

Ministry of Finance

Tax Information Notice



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

Hotel Room Tax Transitional Rules for Transitioning to British Columbia HST

On July 23, 2009, B.C. announced its plans to eliminate the Provincial Sales Tax (PST) and the Hotel Room Tax, and implement a Harmonized Sales Tax (HST) for B.C., effective July 1, 2010.

The following information provides the circumstances in which the hotel room tax is payable during the transition period. It does not include comprehensive information on the specific tax application. To fully understand the application of the transitional rules, it is important to understand the general application of the hotel room tax. Information on the general application can be found at www.sbr.gov.bc.ca/business/Consumer_Taxes/Hotel_Room_Tax/hotel_room_tax.htm. This notice also includes information on transitional refunds of hotel room tax.

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OVERVIEW

The following is an overview of the general transitional rules related to the elimination of the 8 per cent provincial hotel room tax. The hotel room tax is eliminated to coincide with the implementation of the HST. The hotel room tax transitional provisions are provided to avoid the imposition of hotel room tax on payments for accommodation to which the HST applies. For information on the transitional rules for the HST, please see www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/trnstnl/prsnl/menu-eng.html

Taken together, the HST and hotel room tax transitional rules are complementary and are intended to provide for a smooth transition to the HST.

SHORT TERM ACCOMMODATION

The hotel room tax applies to the purchase of short term accommodation. However, under the transitional rules for the introduction of the HST, supplies of short term rental accommodation are considered a lease. As a result, the transitional rules for the hotel room tax are based on the HST transitional rules for leases.

LEASE INTERVAL (ACCOMMODATION PERIOD)

For accommodation that is provided with a daily rate, each day within a single stay will be considered a separate lease interval (accommodation period).

However, where there is no daily rate and the accommodation is provided for a longer period (e.g. weekly) for a single rate, the accommodation period will generally be considered to be the period to which the single rate applies.

SINGLE-DAY ACCOMMODATION PERIOD (DAILY RATE ACCOMMODATION)

The following transitional rules apply to purchases of short term accommodation subject to a daily rate.

- The hotel room tax applies to the purchase price of accommodation provided **before July 1, 2010**.
- For accommodation provided **on or after July 1, 2010**, the hotel room tax applies to any amount of the purchase price of the accommodation that becomes due, or is paid without becoming due, before May 2010.

Effective July 1, 2010, a transitional refund of the hotel room tax paid after October 14, 2009 and before May 2010, on rental periods that began on or after July 1, 2010, is available to certain purchasers in specific circumstances (see section on Refunds).

MULTIPLE-DAY ACCOMMODATION PERIOD

The following transitional rules apply to purchases of short term accommodation with multiple-day accommodation periods.

- When the accommodation period begins **before July 1, 2010 and ends before July 31, 2010**, the hotel room tax applies to the purchase price of the accommodation.
- When the accommodation period begins **on or after July 1, 2010**, the hotel room tax applies to any amount of the purchase price of the accommodation that becomes due, or is paid without having become due, before May 2010.

The following transitional rules apply to leases of short term accommodation with multiple-day rental periods where the rental period begins **before July 2010 and ends on or after July 31, 2010**, and the lease is to a tourism agent **and** the lodging is occupied during the rental period by more than one customer of the tourism agent.

- The hotel room tax would apply to any amount of the purchase price that becomes due, or is paid without having become due, before May 2010.
- When an amount of a purchase price becomes due, or is paid without having become due, on or after May 1, 2010, the hotel room tax applies to the part of that amount that is attributable to the accommodation period that occurs before July 1, 2010.

Effective July 1, 2010, a transitional refund of the hotel room tax paid after October 14, 2009 and before May 2010, on rental periods that began on or after July 1, 2010, is available to certain purchasers in specific circumstances (see section on Refunds).

TIMING OF PAYMENTS

The transitional rules generally operate on the basis of the earlier of when consideration or purchase price for accommodation becomes due or is paid without having become due. Under the *Hotel Room Tax Act*, the consideration or purchase price for accommodation, other than where accommodation is supplied by way of a written agreement, becomes due on the earliest of:

- the day the operator first issues an invoice in respect of the accommodation;
- the date of the invoice; and
- the day the operator would have, but for undue delay, issued an invoice in respect of the accommodation.

Where accommodation is supplied under a written agreement, the consideration or purchase price becomes due on the day the purchaser is required to pay that consideration or purchase price under the written agreement.

DEPOSITS

Please note that deposits, including refundable and non-refundable deposits, are not considered part of the purchase price of accommodation unless and until the vendor applies the deposit against the purchase or the lease.

For example, if an operator accepts a deposit in April 2010, for the purchase of accommodation in July 2010, that deposit would not be considered part of the purchase price of the accommodation until the vendor applies that amount in its books and records against the purchase of the accommodation. For example, if the deposit is not applied to the purchase until the check out in July, the hotel room tax would not apply to this amount but the HST would.

BUDGET PAYMENT ARRANGEMENTS

Operators that provide accommodation for a period that begins before July 1, 2010 and ends on or after July 1, 2010, where consideration is payable under a budget payment arrangement with a reconciliation of the payments before July 1, 2011, should contact the British Columbia Ministry of Finance (the Ministry) for information on the obligation to provide a refund of hotel room tax under the reconciliation.

CANCELLATION OF ACCOMMODATION

The following rule applies where, after June 30, 2010 but before January 1, 2011, a person cancels accommodation on which the hotel room tax was paid:

- If the operator provides a refund to the purchaser of the purchase price of the accommodation, the operator must refund to the purchaser the hotel room tax attributable to the amount of the refund.

Please note: Operators **must not make an adjustment** against the hotel room tax remitted on a supplemental return. Instead, they may apply to the Ministry for a refund of the amount of tax refunded to the purchaser (see Refunds to Operators).

For cancellations made on or after January 1, 2011, purchasers are required to apply directly to the Ministry for any refund of the hotel room tax. To apply, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

PRICE REDUCTIONS

The following rule applies where, after June 30, 2010 but before January 1, 2011, the purchase price of accommodation on which the hotel room tax was paid, is reduced:

- If the operator provides a refund to the purchaser equal to the amount of the reduction in the purchase price, the operator must refund to the purchaser the hotel room tax attributable to the amount of the refund.

Please note: Operators **must not make an adjustment** against the hotel room tax remitted on a supplemental return. Instead, they may apply to the Ministry for a refund of the amount of tax refunded to the purchaser (see Refunds to Operators).

For price reductions that occur on or after January 1, 2011, purchasers are required to apply directly to the Ministry for any refund of hotel room tax. To apply, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

REFUNDS TO OPERATORS

Where an operator provides a refund in relation to cancellation of accommodation or a price reduction, the operator may apply to the Ministry for a refund equal to the amount of tax refunded to their customers.

To apply for a refund, please use the form, *Application for Refund (Vendors, Operators and Lessors) of Social Service Tax and Hotel Room Tax* ([FIN 408](#)).

Refund applications must be received by the Ministry on or before **February 28, 2011**.

EXEMPTIONS

If the hotel room tax is payable under the transitional rules outlined above, relevant exemptions under the *Hotel Room Tax Act* will continue to provide relief from the hotel room tax payable.

Exemptions under the *Hotel Room Tax Act* will not apply if the HST is payable under the transitional rules. Only short term accommodation that is exempt or zero rated under the *Excise Tax Act* (Canada) will not be subject to HST.

REFUNDS

Refund provisions under the *Hotel Room Tax Act* will generally remain in effect and will allow refunds of the hotel room tax to be claimed up to four years following the payment of the tax.

In limited circumstances, such as the transitional refunds described below, claims for refunds must be made earlier than four years following the payment of the hotel room tax. For application dates, see the specific section below.

Transitional Refund for Eligible Business Purchases

To receive the following refunds, applications for the refund must be received by the Ministry on or before **December 31, 2010**.

Commercial Activities Refund

Under the *General Transitional Rules for British Columbia HST*, payments prior to May 1, 2010 were not generally subject to the HST even though the payment may have been related to accommodation provided on or after July 1, 2010. Instead, these payments were generally subject to hotel room tax.

Because input tax credits cannot be claimed in respect of hotel room tax paid, effective July 1, 2010, refunds of the hotel room tax are available to GST/HST registrants who paid hotel room tax **after October 14, 2009 and before May 1, 2010**, for accommodation provided on or after July 1, 2010 and for leases of TPP on or after July 1, 2010.

The accommodation must be for use exclusively in the registrant's commercial activities to qualify for the refund.

Refunds are generally only available in respect of the hotel room tax paid on accommodation, that under the hotel room tax transitional rules, would not have not been payable had the payment for the accommodation been made on or after May 1, 2010. Therefore, in some circumstances a full refund will be provided, while in others only a partial refund or no refund will be provided.

Full Refund

A full refund of the hotel room tax is available where the accommodation period begins on or after July 1, 2010.

Partial Refund

A partial refund of the hotel room tax is available where the accommodation period begins before July 1, 2010 and ends on or after July 31, 2010. The refund will be for the hotel room tax that is attributable to the portion of the accommodation period that occurs on or after July 1, 2010.

No Refunds

Refunds are **not** available in the following circumstances:

- Where any portion of the purchase price of the accommodation was due, or paid without having become due, **before October 15, 2009**;

- Where the accommodation period begins before July 1, 2010 and ends before July 31, 2010.

To apply for a commercial activities refund, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

Refund claims must be received by the Ministry on or before **December 31, 2010**.

Refund claims must include all the following:

- Applicant's GST/HST registration number;
- Proof that hotel room tax was paid on the goods or services (i.e. a bill of sale or documentation showing self-assessment);
- Documentation relating to the accommodation period on which the hotel room tax was paid and the timing of the payments for the accommodation; and
- Documentation supporting the calculation of the refund amount.

Non-Consumers – Transitional Refunds

Under the *General Transitional Rules for British Columbia HST*, non-consumers (certain businesses and selected listed financial institutions)¹ are required to self-assess HST on consideration that became due, or was paid without having become due, **after October 14, 2009 and before May 1, 2010**, for accommodation on or after July 1, 2010. In addition, this consideration was generally subject to hotel room tax.

To prevent both the hotel room tax and HST being payable on consideration for the same accommodation, effective July 1, 2010, refunds are available to the non-consumers who paid hotel room tax **after October 14, 2009 and before May 1, 2010**, for accommodation on or after July 1 on which they are required to self-assess the HST.

Refunds are only available in respect of hotel room tax paid on consideration for accommodation on which, under the HST transitional rules, a non-consumer would be required to self-assess the HST. Therefore, in some circumstances a full refund will be provided, while in others only a partial refund or no refund will be provided.

Full Refund

A full refund of the hotel room tax is available where the accommodation period begins on or after July 1, 2010.

¹ For information on the businesses and selected listed financial institutions that are required to self-assess the HST, please see: www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/nncnsmr-eng.html

Partial Refund

A partial refund of the hotel room tax is available where the accommodation period begins before July 1, 2010 and ends on or after July 31, 2010. The refund will be for the hotel room tax that is attributable to the portion of the accommodation period that occurs on or after July 1, 2010.

No Refunds

Refunds are **not** available in the following circumstances:

- Where any portion of the purchase price of the accommodation was due, or paid without having become due, **before October 15, 2009**;
- Where the accommodation period begins before July 1, 2010 and ends before July 31, 2010.

To apply for a transitional refund for non-consumers, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

Refund claims must be received by the Ministry on or before **December 31, 2010**.

Refund claims must include all of the following:

- Applicant's GST/HST registration number (if applicable);
- Information on the type of non-consumer of the applicant;
- Proof that hotel room tax was paid on the goods or services (i.e. a bill of sale or documentation showing self-assessment);
- Documentation relating to the accommodation period on which the hotel room tax was paid and the timing of the payments for the accommodation; and
- Documentation supporting the calculation of the refund amount.

FINAL HOTEL ROOM TAX RETURNS

Final returns for hotel room tax collected before July 1, 2010 are required to be filed with the Ministry of Finance on or before July 23, 2010. This applies **regardless of a person's remittance frequency**. Where an amount is collected or becomes payable as, or on account of, the hotel room tax after June 2010, the operator is required to account for that amount in a supplemental return to be filed on or before the 23rd day of the following month.

Supplemental returns will be required to be filed no later than January 23, 2011.

Commissions

Operators will be eligible for a commission on their final hotel room tax returns and on any supplemental returns filed on or before January 23, 2011. A commission will not be available where an extension has been provided, nor on returns for the additional hotel room tax.

ADDITIONAL HOTEL ROOM TAX

The transitional rules for the provincial hotel room tax do not apply to the additional hotel room tax (AHRT). The AHRT program is continuing beyond June 2010. Therefore, providers of accommodation in those communities and regional districts that have the AHRT in place must continue to collect and remit (to the province) this tax.

HST AND THE ADDITIONAL HOTEL ROOM TAX

With the elimination of the provincial hotel room tax for the Taxes, Duties and Fees (GST/HST) Regulations, AHRT will no longer be excluded from the GST/HST base. Therefore, in circumstances where accommodation is subject to both the HST and the AHRT, the HST will apply to the AHRT.

Further Information

For questions about the PST or hotel room tax including the transitional rules, please contact the Ministry of Finance toll-free at 1 877 388-4440 or e-mail your questions to CTBTaxQuestions@gov.bc.ca

For information on the application of the HST, please visit the Canada Revenue Agency website at www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/menu-eng.html

For questions about the HST general transitional rules, or if you wish to make a technical enquiry on the GST/HST by telephone, please contact the Canada Revenue Agency at 1 800 959-5525.