

# Ministry of Finance

## Tax Notice



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[www.fin.gov.bc.ca/rev.htm](http://www.fin.gov.bc.ca/rev.htm)

## Notice to Hotel Room Tax Operators

### Transition to the Harmonized Sales Tax

#### *Hotel Room Tax Act*

As the Province of British Columbia winds down the administration of its provincial hotel room tax (HRT) and provincial sales tax (PST) as a result of the implementation of the harmonized sales tax (HST) on July 1, 2010, it has come to the ministry's attention that there are still a number of operators with questions about the transition out of the HRT and PST. Therefore, the ministry would like to take this opportunity to provide you with some information about this important transition.

**Please note:** The following information does not apply to the municipal and regional district tax (MRDT). The MRDT is a tax of up to 2% that registered operators of hotels, motels and other lodgings in certain areas of the province may be required to charge on the purchase price of taxable accommodation. The MRDT is intended to assist municipalities, regional districts and other eligible entities in promoting their tourism industry and financing new tourist facilities or programs. The MRDT is continuing; therefore, operators in communities that have the MRDT in place must continue to collect and remit this tax to the province. For more information on the MRDT, please see our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Municipal\\_Regional\\_Tax/municipal\\_regional\\_tax.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Municipal_Regional_Tax/municipal_regional_tax.htm)

As a result of the elimination of the PST, you are no longer required to pay PST on the goods and services you purchase for use in providing accommodation, nor are you required to self-assess and pay PST on the goods you bring into British Columbia for use in providing accommodation. Although you are generally required to pay HST, operators that are goods and services tax (GST)/HST registrants providing taxable accommodation can claim input tax credits for the HST paid on their business inputs.<sup>1</sup> Operators that could only claim input tax credits for the 5% GST under the previous system can now claim input tax credits for the full 12% HST. The ability to claim input tax credits will save businesses an estimated \$1.9 billion by removing PST from business

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<sup>1</sup> A temporary restriction on input tax credits applies to businesses with over \$10 million in taxable sales. Please see [HST Notice #4](#), *Temporary Recapture of Input Tax Credits Requirement*.

inputs (everything from your monthly telephone/cell phone bill, legal fees, office supplies, energy costs, equipment, furniture, computers and software, and much more).

Subject to the transitional rules, as of July 1, 2010, any accommodation you supply in British Columbia is no longer subject to HRT. Instead, accommodation is generally subject to the 12% HST (5% federal portion and 7% provincial portion). This is a 1% decrease from the previous GST and HRT rates, and is the lowest HST rate in Canada.

Final returns for HRT that was collected or became payable before July 1, 2010, were required to be filed with the ministry on, or before, July 23, 2010. If HRT becomes payable under the transitional rules after June 2010, you must send in a supplemental return, along with the tax due, by the 23<sup>rd</sup> day of the following month. Final supplemental returns are required to be filed no later than January 23, 2011.

Once all supplemental returns are remitted, the duplication that existed under the previous system of collecting, accounting and remitting both the HRT and GST on accommodation will be eliminated. Although operators in communities that have the MRDT in place are still required to collect and remit the MRDT, operators are no longer required to separately account for the HRT and GST on accommodation, and instead remit only HST, saving time and money. Operators that were also PST registrants will see additional savings. Total administrative cost savings to businesses as a result of the elimination of the PST and HRT are estimated to be about \$150 million annually.

You may be eligible to claim a refund of the HRT you remitted on accommodation that was cancelled, or on which the price was reduced, on, or after, July 1, 2010. There is a limited time period in which you may apply for these refunds. For more information, please see [HST Notice #9, Hotel Room Tax Transitional Rules for Transitioning to British Columbia HST](#). Also, if you have remitted HRT but received no payment or only a partial payment from your customer, and the account has been written off as a bad debt, you may claim a refund of that HRT. For more information, please see [Bulletin GEN 001, Refund of Tax Remitted on Sales Written off as Bad Debts](#).

In addition to the refunds of HRT you have collected and remitted, the province is providing a number of transitional refunds of HRT paid by businesses. For example, a commercial activities refund is provided so that your business customers are not denied the benefits of the transition to the HST for accommodation supplied on, or after, July 1, 2010, for use exclusively in the course of a commercial activity but on which the purchase price was paid or payable after October 14, 2009, and before May 1, 2010. For more information on this and the other transitional refunds, please see [HST Notice #9, Hotel Room Tax Transitional Rules for Transitioning to British Columbia HST](#).

The HST is good for British Columbia's economy because it makes us competitive with 140 countries with a similar value added tax. It is estimated the HST will enable businesses to create 113,000 additional new jobs and generate an estimated \$11.5 billion in new capital investment by 2020. Building on British Columbia's low provincial corporate income tax rates, the HST will attract more investment and that is good for your business.

### **Further Information**

If you have any questions related to winding down the HRT and PST, please call us toll-free at 1 877 388-4440, or e-mail your questions to [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

You can also find information on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Harmonized\\_Sales\\_Tax/hst.html](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/hst.html)

If you have technical questions related to the HST and your business, please contact the Canada Revenue Agency at 1-800-959-5525 or [www.cra-arc.gc.ca/harmonization](http://www.cra-arc.gc.ca/harmonization)

The information in this notice 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](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Hotel_Room_Tax/hrt_legislation.htm)