 2010)
- Abbotsford, City of
- Burnaby, City of
- Chilliwack, City of
- Central Kootenay, Regional District of (effective March 1, 2010 and applies to the electoral areas D, E and F)
- Columbia-Shuswap, Regional District of (applies to the Town of Golden and the Columbia-Shuswap Regional District electoral area A, not including Kicking Horse Mountain Resort Area and Yoho National Park)
- East Kootenay, Regional District of (applies to the City of Fernie and a portion of the East Kootenay Regional District electoral area A)
- East Kootenay, Regional District of (effective February 1, 2009 and applies to the District of Invermere and a portion of the East Kootenay Regional District electoral area F)
- East Kootenay, Regional District of (applies to the Village of Radium Hot Springs and two portions of the East Kootenay Regional District electoral area G)
- Harrison Hot Springs, Village of
- Kamloops, City of
- Kaslo, Village of (effective March 1, 2010)
- Kelowna, City of
- Kimberley, City of
- Kitimat-Stikine, Regional District of (applies to the City of Terrace and the Kitimat-Stikine Regional District electoral area E)
- Langford, City of
- Langley, City of
- Langley, Township of
- Merritt, City of

- Mount Waddington, Regional District of (effective January 1, 2010 and applies to the Village of Port Alice and the Regional District of Mount Waddington electoral areas A, B, C and D)
- Mount Washington Resort Association (effective January 1, 2010 and applies to the resort area that is a portion of the Comox Valley Regional District electoral area C)
- Nanaimo, Regional District of (applies to the Nanaimo Regional District electoral areas E, F, G and H)
- Nelson, City of (effective March 1, 2010)
- North Vancouver, City of
- North Vancouver, District of
- Oak Bay, District of
- Osoyoos, Town of
- Parksville, City of
- Penticton, City of
- Port Hardy, District of
- Port McNeill, Town of (effective January 1, 2010)
- Prince George, City of (effective January 1, 2010)
- Prince Rupert, City of
- Qualicum Beach, Town of
- Revelstoke, City of
- Richmond, City of
- Rossland, City of
- Saanich, District of
- Smithers, Town of
- Squamish, District of (effective November 1, 2009)
- Sun Peaks Mountain Resort Area
- Surrey, City of
- Tofino, District of
- Ucluelet, District of
- Valemount, Village of
- Vancouver, City of
- Vernon, City of (effective March 1, 2010)
- Victoria, City of
- Wells, District of
- Whistler, Resort Municipality of

Please note: To verify whether your accommodation is subject to the additional hotel room tax, please contact your municipality or regional district.

Need more info?

Accommodation website: www.sbr.gov.bc.ca/industry_specific/accommodation/accommodation.htm

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Hotel Room Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Hotel_Room_Tax/hrt_legislation.htm

Acknowledgments

We wish to acknowledge and thank the *British Columbia Hotel Association* and the *British Columbia Lodging and Campgrounds Association* for consulting with us on public information for the accommodation industry. By working with us, they help us better serve their members and work towards making British Columbia the best place to do business.

References: *Hotel Room Tax Act*, Sections 1, 3, 3.1, 6, 12, 18, 38 and 43, and Regulations 5.2 and 5.4.