



Canada Revenue  
Agency

Agence du revenu  
du Canada

# **GST/HST Information for the Travel and Convention Industry**

## What's new?

Due to changes to the law that took effect on April 1, 2007:

- a rebate is no longer available to non-residents for GST/HST paid on:
  - short-term accommodation (including camping accommodation) after March 31, 2007, unless certain exceptions apply; and
  - personal goods bought in Canada by non-resident visitors who take the goods home if the tax was payable after March 31, 2007. (The goods may be zero-rated if the **supplier** ships them outside Canada.)

- suppliers have to file new Form GST106, *Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages*, for every reporting period in which they claim a deduction from their net tax because they paid or credited a rebate amount for tax that became payable on an eligible tour package or a foreign convention after March 31, 2007.

For information on these changes, see “Non-resident rebate for eligible tour packages” on page 21 and “Rebate for foreign conventions” on page 29.

Effective January 1, 2008, the GST rate is reduced from 6% to 5%, and the HST rate from 14% to 13%.

If you have a visual impairment, you can get our publications in braille, large print, or etext (CD or diskette), or on audio cassette or MP3. For more information, visit our Web site at [www.cra.gc.ca/alternate](http://www.cra.gc.ca/alternate) or call 1-800-959-2221.

This guide uses plain language to explain the most common tax situations. If you need more help after you read this guide, call our Business Enquiries line at 1-800-959-5525.

La version française de cette publication est intitulée *Renseignements sur la TPS/TVH pour l'industrie du tourisme et des congrès*.

## Before you start

### Is this guide for you?

This guide gives information on how to charge goods and services tax/harmonized sales tax (GST/HST) on accommodation, tour packages, passenger transportation services, conventions, meeting facilities, and related convention supplies. It also explains the rebates that may be available to non-residents for eligible tour packages, for short-term and camping accommodation resold in tour packages, and for foreign conventions and non-resident exhibitors. It also includes information on how Canadian suppliers can pay or credit certain rebate amounts to non-residents.

### Terms we use in this guide

For an explanation of some of the terms we use in this guide, see Appendix 1 on page 32.

### Internet

Visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca). You may want to bookmark this address for easier access to our Web site in the future.

### How to contact us

If you need more information about GST/HST, call our Business Enquiries line at **1-800-959-5525**.

### Forms and publications

Throughout this guide, we mention forms and other publications. Many of these are available on our Web site at [www.cra.gc.ca/gsthstpub](http://www.cra.gc.ca/gsthstpub). You can also get copies of our forms and publications by calling **1-800-959-2221** (from within Canada and the United States) or **613-952-3741** (from outside Canada and the United States).

### Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a teletypewriter, you can call our bilingual enquiry service at **1-800-665-0354** during regular business hours.

### Direct deposit

If you are expecting refunds or certain rebates, you can complete and send us Form GST469, *Direct Deposit Request*. This is a safe, convenient, dependable, and time-saving method of receiving your GST/HST refunds and rebates.

### GST/HST electronic filing and remitting

Eligible GST/HST returns can be filed electronically using GST/HST TELEFILE or GST/HST NETFILE. Returns and remittances can also be filed electronically through a participating financial institution. For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca), or contact your financial institution.

### GST/HST and Quebec

In Quebec, Revenu Québec administers GST/HST. If your business is located in Quebec, contact Revenu Québec at **1-800-567-4692** (from within Canada or the United States) or **418-659-4692** (from outside Canada or the United States).

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## What is GST/HST?

**G**oods and services tax/harmonized sales tax (GST/HST) is a tax that applies on most supplies of goods and services made in Canada. GST/HST also applies to intangible personal property such as a right to enter or attend an event (e.g., tickets to a show or hockey game).

The GST rate is 5% for supplies made on or after January 1, 2008, and 6% for supplies made before that date. The HST rate is 13% for supplies made on or after January 1, 2008, and 14% for supplies made before that date.

The three participating provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador) harmonized their provincial sales tax with GST to create the harmonized sales tax (HST). HST applies to the same base of goods and services as GST.

GST/HST registrants who make taxable supplies (other than zero-rated supplies) in the three participating provinces charge tax at the HST rate. Registrants charge tax at the GST rate on taxable supplies that they make in the rest of Canada (other than zero-rated supplies).

For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or see Guide RC4022, *General Information for GST/HST Registrants*.

## How does GST/HST work?

**I**f you are a GST/HST registrant, you have to charge and collect GST/HST on taxable supplies that you make in Canada, and file regular GST/HST returns to report the tax.

You can claim an input tax credit (ITC) on your GST/HST return to recover the GST/HST you pay or owe on purchases you use, consume, or supply in your commercial activities. Usually, commercial activities are those undertaken to provide taxable (including zero-rated) goods and services.

For example, if you buy taxable goods to resell in your store, you can recover the GST/HST you paid or owe on those goods by claiming an ITC. You cannot claim an ITC to recover the GST/HST you paid or owe on purchases related to your supplies of exempt goods and services, or that are for personal use.

From a consumer's point of view, there is no difference between zero-rated and exempt goods and services, because no tax is collected in either case. However, the difference for you, as a registrant, is that although you do not collect GST/HST on zero-rated goods and services, you can still claim ITCs for the GST/HST you pay on purchases used to provide them.

For more information, see Guide RC4022, *General Information for GST/HST Registrants*. If you are a non-resident, such as a convention organizer, sponsor, or tour operator who is not registered for GST/HST, and you would like more information about whether you should register, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

## Who charges GST/HST?

Generally, GST/HST registrants have to charge GST/HST on all taxable (other than zero-rated) supplies of goods and services they provide to their customers.

GST/HST registrants who make taxable (other than zero-rated) supplies in the three participating provinces charge tax at the 13% HST rate (or at the 14% HST rate for supplies made before January 1, 2008). Registrants charge tax at the 5% GST rate (or the 6% GST rate for supplies made before January 1, 2008) on taxable (other than zero-rated) supplies they make in the rest of Canada.

## Who pays GST/HST?

Almost everyone has to pay GST/HST on purchases of taxable (other than zero-rated) supplies of goods and services. However, Indians and some groups and organizations, such as many provincial and territorial governments, do not always pay GST/HST on their purchases. Visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or call us for more information about collecting tax from these groups.

## Taxable goods and services

**E**xamples of goods and services that are subject to GST/HST include:

- hotel and other short-term accommodation in Canada;
- convention space and meeting rooms;
- services provided by travel agents (with some exceptions);
- domestic tour packages;
- most domestic passenger transportation by bus, train, ship, or aircraft;
- transborder air travel to the continental United States and the islands of St. Pierre and Miquelon;
- international day trips by road or rail;
- car rentals in Canada;
- a service of ticket cancellation for domestic travel services;
- taxi and limousine rides;
- restaurant meals; and
- admissions to theatres, museums, and other places of entertainment.

Examples of goods and services taxable at 0% (zero-rated supplies) include:

- basic groceries such as milk, bread, and vegetables;
- prescription drugs and drug-dispensing services;
- international air travel, **except** to the continental United States and the islands of St. Pierre and Miquelon;
- international passenger transportation by road and rail, **except** day trips; and

- most goods and services supplied in Canada when exported under certain circumstances.

For more information, see GST/HST Memoranda Series Chapter 4, *Zero-Rated Supplies*.

## Exempt goods and services

Examples of exempt goods and services include:

- most long-term residential accommodation (of one month or more) and residential condominium fees;
- accommodation rented for no more than \$20 for each day of occupancy;
- travel insurance provided by an insurance company;
- a travel agency's service to an insurance company of selling its travel insurance;
- ferry services (other than zero-rated), the use of toll highways and toll bridges;
- municipal transit services; and
- child-care services (day-care services provided usually for less than 24 hours a day) provided primarily for children 14 years old and younger. **This does not include the supervision of a child provided in conjunction with a taxable passenger transportation service for the child.**

## Do I have to register for GST/HST?

You have to register for GST/HST if:

- you provide taxable (including zero-rated) goods or services in the course of your commercial activities in Canada; and
- you are not a small supplier.

### Note

If you are a sponsor of a foreign convention, see "Foreign conventions" on page 28 for special rules that apply to you.

Generally, you have to register if your total (gross) worldwide revenues from taxable supplies, including such revenues of your associates, are more than CAN\$30,000 (CAN\$50,000 for public service bodies) over any four consecutive calendar quarters or in any one calendar quarter.

When determining your revenues, include worldwide revenues from supplies of goods and services that were subject to GST/HST (including zero-rated supplies), or that would have been subject to GST/HST if you had supplied them in Canada.

However, do not include supplies of goodwill, financial services, or sales of capital property. For examples of supplies that would have to be included in this calculation, see "Taxable goods and services" on the previous page.

### Exception

Non-residents who enter Canada to sell admissions to a place of amusement, a seminar, an activity, or an event **must register** for GST/HST, even if their total taxable revenue is less than the \$30,000 (or \$50,000 in the case of a public service body) threshold.

## Voluntary registration

Although you generally do not have to register if your worldwide taxable revenues are CAN\$30,000 or less (CAN\$50,000 or less if you are a public service body), you may be able to register voluntarily. Once you register, you must charge GST/HST on your taxable supplies of goods and services and report that amount on your GST/HST return. You can also claim input tax credits (ITCs) for the GST/HST you paid or owe on purchases for making these taxable supplies. You have to stay registered for at least one year before you can ask to cancel your registration.

### Note

Generally, you cannot register for GST/HST if you are providing only exempt goods and services.

For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or see Guide RC4022, *General Information for GST/HST Registrants*, or Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

## Reporting GST/HST

If you are a GST/HST registrant, you have to file a GST/HST return for each reporting period (either monthly, quarterly, or annually) to report the total amount of GST/HST you collected and that is collectible from your customers during the reporting period. The GST/HST you report has to include amounts you billed or invoiced, even if the amounts have not yet been paid.

As a registrant, you can also claim ITCs on your return to recover the GST/HST you paid or owe on purchases and expenses you use in your commercial activities.

When you fill out your return, you can deduct your ITCs from the GST/HST collected or collectible. If the tax you charged your customers is more than the tax you paid or owe on your purchases, send us the difference. If the tax you charged your customers is less than the tax you paid or owe, you can claim a refund.

For more information, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or see Guide RC4022, *General Information for GST/HST Registrants*.

# Accommodation and hospitality supplies

## Accommodation

Generally, you have to charge GST/HST when you rent out a suite or room in a hotel, motel, inn, or boarding house or provide similar accommodation. However, you do not have to charge GST/HST if situation 1 or 2, below, applies.

### Situation 1

The rental of a residential unit (for example, a hotel room, suite, or apartment) is exempt if it is rented for **\$20 or less** per day of occupancy, regardless of the rental period. (Low-cost hotels and rooming and boarding houses are examples of premises that may offer this type of accommodation.)

### Situation 2

The rental of a residential unit is exempt if the unit:

- qualifies as a **residential complex**, or is a residential unit (for example, a hotel room, suite, or apartment) in a residential complex; and
- is rented as a place of residence or lodging by the same individual for a continuous period of **one month or more**.

#### Note

When monthly room rentals are exempt from GST/HST, how often the room charge is billed (for example, daily, weekly, or monthly) does not change the exempt status, as long as the arrangement gives the tenant or customer continuous use or possession of the same room for at least one month.

## Is my establishment a residential complex?

Whether your hotel, motel, inn, or similar premises is a residential complex is determined as follows:

- If **more than 10%** of all of the residential units (hotel rooms, suites, apartments) in your establishment are rented for continuous possession or use for 60 days or more, we consider the establishment to be a residential complex.
- If **10% or less** of all of the residential units in your establishment are rented for continuous use or possession for periods of 60 days or more, we do not consider the establishment to be a residential complex.

**Part of a building** may qualify as a residential complex while another part does not. If you use specific rooms in part of a building (Part A) consistently for rental periods of 60 days or more, we consider Part A to be a residential complex.

This means that rentals of rooms in Part A are exempt from GST/HST when rented to individuals for continuous periods of **one month or more**, regardless of the rental periods of rooms in the other part (Part B) of the building.

Unless Part B also qualifies as a residential complex, rentals of the rooms or suites in Part B are generally GST/HST taxable. However, if any room in Part B were rented at a rate of \$20 or less per day, it would be exempt.

## Calculation methods to determine status as a residential complex

If your establishment has rentals for less than 60 days **and** rentals for 60 days or more, use either the **revenue method** or the **room supply method** to determine if your establishment, or part of it, qualifies as a residential complex.

You can choose the method that is appropriate for your specific circumstances. Both methods are described in the following example.

The time period you can use to determine whether your establishment qualifies as a residential complex is flexible. However, the period must be **reasonable** for the particular rentals in question and you must use it **consistently**. We consider a one-year period appropriate. However, the period could differ depending on the nature of your operation.

If you make these calculations over a reasonable period of time, minor fluctuations likely won't affect the status of your establishment. However, if your actual operations differ from your expectations, or if your operations change, you will have to redo your calculations.

### Example

You operate a 60-room apartment hotel. During a one-year period:

- you consistently rent 25 of the rooms for periods of less than 60 days. Each of these 25 rooms is rented for a total of 300 nights during the year at a rate of \$70 per night; and
- you consistently rent the other 35 rooms for periods of 60 days or more. Each of these 35 rooms is rented for a total of 200 nights during the year at a rate of \$45 per night.

To find out if you exceed the 10% threshold to have your establishment qualify as a residential complex, use the revenue method **or** the room supply method, as follows:

#### Note

In this example **short-term** means less than 60 days.

### Revenue method

If you decide to use the revenue method, use **one** of the two following calculations:

#### Daily revenue calculation

This calculation is the daily revenue from short-term rentals divided by the daily revenue from all rentals:

Daily revenue from short-term rentals:.....  $\$70 \times 25 \text{ rooms} = \$1,750$

Daily revenue from all rentals: .....  $\$1,750 + (\$45 \times 35 \text{ rooms}) = \$3,325$

Percentage of short-term rental revenue: .....  $\$1,750 \div \$3,325 = \underline{53\%}$

#### Total revenue calculation

This calculation is the total revenue from short-term rentals divided by the total revenue from all rentals (in this case, for a period of one year):

Revenue from short-term rentals: ( $\$70 \times 25 \text{ rooms} \times 300 \text{ nights}$ ) =  $\$525,000$

Revenue from other rentals: .....  $\$45 \times 35 \text{ rooms} \times 200 \text{ nights}$ ) =  $\$315,000$

Total revenue from all rentals .....  $\$525,000 + \$315,000 = \$840,000$

Percentage of short-term rental revenue.....  $\$525,000 \div \$840,000 = \underline{63\%}$

### Room supply method

If you decide to use the room supply method, use **one** of the two following calculations:

#### Number of rooms available for rent calculation

This calculation is the number of short-term rooms divided by the total number of all rooms:

Number of short-term rooms.....25

Total number of all rooms .....  $25 \text{ rooms} + 35 \text{ rooms} = 60$

Percentage of short-term rooms .....  $25 \div 60 = \underline{42\%}$

#### Number of room nights sold calculation

This calculation is the total number of nights rented for short-term divided by the total number of all nights rented (in this case, for a period of one year):

Nights rented for short-term: .....  $25 \text{ rooms} \times 300 \text{ nights} = 7,500$

Total of all nights rented: .....  $7,500 + (35 \text{ rooms} \times 200 \text{ nights}) = 14,500$

Percentage of short-term nights rented: .....  $7,500 \div 14,500 = \underline{52\%}$

In this example, the apartment hotel qualifies as a residential complex. (In this case, no matter which calculation you choose, the result is **more than 10%**.)

This means the following:

- you do not charge GST/HST on a room that you rent for use as a place of residence or lodging by the same individual for a continuous period of **one month or more**; and

- you have to charge GST/HST on any room that you rent for a period of less than one month.

#### Note

Any room rented for \$20 or less per day of occupancy is exempt.

## Accommodation-related supplies

GST/HST applies to other supplies made to customers during their stay, regardless of the length of the stay or cost of the accommodation. These include:

- room service;
- pay-per-view movies;
- baggage handling;
- room attendants;
- telephone;
- photocopies and faxes; and
- laundry and dry cleaning.

## Parking

Generally, parking is subject to GST/HST. However, parking is exempt if it is supplied for a period of at least one month to a guest in a residential complex and:

- the parking space **is** part of the residential complex (regardless of who supplies the parking space); or
- the parking space **is not** part of the residential complex but is supplied by the accommodation provider and is incidental to the accommodation.

## Gratuities

Gratuities that customers voluntarily give to employees are not taxable for GST/HST purposes. However, if you include a gratuity as a compulsory charge for service on an invoice to your customer, GST/HST applies to the service charge.

#### Example

Your sales invoice for a banquet dinner is \$1,000 plus a 15% gratuity (service charge) of \$150. You charge GST or HST on the total invoice of \$1,150.

## Food and beverages

You charge GST/HST on food and beverages sold in commercial food outlets. These outlets include dining rooms, coffee shops, bars, lounges, catering and banquet departments, and room service for hotels, motels, and lodging houses. We also consider food outlets operated by convention facilities to be commercial outlets. These businesses provide food, even though this may not be their major source of revenue.



However, the following supplies of food and beverages are zero-rated:

- food and beverages not suitable for immediate consumption (for example, a bag of coffee beans, prepackaged frozen dinners); or
- food consisting of sweetened baked goods such as pies and cakes, muffins, tarts, doughnuts, cookies, and similar sweetened goods, not sold for consumption at the outlet and that:
  - is prepackaged for sale to consumers in quantities of **six or more** single servings; or
  - is not prepackaged, and a consumer purchases **six or more** single servings at a time.

## Banquet and catering services

GST/HST applies to food and beverages catered in banquet and meeting rooms, or at on-site locations. This means that you charge and collect GST/HST on such things as prepared platters, hot meals, and beverages. Wine-corking and any other supplies made to cater a banquet or meeting function are also GST/HST taxable at 5% or 13%.

## Deposits

You do not collect GST/HST when a customer gives you a deposit towards a purchase taxable at 5% or 13%. You collect the GST/HST on the full price (including the deposit) when the payment for the goods, intangible property, or services becomes due.

If the customer forfeits the deposit after 1990, we consider you to have collected, at that time, GST/HST on the value of the forfeited deposit, as follows:

- GST equal to 5/105 of the forfeited amount; or
- HST equal to 13/113 of the forfeited amount.

### Example

In January 2008, an organization gives you a deposit of \$500 to reserve convention space in Oshawa, Ontario. Later, the organization cancels the contract and forfeits the deposit. We consider you to have collected, at that time, GST equal to 5/105 of the amount of the deposit. This means that you have to include \$23.81 ( $5/105 \times \$500$ ) on **line 103** of your GST/HST return for the reporting period in which the amount was forfeited.

If the forfeited deposit in the example above was for space in a participating province, we would consider you to have collected, at that time, HST equal to 13/113 of the amount of the deposit. This means that you would have to include \$57.52 ( $13/113 \times \$500$ ) on **line 103** of your GST/HST return for the reporting period in which the amount was forfeited.

If the customer who forfeited the deposit was a GST/HST registrant, they may be entitled to claim an ITC for the \$23.81 of GST included in the forfeited amount where all of the other conditions for claiming an ITC are met because they are considered to have paid that tax. (If the transaction had occurred in a participating province, they may be entitled to claim an ITC for the HST of \$57.52.)

## Coupons, gift certificates, and discounts

There are three categories of coupons. Each category has different tax consequences, as outlined below.

### Reimbursable coupons

A reimbursable coupon, sometimes called a manufacturer's coupon, is a fixed dollar amount coupon that entitles the vendor who redeems the coupon to be reimbursed by a third party. For example, a chain of hotels (franchisor) may reimburse a franchisee that redeems coupons that entitle a guest to a reduction of a fixed dollar amount for a night's stay at one of the chain's hotels.

You treat reimbursable coupons the same way as cash. When accepting a reimbursable coupon, remember that its value includes GST/HST. If your prices do not include GST/HST, deduct the coupon amount from the total amount (price plus GST/HST) charged for the items. If you include GST/HST in your prices, deduct the value of the coupon from the GST/HST-included selling price.

### Example

A customer uses a \$10 reimbursable coupon towards a dinner entrée bought in December 2007. GST/HST is not included in the price.

Price of entrée	\$25.00
GST (\$25 × 6%)	<u>1.50</u>
Subtotal	26.50
Less reimbursable coupon value	<u>(10.00)</u>
Customer pays	<u>\$16.50</u>

Another customer uses a \$10 reimbursable coupon towards a dinner entrée bought on January 1, 2008. GST/HST is not included in the price.

Price of entrée	\$25.00
GST (\$25 × 5%)	<u>1.25</u>
Subtotal	26.25
Less reimbursable coupon value	<u>(10.00)</u>
Customer pays	<u>\$16.25</u>

When you prepare your GST/HST return, report the GST charged on your sales. Using these examples, you report \$1.50 for the December 2007 sale and \$1.25 for the January 2008 sale. The value of the coupon does not have to be reported separately.

If you reimburse a vendor for redeeming your reimbursable coupons on or after January 1, 2008, you can claim an ITC for the tax fraction (5/105 GST or 13/113 HST) of the coupon value. If you reimburse a vendor for coupons redeemed before January 1, 2008, the applicable tax fraction to claim an ITC would be either 6/106 GST or 14/114 HST.

If you use a reimbursable coupon to make taxable (other than zero-rated) purchases for your business, you have to reduce the amount of any ITCs you claim on your purchases by the tax fraction of the face value of the coupon. The amount of the reduction would be 13/113 of the coupon's face value if redeemed in a participating province (or 14/114 if the coupon is redeemed before January 1, 2008), or 5/105 if the coupon is redeemed in the rest of Canada (or 6/106 if the coupon is redeemed before January 1, 2008).

### Non-reimbursable coupons

A non-reimbursable coupon is a coupon that entitles a customer to a fixed dollar amount or a fixed percentage reduction in the price of a taxable (other than zero-rated) supply. These coupons are sometimes called vendor coupons. The issuer has the choice of whether or not to include GST/HST in the face value of these coupons.

If the coupons are **GST/HST-included**, treat them the same way as you treat reimbursable coupons. You deduct the value of the coupons from the total amount (price plus GST/HST) charged for the item purchased. When you prepare your GST/HST return, report the full amount of GST/HST you charged without considering the value of the coupons.

Where the non-reimbursable coupon is GST/HST included, you can claim an ITC on your GST/HST return for the tax fraction of the coupon value at the time of redemption as follows:

- GST equal to 5/105 of the coupon value if redeemed on or after January 1, 2008, or 6/106 if redeemed before January 1, 2008; or
- HST equal to 13/113 of the coupon value if redeemed on or after January 1, 2008, or 14/114 if redeemed before January 1, 2008.

#### Example

In November 2007, you accept a coupon of \$10 that is a non-reimbursable coupon entitling the customer to a tax-included reduction of the price of your product in a participating province.

Total price of item	\$30.00
HST (\$30 × 14%)	<u>4.20</u>
Subtotal	34.20
Less coupon	<u>(10.00)</u>
Customer pays	<u>\$24.20</u>

You can claim an ITC of \$1.23 ( $14/114 \times \$10$ ). Claim the ITC on your GST/HST return for the reporting period in which you redeemed the non-reimbursable coupon.

If the coupon value **does not include GST/HST**, deduct the value of the coupons from the selling price before calculating GST/HST.

In the following example, in January 2008, you accept a coupon of \$10 that is a non-reimbursable coupon that is not GST/HST included.

Total price of item	\$30.00
Less coupon value	<u>(10.00)</u>
Total sale	20.00
HST (\$20 × 13%)	<u>2.60</u>
Customer pays	<u>\$22.60</u>

In this case, when you file your GST/HST return, report the GST/HST you charged on your sales after you deduct the coupon from the purchase price. Using this example, the amount of HST is \$2.60.

You cannot claim ITCs for coupons you issue that do not include GST/HST.

If you use a non-reimbursable coupon to make taxable (other than zero-rated) purchases for your business, and the coupon is GST/HST-included, you have to reduce the amount of any ITCs you claim on your purchases. In this case, the amount of the reduction will be 13/113 of the coupon's face value if redeemed in a participating province on or after January 1, 2008, (14/114 if the coupon is redeemed in a participating province before January 1, 2008), or 5/105 if the coupon is redeemed in the rest of Canada on or after January 1, 2008, (6/106 if the coupon is redeemed in the rest of Canada before January 1, 2008).

### Other coupons

Other types of coupons (whether reimbursable or not) are treated as reducing the selling price of an item **before** GST/HST is calculated.

An example of this type of coupon is a coupon that entitles the customer to an item at no charge if another item is bought (such as two-for-one coupons).

Any coupon that does not come within the definition of a reimbursable or a non-reimbursable coupon is treated as reducing the selling price (GST/HST is calculated on the selling price net of the coupon value).

For example, if you operate a restaurant in your hotel and offer two-for-one coupons that entitle customers to a free meal when they buy another meal of equal or greater value, do not charge GST/HST on the value of the free meal. Deduct the value of the coupon from the price for two meals before calculating the GST/HST payable by the customer.

### Example

Two customers present a two-for-one coupon for their restaurant meals. They pay \$9.95 for one meal and get the second meal free. Therefore, you charge GST/HST on \$9.95.

## Gift certificates

A gift certificate is generally a voucher, receipt, or ticket:

- that has a stated monetary value;
- that can be redeemed as a partial or full payment against the purchase price of a good or service from a specific supplier (the supplier treats the redeemed certificate as if it were cash);
- for which the person buying the certificate gives money or other consideration to the vendor selling the certificate;
- that has no intrinsic value; and
- that does not require the person redeeming the gift certificate to do anything other than present the certificate.

You do not collect GST/HST on the sale of a gift certificate. When a customer gives you a gift certificate towards a purchase, calculate GST/HST on the price of the item and treat the gift certificate as if it were cash.

### Example

In December 2007, you rent out a room in Newfoundland and Labrador to a customer for \$59 and the customer gives you a \$10 gift certificate towards the price of the room.

Room charge	\$59.00
HST payable ( $\$59 \times 14\%$ ) <sup>1</sup>	<u>8.26</u>
Subtotal	67.26
Less: gift certificate	<u>(10.00)</u>
Customer owes	<u>\$57.26</u>

<sup>1</sup> If the room is rented on or after January 1, 2008, the HST rate is 13%.

## Discounts

Do not charge GST/HST on goods and services you offer free of charge. If you offer a discount, GST/HST applies on the price after the discount. For example, if a room rate is regularly \$99 and you offer a weekend special rate of \$79, charge GST/HST on \$79 for that special rate.

## Third-party transactions

Some accommodation establishments, such as hotels, make arrangements with other businesses, such as an operator of a parking lot or restaurant, to allow its customers to charge their purchases with these businesses to their accommodation bill. For example, the amount a customer owes to the operator of a parking lot may be included on their hotel bill.

In this case, the other business invoices the establishment for the purchases that its customer makes at the other business. The establishment pays the other business and then adds the amount the establishment paid the other business to the customer's bill.

In this situation, **if the establishment is not acting as the other business' agent**, we consider two separate supplies to have occurred. First, the other business supplies a good or service to the establishment. Second, the establishment supplies the good or service to its customer.

### Example 1 – Two supplies

A parking lot is located next to your bed and breakfast in Moose Jaw, Saskatchewan. You arrange with the independent lot operator to allow your customers to park in this lot. The lot operator will bill you for your customers' parking. In turn, you will add the cost of the parking to your customers' bills. You are not the parking lot operator's agent in this case.

You report the total amount of GST charged for room and parking on your GST/HST return. You can also claim an ITC for the GST you paid or owe the parking lot operator for the parking charges.

### Example 2 – Two supplies

A company books a meeting room in your hotel in Fredericton, New Brunswick. Along with the room, the company requires the use of audio-visual equipment. You rent audio-visual equipment from a local independent supplier and you supply it to the company for the meeting. The independent supplier invoices your hotel for the equipment rental. You pay HST to the independent supplier and claim an ITC for it. You invoice the company and you report the HST charged on your GST/HST return.

### Example 3 – Agency

Your **customer hires** a courier company to pick up an item at your hotel. The customer leaves the item at the reception desk and instructs your staff to give the item to the courier and pay the courier fee for the customer.

Courier charge	\$10.00
GST payable ( $\$10 \times 5\%$ )	<u>\$ 0.50</u>
Total	<u>\$10.50</u>

You pay the \$10.50 courier charge for the customer and include that amount on the customer's bill as follows:

Room charge	\$100.00
GST (\$100 X 5%)	\$ 5.00
Subtotal	\$105.00
Add: courier invoice paid by hotel	\$ 10.50
Customer owes	\$115.50

You do not charge GST/HST on the \$10.50 paid to the courier in this case, since you are acting as an agent for your customer when you pay the courier on its behalf. You also cannot claim an ITC for the GST included on the courier's invoice. This is because you recovered that tax when you included the total \$10.50 on the customer's invoice. The GST charged by the courier is not an expense of the hotel.

## Travel agencies

Travel agencies usually act as agents for other travel providers and are paid a commission for their services. Travel agencies charge GST/HST on commissions they charge for the services they provide in Canada.

At times, travel agencies are considered to be principal suppliers of travel products. For example, if you are a travel agency and you buy a block of airline seats and hotel rooms for resale, you are acting as the supplier of those seats and rooms and not as a travel agency. If the airline seats and hotel rooms are taxable (other than zero-rated), you have to charge GST/HST on the sale and account for the tax charged on your GST/HST return.

### When do I charge tax on commissions?

If you are a registrant, you charge GST/HST on your commissions, except for commissions that are for zero-rated services you provide.

#### When are my services zero-rated?

Your service is zero-rated when you act as an agent for a person providing passenger transportation services by:

- selling a zero-rated passenger transportation service for them; or
- issuing, delivering, amending, replacing, or cancelling a ticket or reservation for a zero-rated passenger transportation service on their behalf.

Also, if you are a travel agency acting as an agent for a **non-resident** person, your service is zero-rated when:

- the service relates to a sale made outside Canada by or to the non-resident; or
- the service relates to a zero-rated sale of exported goods or services to the non-resident.

#### Example 1

A Canadian travel agency sells a passenger transportation service from Toronto, Ontario, to Paris, France, for a European airline. Since the flight is zero-rated, the commission the airline pays to the Canadian travel agency is zero-rated.

#### Example 2

A Canadian travel agency reserves accommodation at a hotel in France for an individual. Since the supply of the accommodation is made **outside** Canada, the commission the hotel pays to the Canadian travel agency is zero-rated.

### Which tax applies—GST or HST?

You have to charge GST/HST on your commissions for services you provide in Canada unless the services are zero-rated. (See the previous section to find out when a service is zero-rated.)

Whether you charge GST or HST depends on where you supplied the service—in a non-participating or a participating province.

#### Example 1

A travel agency in Yarmouth, Nova Scotia, books hotel accommodation in Canada for a non-resident tour operator. The agency charges HST on the commission payable by the non-resident because the service is supplied in a participating province.

#### Example 2

A travel agency located in Ottawa, Ontario, receives a commission for booking reservations from a hotel located in Sydney, Nova Scotia. The commission is subject to GST because the service is provided outside a participating province.

### Collecting and reporting GST/HST

Travel agencies charge, collect, and report GST/HST on their taxable (except zero-rated) commissions for services provided in Canada.

If a travel agency **is** the supplier of travel products, the travel agency has to charge, collect, and report the GST/HST on the travel products (unless it is a zero-rated supply).

When a travel agency **is not** the supplier of the travel products, but instead acts as agent for another person who is the supplier, the travel agency only has to charge, collect, and report GST/HST on the commission it charges, unless the supplies are zero-rated. The supplier of the travel products is responsible for charging, collecting, and reporting the GST/HST on the supply of the travel products (unless it is a zero-rated supply).

## Example

A travel agency in Ontario, acting as agent for an airline carrier, sells two domestic airline tickets for \$1,400 (\$700 each) for travel from Toronto, Ontario, to Calgary, Alberta. The agency collects the total purchase price for the tickets plus GST from the purchaser (customer) for the airline carrier.

The agency forwards this amount, minus its commission and the GST on that commission, to the airline carrier. The agency's commission is 8.25% of the selling price of the ticket, not including GST.

Sample invoice by travel agency	
Airline tickets (2 × \$700)	\$1,400.00
GST (\$1,400 × 5%)	<u>70.00</u>
Amount paid by customer	<u>\$1,470.00</u>
Commission: \$1,400 × 8.25% = \$115.50	
GST: \$115.50 × 5% =	<u>5.78</u>
Subtotal:	<u>\$121.28</u> <u>(121.28)</u>
Amount due to airline carrier:	<u>\$1,348.72</u>

The travel agency reports the \$5.78 GST it charged the airline carrier on its commission on **line 103** of its GST/HST return.

The airline carrier reports the \$70 GST that the customer paid on the airline ticket on **line 103** of its GST/HST return. It can also claim \$5.78 as an ITC for the GST it paid on the travel agency's commission on line 106 of its GST/HST return.

## Passenger transportation services

This section gives information on how GST/HST applies to:

- domestic passenger transportation services (later on this page); and
- international passenger transportation services (see next page).

### What is a passenger transportation service?

A passenger transportation service is any mode of transportation available to the public, such as transportation by bus, taxi, train, aircraft, or boat, as long as there is:

- a mode of conveyance;

- an operator of the conveyance independent of the traveller; and
- an itinerary.

Generally, an **itinerary** describes all elements of a journey, including origin, termination, stopovers, dates and times of arrivals and departures, and all modes of conveyance throughout the journey.

Ski lifts, horseback rides, hot-air-balloon rides, and hang gliding are not considered passenger transportation services. Vehicle rentals that the traveller operates and controls, such as automobiles, motor homes, motorcycles, bicycles, snowmobiles, all-terrain vehicles, and other recreational vehicles, are also not considered to be passenger transportation services.

### Domestic passenger transportation services

Generally, GST/HST applies to all passenger transportation services provided in Canada. This includes, for example, transportation by bus between two Canadian cities.

#### Exception

Municipal transit services and most domestic ferry services are exempt from GST/HST.

However, a domestic passenger transportation service may be zero-rated if it is part of a continuous journey that has an international element. For more information, see "Sales of domestic passenger transportation services to travel providers" and "International passenger transportation services" on the next page.

### Which tax applies—GST or HST?

The tax that applies will depend on whether you have supplied the domestic passenger transportation service in a participating or a non-participating province.

If the passenger transportation service is supplied:

- in a participating province, the supply is subject to HST; or
- in any of the rest of Canada, the supply is subject to GST.

If you supply more than one domestic passenger transportation service in a journey and these services, on their own, would be subject to different rates of tax (that is, some would be subject to GST and some to HST), you have to determine whether the journey is a continuous journey. If so, then all of the transportation services in that journey will be subject to one rate of tax, either GST or HST. To find out if a journey is a continuous journey, see page 15.

To determine the province in which you have supplied a domestic passenger transportation service, and whether GST or HST applies, use situation 1 or 2 below, whichever applies to you:

### Situation 1

If the ticket, pass, or voucher for the first passenger transportation service in a continuous journey specifies the origin is in a particular province, all transportation services included in the continuous journey are considered to be supplied in that province if the termination and all stopovers during the continuous journey are in Canada.

#### Note

To find out what qualifies as a continuous journey, see next page.

### Situation 2

If situation 1 does not apply, all passenger transportation services in the continuous journey are considered to be supplied in the province where the place of negotiation for the supply of the services is located.

### Example

You are a railroad company making supplies through a travel agency with an office in Edmundston, New Brunswick. You sell an open rail pass to a student that allows the student to travel anywhere in Canada by train. The place of origin is not specified on the pass.

Since the place of negotiation for the pass is in New Brunswick, a participating province, HST applies to your supply of the pass.

## Sales of domestic passenger transportation services to travel providers

A domestic passenger transportation service supplied to a travel provider, such as a non-resident tour operator, is zero-rated if both of the following conditions are met:

- the travel provider resells the domestic transportation service to an individual as part of a continuous journey (defined on the next page) under which all transportation services are zero-rated; and
- an individual uses the transportation as part of a continuous journey under which all transportation services are zero-rated.

The supplier must get proof from the travel provider that the transportation service was resold as part of a continuous journey under which all transportation services were zero-rated. Acceptable proof includes a passenger list, tour itinerary, and a certificate of zero-rated entitlement.

The passenger list must contain the names and addresses of the travellers. However, the supplier can agree that the travel provider can keep the passenger list and provide it on request.

The following certificate of zero-rated entitlement is an example of the information required.

To: _____ <small>(name and address of registered supplier of transportation service)</small>
We certify that we have ordered the following passenger transportation services from you:
_____ <small>(detailed description of the required services the supplier will provide)</small>
We will use these services as part of one or more continuous journeys, under which all transportation services will be zero-rated under the <i>Excise Tax Act</i> (Canada). We will pay any GST/HST for any passenger transportation service found to be taxable at 5% or 13% during an audit of
_____ <small>(name of registered supplier)</small>
_____ <small>(name and address of recipient)</small>
Dated at _____ this ____ day of, _____ 200__
_____ By: (name of authorized officer of recipient)

The supplier must determine whether all criteria to zero-rate the transportation services in the continuous journey are met, or whether GST/HST at 5% or 13% has to be charged. If the supplier determines that a domestic passenger transportation service does not meet the zero-rating criteria, the travel provider has to pay the applicable GST/HST to the supplier.

Sometimes the sale of the domestic passenger transportation service happens before the travel provider assembles and sells the journey or package containing the transportation services to individual travellers. In this case, the supplier can accept an interim certificate or other declaration of intent from the travel provider. The travel provider must follow up on the interim document with proof that all criteria for zero-rated status have been met.

If the domestic passenger transportation service does not meet the zero-rating criteria, as previously thought, the supplier has to charge and collect GST/HST on that supply. If the supplier has already filed its return for the reporting period in which it made that supply, it has to ask that the previously filed return be amended. Interest will apply on any amount due as a result of the amendment. To ask for an amendment to a return, write to your tax services office with the details.

If you have charged tax on a domestic passenger transportation service that meets the zero-rating criteria, you can refund the amount charged as tax to the client.

## International passenger transportation services

In many cases, passenger transportation services can be zero-rated if they are part of a continuous journey that meets certain conditions. These conditions are different depending on whether the continuous journey:

- includes air travel; or
- does not include any air travel.

### Note

If you supply more than one passenger transportation service in a journey, you must determine whether the journey is a continuous journey. If so, then all of the passenger transportation services in that continuous journey may be zero-rated if the journey has an international element and all applicable conditions discussed in the following sections are met. For more information, see “What is a continuous journey?” on this page.

## Continuous journey that includes air travel

A domestic passenger transportation service is zero-rated if it is provided to an individual (or group of individuals) as part of a continuous journey **that includes air travel** and any **one** of the following applies:

- the origin of the continuous journey is outside Canada but inside the taxation area (defined on page 32). (For example, if the origin of a continuous journey is in the United States, all passenger transportation services in that journey are zero-rated because the origin is outside Canada but inside the taxation area.);
- the origin **or** termination of the continuous journey or any stopover (defined on page 32) during the continuous journey is outside the taxation area;
- the origin, termination, and all stopovers during the continuous journey are outside Canada; or
- all places where the individual or group embarks or disembarks an aircraft are outside Canada **and** the origin or termination of the continuous journey, or any stopover during that journey, is outside Canada.

For a continuous journey that includes air travel, as long as there is an overseas origin, destination, or stopover, all domestic passenger transportation services included in the continuous journey are zero-rated.

### Note

A stopover in Canada will not affect the zero-rated status of transportation services if all of the transportation services are provided on one ticket or voucher.

### Example 1

A Canadian travel agency sells a one-way air ticket departing from Montréal, Quebec, to Tokyo, Japan. The ticket includes stops in Toronto, Ontario, and Vancouver, British Columbia, for two days each.

All of the transportation services in this journey are zero-rated because they are part of a continuous journey and there is an overseas destination. (The Canadian stopovers do not affect continuous journey status because all services were supplied on one ticket.)

### Example 2

A person buys a return air ticket with a routing from Halifax, Nova Scotia, to Paris, France. The supply of the flight is zero-rated because the continuous journey has a stopover in France, which is outside the taxation area.

## Continuous journey that does not include air travel

Generally, GST/HST applies to transborder day trips (without air travel) when both the origin and destination are in Canada and the traveller is not scheduled to be outside Canada for more than 24 hours.

A transborder day trip originating in a non-participating province is generally subject to GST and such a trip originating in a participating province is generally subject to HST. Examples of transborder day trips taxable at 5% or 13% include:

- a boat tour beginning and ending in Canada along the St. Lawrence River, with a stop in the state of New York (subject to GST);
- a bus tour beginning and ending in Canada, which starts in New Brunswick, and has a stop in the state of Maine (subject to HST);
- a one-day, round-trip bus excursion from British Columbia to the state of Washington (subject to GST); and
- a one day fall bus round-trip excursion from Montreal, Quebec, to the state of New Hampshire (subject to GST).

However, if a passenger transportation service (other than one that is included in most transborder day trips) is provided to an individual (or group of individuals) as part of a continuous journey **that does not include air travel**, that domestic passenger transportation service will be zero-rated if one of the following applies:

- the origin **or** termination of the continuous journey is outside Canada; or
- there is a stopover (defined on page 32) outside Canada.

### Note

A stopover in Canada will not affect the zero-rated status of transportation services if all of those services are provided on a single ticket or voucher.

This includes transportation by bus or train between Canada and the United States. However, it does not apply when the transportation is included in a transborder day trip, mentioned earlier in this section.

## What is a continuous journey?

Generally, a continuous journey of an individual (or group of individuals) means the set of all passenger transportation services provided to the individual or group as part of the same journey. However, certain conditions must be met before a journey is a continuous journey.

### Note

All domestic passenger transportation services included in a continuous journey may be zero-rated if the continuous journey has an international element and all other conditions for zero-rating are met. See “International passenger transportation services” on the previous page for information on when transportation services that are part of a continuous journey can be zero-rated.

To find out if a journey is a continuous journey, first consider whether all of the passenger transportation services in the journey are provided on **one ticket** or on **two or more tickets**.

## One ticket

If you provide one or more passenger transportation services for which you issue one ticket or voucher, we treat all of the passenger transportation services on that ticket or voucher as part of one continuous journey.

### Note

Stopovers do not affect a journey's status as a continuous journey when all transportation services in the journey are provided on a **one ticket** or voucher.

## Two or more tickets

If you provide more than one passenger transportation service and you issue separate tickets or vouchers for the different legs of the journey, all of the legs may be part of one continuous journey if **all** of the following conditions are met:

- The traveller receives all of the tickets or vouchers from you, or from the same travel agent acting on your behalf and on behalf of at least one other supplier.
- All tickets or vouchers are for the same traveller.
- There is no stopover between any legs of the journey for which you issue separate tickets or vouchers.
- You or your agents can show us that you have met all the above conditions.

## Stopovers

A stop of **more than 24 hours** between two legs of a journey will generally be considered a stopover where two or more tickets are issued for the legs of the journey. However, if the supplier or travel agent can prove that the stop is for servicing or refuelling the conveyance, or for the traveller to transfer to another conveyance, the stop will not be considered a stopover, the legs will still be a part of the continuous journey, and the continuous journey status will be unaffected.

### Note

A continuous journey may also not be affected by a stopover that is part of a round trip. For more information on stopovers in round trips, see the next section.

A stop between two legs of a journey that is **24 hours or less** is not considered a stopover and will not affect whether the legs are part of a continuous journey.

## Example

A registered tour operator sells a traveller a one-way rail ticket from Halifax, Nova Scotia to Moncton, New Brunswick, and a one-way bus ticket from Moncton to Boston, Massachusetts. If the traveller is scheduled to leave on the bus within 24 hours of arriving in Moncton, both the bus and rail tickets can be zero-rated as part of a continuous journey from Halifax to Boston. Therefore, although separate tickets were issued for each mode of transportation, the tour operator does not charge GST/HST on either ticket.

## Round trips

If you supply a zero-rated passenger transportation service in a round trip to **or** from Canada with one stopover the journey is still one continuous journey. This means that the zero-rated status of the transportation service will be unaffected.

However, if there is more than one stopover in a round trip, the journey may no longer be considered a continuous journey and the transportation service may no longer be zero-rated.

## Example

A supplier supplies a return train ticket from Kingston, Ontario to Montréal, Quebec, and a return flight from Montréal to Paris, France. The domestic leg, from Kingston to Montréal and return, could be zero-rated even if there was one stopover in Montréal either before or after the flight to Paris. If there was a stopover in Montréal both before and after the overseas trip, the train ticket would be subject to GST.

## Other services provided with a transportation service

The following services, if provided with a passenger transportation service, will have the same tax status as that transportation service:

- a service of issuing, delivering, amending, replacing, or cancelling a ticket, voucher, or reservation for a taxable transportation service you supplied in Canada;
- a service of supervising an unaccompanied child; and
- a service of transporting an individual's baggage.

This means that if you provide one of these other services listed above with a transportation service, GST/HST will apply to that other service as follows:

- if the transportation service is subject to GST at 5%, that other service is subject to GST at 5%;



- if the transportation service is subject to GST at 6%, that other service is subject to GST at 6%;
- if the transportation service is subject to HST at 13%, that other service is subject to HST at 13%;
- if the transportation service is subject to HST at 14%, that other service is subject to HST at 14%; and
- if the transportation service is zero-rated (subject to GST/HST at 0%), that other service is also zero-rated.

**Note**

If the passenger transportation services in a continuous journey are zero-rated, a service of supervising an unaccompanied child will also be zero-rated if it is provided during one or more legs of the child's continuous journey. For example, the supervision of a child on a flight from Edmonton, Alberta, to Vancouver, British Columbia is zero-rated if that flight forms part of the child's continuous journey from Edmonton to Tokyo, Japan. The service is still zero-rated even if the carrier does not supervise the child during the leg of the journey from Vancouver to Tokyo, on which the child is accompanied by his or her parents.

## Sales of taxable goods and services on board conveyances in Canada

If, while providing a passenger transportation service in Canada, you sell taxable goods and services on board a conveyance during a **leg** of a journey that begins and ends in a participating province, the onboard supply is considered to be made in a participating province, and is therefore subject to HST.

**Note**

For these purposes, a leg of a journey is considered to be the part of the journey between stops for passenger embarking or disembarking, or for fuelling or servicing the conveyance.

If, while providing a passenger transportation service in Canada, you sell taxable goods and services on board a conveyance during a leg of a journey that does not begin and end in a participating province, the onboard supply is considered to be made in a non-participating province. Therefore, the onboard sale is subject to GST.

**Example**

A traveller buys an airline ticket for travel from Corner Brook, Newfoundland and Labrador, to Toronto, Ontario, via Saint John, New Brunswick. The traveller buys a glass of wine on the first leg of the journey to Saint John, New Brunswick. The traveller has to pay HST on the glass of wine. If the traveller buys another glass of wine on the second leg of this flight, GST applies.

## Sales of goods and services on board conveyances in international travel

For GST/HST purposes, an international flight is a flight of a commercially operated aircraft that either begins or ends outside Canada. Similarly, an international voyage is a voyage of a commercially operated vessel that either begins or ends outside Canada.

If you sell goods and give them to the individual on the aircraft or vessel and if you sell services that are wholly performed on the aircraft or vessel to individuals on an international flight or voyage, the goods and services are considered to be bought outside of Canada. Since the purchase is considered to be made outside Canada, it is not subject to GST/HST.

## Tour packages

### What is a tour package?

As in any transaction, it is important to properly characterize what is being supplied in order to determine how the GST/HST applies to that transaction. For example, when a registrant combines two or more services or property and services together, the registrant must determine whether it is making one supply or multiple supplies and must characterize that supply or those supplies accordingly.

A tour package is a combination of two or more services, or of property and services, that includes transportation services, accommodation, a right to use a campground or trailer park, or guide or interpreter services when the property and services are supplied together for an all-inclusive price. A tour package is a single supply for GST/HST purposes.

Generally, a tour package is the outcome of a tour operator combining various components to create something new. This is similar, for example, to a baker who combines flour, eggs and other ingredients to produce a cake, which is something new and different from the sum of its parts.

However, all combinations of two or more services, or of property and services, are not necessarily tour packages. One cannot assume that every combination that includes elements such as transportation services or accommodation is actually a tour package for GST/HST purposes. The nature and purpose of the package being sold has to be considered in order to determine whether it is a tour package or something else. For example, if the overall purpose of a package is to provide a specialized service, it is not considered to be a tour package for GST/HST purposes. Examples of such packages are wellness packages, educational and counselling packages, children's overnight camps, sport tournaments, and concert tours.

As illustrated in the following examples, the meaning of tour package could result in a combination of two or more services, or of property and services, being considered a tour package for GST/HST purposes even though the package may not fit the common perception of a tour package. However, the reverse is also possible. That is, something that may appear to be a tour package may not be a tour package for GST/HST purposes.

**Example 1**

A registrant in Calgary, Alberta, sells a package to Japanese tourists. The package includes a meal in a restaurant, a ticket to a sports event, and the services of an interpreter. The property and services are sold together for an all-inclusive price. Although this package may not fit the common perception of a tour package, it is a tour package for GST/HST purposes.

**Example 2**

A business in Vancouver, British Columbia, sells an all-inclusive package to international students. This package includes instruction in English as a second language, books, accommodation, three meals per day, and recreational activities. This supply is an exempt service of instructing individuals in English as a second language. It is not a tour package.

**How does GST/HST apply to tour packages?**

Tour packages may be taxable at the rate of 0%, 5%, or 13% (taxable supplies made before January 1, 2008, may be taxable at the rate of 0%, 6%, or 14%). A combination of tax rates may apply to the same tour package depending on what is included in the package.

To determine the amount of GST/HST you have to charge when you sell a tour package, you have to first identify the tax rate(s) that applies to each part of that tour package.

**Domestic tour packages**

**Same rate of tax**

When you sell an entirely Canadian tour and all of the parts of the tour package would have been taxable at the same rate (e.g., 5% or 13%), if these elements had been supplied separately and not as part of a tour package, you charge that rate on the total selling price of the tour package. You can claim an ITC for the GST/HST you paid or owe on the goods, intangible property, and services you bought and included in the tour package.

**Example**

A tour operator assembles round-trip airfare, hotel accommodation, and a bus excursion into a domestic tour package. All of these elements, if supplied separately and not as part of a tour package, would have been taxed at 5% (GST). The tour operator adds a 20% markup to the cost (not including GST) of the elements in the package.

<b>Tour operator's purchases</b>	
3 double hotel rooms in Saskatoon	\$600.00
6 airline tickets	2,100.00
6 bus tickets – excursion	<u>200.00</u>
Subtotal	\$2,900.00
GST (\$2,900 × 5%)	<u>145.00</u>
Tour operator pays	<u>\$3,045.00</u>
<b>Tour operator's charges</b>	
Cost after claiming ITC of \$145	\$2,900.00
20% markup (\$2,900 × 20%)	<u>580.00</u>
Subtotal	\$3,480.00
GST (\$3,480 × 5%)	<u>174.00</u>
Customer pays	<u>\$3,654.00</u>

The tour operator reports \$174.00 as GST collected on line 103 of its GST/HST return. It can claim the \$145 of GST it incurred to assemble the tour package as an ITC on line 106 of its GST/HST return.

**Combined rates of tax**

When you sell an entirely Canadian tour, and some of the parts of the tour package would have been taxable at 5% GST while other parts would have been taxable at 13% HST if these elements had been supplied separately and not as part of a tour package, the tour package has to be prorated so that you can determine the total tax payable on the tour package.

**Example**

A registered tour operator sells a 10-day package that includes a return flight from Vancouver, British Columbia, to Halifax, Nova Scotia, and hotel accommodation in Halifax. GST would have applied to the air transportation part of the package if the operator had supplied the air transportation separately because the flight originates in a non-participating province. HST would have applied to the hotel accommodation if the operator had supplied it separately because the accommodation is supplied in a participating province. The tour operator has a 20% profit margin.

<b>Component</b>	<b>Cost</b>	<b>Profit margin (20%)</b>	<b>Selling price</b>
Round-trip airfare	\$600	\$120	\$720
Hotel	<u>\$900</u>	<u>\$180</u>	<u>\$1,080</u>
Total	\$1,500	\$300	\$1,800

The GST taxable part of the tour is 40% of the total cost to the tour operator ( $\$600 \div \$1,500 = 40\%$ ). Therefore, GST applies to 40% of the tour operator's selling price. The HST taxable part of the tour is 60% of the cost to the tour operator ( $\$900 \div \$1,500 = 60\%$ ).

Therefore, the tax to be paid on the selling price of the tour is as follows:

Total selling price	\$1,800.00
GST ( $\$1,800 \times 40\% \times 5\%$ )	36.00
HST ( $\$1,800 \times 60\% \times 13\%$ )	<u>140.40</u>
Customer pays	\$1,976.40

### Tour packages combining supplies that are taxable, exempt, and made outside of Canada

When you sell a tour that includes a combination of services, goods, or intangible property that are taxable at 0%, 5%, and/or 13%, exempt, or are supplied outside of Canada, you have to determine the tax status of each element separately (as if you were selling each element separately and not as part of a tour package). The cost of the taxable part of the tour package then has to be prorated as a percentage of the total cost of the tour so that you can determine the total tax payable on the selling price of the tour.

The **taxable part** of a tour package is the part of the tour package that would be subject to GST/HST at 5% or 13% (taxable elements) if the traveller bought the element directly. To calculate the taxable part, divide the cost of the taxable elements by the total cost of all the goods, intangible property, and services included in the package.

The **non-taxable part** of a tour package includes elements that, if supplied separately from the tour package, would be zero-rated, supplied outside Canada, or exempt.

#### Example

A registered tour operator sells a one-week package to a traveller. The package includes a flight from Winnipeg, Manitoba, to Orlando, Florida, hotel accommodation in Orlando, and a sightseeing excursion in Orlando. The airfare component represents the taxable part of the package on which GST is charged.

<b>Tour operator's purchases</b>	
Round-trip flight from Winnipeg to Orlando (taxable at 5%)	\$550.00
Accommodation and sightseeing (non-taxable)	<u>300.00</u>
Subtotal	\$850.00
GST paid to suppliers ( $\$550 \times 5\%$ )	<u>27.50</u>
<b>Tour operator pays</b>	<b><u>\$877.50</u></b>
Tour operator's cost after ITC of \$27.50	\$850.00
Tour operator's markup ( $\$850 \times 20\%$ )	<u>170.00</u>
<b>Subtotal (selling price before GST)</b>	<b><u>\$1,020.00</u></b>
<b>Taxable part:</b>	
Cost of taxable services ÷ total cost	
$\$550 \div \$850 = 65\%$	
Subtotal: $\$1,020 \times 65\% = \$663$	
<b>GST on tour (<math>\\$663 \times 5\%</math>)</b>	<u><b>\$33.15</b></u>
Customer pays	<b><u>\$1,053.15</u></b>

If some elements in the taxable part of a tour package would have been taxed at 5% if supplied separately and not as part of the package, and some would have been taxed at 13%, you have to determine the percentage of the taxable part subject to each rate of tax.

If the cost for taxable and non-taxable elements in a tour package does not change by more than 10 percentage points, a tour operator can continue to use the same taxable part to determine the amount on which to charge tax (even if a discount is offered). For example, if the tour operator in the example above sells the same tour package for \$900 instead of \$1,020, the taxable part would remain at 65%. This means that the tour operator would still charge GST on 65% of the selling price ( $\$900 \times 65\%$ ).

Also, if the tour operator sells the tour package to another tour operator, the other operator has to charge GST/HST using the same taxable part when it resells the tour package. For information on when you have to recalculate the part of a tour package that is subject to tax, see the next section.

### Change in tour package

If the cost for a tour package changes and this causes a change in the total amounts for taxable and non-taxable travel services, goods, or intangible property, the taxable part of the tour package may change.

For example, if the cost of accommodation in a tour package changes and this results in an increase or decrease to the taxable part of the tour package of more than 10 percentage points, you have to recalculate the taxable and non-taxable part of the tour package before calculating the GST/HST on the sale of that package.

#### Example

The original tour package the tour operator assembles includes a flight from Toronto, Ontario, to New Orleans, Louisiana, and accommodation and a sightseeing excursion in New Orleans.

#### Tour operator's original direct cost

Round-trip flight (taxable at 5%)	\$400
Accommodation (non-taxable)	400
Sightseeing excursion (non-taxable)	<u>300</u>
Subtotal	\$1,100
Add: GST paid to suppliers ( $\$400 \times 5\%$ )	<u>20</u>
Tour operator pays	\$1,120
Less: ITC for GST paid	<u>20</u>
Tour operator's direct cost	<u>\$1,100</u>

As the taxable part of this package is 36% ( $\$400 \div \$1,100$ ), the tour operator charges GST on 36% of the selling price.

#### GST calculation

Tour operator's direct cost	\$1,100.00
Add: Tour operator's markup of 20% ( $\$1,100 \times 20\%$ )	<u>220.00</u>
Subtotal before GST	\$1,320.00
Taxable part ( $\$1,320 \times 36\%$ ) = \$475.20	
GST: ( $\$475.20 \times 5\%$ )	<u>23.76</u>
Total charged to customer	<u>\$1,343.76</u>

In the fall, the prices for the accommodation and sightseeing excursion are less than in the summer.

### Tour operator's revised cost for a package

Round trip flight (taxable at 5%)	\$400
Accommodation (non-taxable)	\$300
Sightseeing (non-taxable)	<u>\$250</u>
Subtotal	\$950
Add: GST ( $\$400 \times 5\%$ )	<u>20</u>
Tour operator pays	\$970
Less: ITC for GST paid	20
Tour operator's direct cost	<u>\$950</u>

### Tour operator's revised sale and GST calculation

The revised taxable part of the tour package is 42% ( $\$400 \div \$950$ ). Therefore, the tour operator still charges GST on 36% of the selling price because the difference between the original taxable part and the revised taxable part is less than 10 percentage points.

#### Revised GST calculation

Tour operator's direct cost of services	\$950.00
Add: 20% markup ( $\$950 \times 20\%$ )	<u>190.00</u>
Subtotal before GST	\$1140.00
Taxable part ( $\$1140.00 \times 36\%$ ) = \$410.40	
GST: ( $\$410.40 \times 5\%$ )	<u>\$20.52</u>
Total charged to customer	<u>\$1160.52</u>

If there had been more than a 10 percentage point difference, the new percentage would have been used.

You have to keep records to show how you calculated the taxable part of tour packages. It is your responsibility to make sure any travel agency acting on your behalf collects the correct amount of GST/HST from your customer.

### Foreign tour packages

Travel providers do not charge GST/HST on exclusively foreign tour packages. For example, a tour operator does not charge the traveller GST/HST on a tour package that includes round-trip airfare from Canada to Scotland, as well as hotel accommodation and bus excursions in Scotland. In this case, the airfare is zero-rated. The hotel accommodation and bus excursions in Scotland are not subject to tax because they are supplied outside Canada.

## Non-resident rebate for eligible tour packages

A rebate of GST/HST may be available to:

- a non-resident tour operator that purchased and resold an eligible tour package or that purchased short-term accommodation in Canada and resold it as part of an eligible tour package; or
- a non-resident business, organization, or consumer that purchased an eligible tour package if the short-term accommodation in Canada included in the package was made available to a non-resident individual.

### What is an eligible tour package for this rebate?

To be an eligible tour package for this rebate, a package must be a tour package, it must be sold for an all-inclusive price and it **must include** the following:

- short-term accommodation in Canada; and
- at least one service.

**It is very important to first determine if what you are providing is a tour package and not a different supply (for more information, see “What is a tour package” on page 17). It is also very important to know what we mean by the terms short-term accommodation, service, and all-inclusive price.** For definitions and examples, see the following three sections. Also, see Appendix 2 on page 33 for examples of packages that qualify as eligible tour packages, and packages that do not.

#### Note

Packages that include a convention facility or related convention supplies are not tour packages for this rebate. However, a non-resident sponsor or non-registered organizer of a foreign convention may qualify for a rebate. For more information, see “Foreign conventions” on page 28.

### What qualifies as short-term accommodation?

For this rebate, short-term accommodation means the rental of a residential unit in Canada as a place of residence or lodging for an individual who will occupy it continuously for a period of **less than one month** and for which GST/HST is payable. It includes any type of overnight shelter (except those noted below) supplied as part of a tour package that also includes food and the services of a guide.

For example, overnight or weeklong accommodation in any of the following would usually be considered short-term accommodation:

- hotels and motels;
- resorts and lodges; and
- bed-and-breakfast establishments.

#### Note

Throughout this guide **short-term accommodation includes camping accommodation**. Camping accommodation means a campsite at a campground or recreational trailer park in Canada that is rented continuously as a place of lodging for periods of **less than one month** for the same individual. It includes water, electricity, and waste disposal services, if provided with the campsite and accessed by an outlet or hookup at the campsite.

Short-term accommodation **does not include**:

- shelter on a train, trailer, boat, or other structure that is, or could be self-propelled (for example, cruise-ship cabins, train berths, houseboats, travel trailers, and all recreational vehicles);
- a residential unit supplied under a timeshare arrangement; or
- accommodation outside Canada.

### What qualifies as a service?

A service means anything **other than** property, money, and anything that is supplied to an employer by an employee in the course of employment. Some examples include:

- guide or interpreter services;
- transportation services;
- sightseeing excursions; and
- ski lessons.

The following **do not qualify** as services as they are property:

- short-term accommodation;
- meals;
- a right to enter or attend an event, such as tickets to a show or a hockey game;
- car rentals;
- ski rentals;
- ski lift tickets;
- golf green fees; and
- park passes.

#### Note

Property means any type of property and includes goods and a right or interest of any kind but does not include money.

### What is an all-inclusive price?

Generally, an all-inclusive price means one price for all property and services sold together in a package. However, in the tourism industry, sometimes prices for certain property or services are listed on an invoice for information purposes. We would accept that such packages are sold for an all-inclusive price.

## Rebate for non-resident tour operators

### Who is a tour operator?

Generally, a tour operator is a person who, in the ordinary course of business, packages tours that are ultimately sold to, or are for the use of, either a group of travellers or an individual traveller. An outfitter or an owner of a lodge, hotel, or motel may be a tour operator if the person packages tours for sale in the ordinary course of a business.

#### Note

Travel agencies, when they sell tour packages for a tour operator, are not tour operators for this rebate. A person that sells packages that include a convention facility or related convention supplies is also not a tour operator for this rebate.

### When is a rebate available to non-resident tour operators?

Before reading this section, see “What is an eligible tour package for this rebate?” on the previous page.

Due to changes to the law that took effect on April 1, 2007, a rebate for the tax paid on short-term accommodation is only available to a non-resident, non-registered tour operator that purchased the accommodation and **resold it as part of an eligible tour package in the ordinary course of its business.**

However, a rebate is still available for short-term accommodation that was purchased under a **written agreement** entered into before September 25, 2006, under which the first night of accommodation at the same facility in Canada is before April 1, 2009.

#### Note

We would generally accept the following as evidence that a written agreement was entered into before September 25, 2006:

- document(s) outlining the details of the relationship between the parties (for example, information about the duration of the relationship, the properties and/or services that will be provided, and any operational procedures, such as those relating to booking, invoicing, payment, deposit, and cancellation); and
- a tariff or other itemized inventory that describes the properties and/or services available, the prices, and the time period(s) during which the prices apply.

We will not accept advertising materials such as catalogues, pamphlets, or brochures made available to the general public as a tariff or other inventory. However, we would accept a price list provided by a hotel to a tour operator for rooms available by season.

The document(s) must show the parties conducting business were aware of their rights and responsibilities for the properties and/or services provided and should contain information about the application of the GST/HST to these properties and/or services as of the date the documents were finalized. These could include electronic documents capable of being rendered into writing, such as emails.

A non-resident tour operator that is **not** registered for GST/HST may be eligible for a rebate if:

- it purchased an eligible tour package and resold it; or
- it purchased short-term accommodation in Canada and resold it as part of an eligible tour package.

To qualify for the rebate, the tour operator must meet **all** of the following conditions:

- It made the purchase(s) in the ordinary course of its business of selling tour packages.
- It sold the eligible tour package(s) to another non-resident person(s).
- The short-term accommodation included in the eligible tour package(s) was made available to a non-resident individual(s).
- It received payment for its resale of the eligible tour package(s) outside Canada at its place of business, or the place of business of its agent.
- It is a non-resident of Canada at the time the rebate application is filed.
- It paid a minimum of CAN\$10 in GST or CAN\$26 in HST on the eligible tour package(s) and/or accommodation included in the rebate claim. If the tax was paid before January 1, 2008, the minimum amounts are CAN\$12 in GST or CAN\$28 in HST. If it paid both GST and HST on an eligible tour package and the GST amount paid is less than the minimum \$10 and the HST amount paid is less than the minimum \$26, it has to get information from the supplier that the parts of the tour package that were taxed at 5% GST (or 6% before January 1, 2008) and 13% HST (or 14% before January 1, 2008) totalled at least \$200.
- The short-term accommodation is for a period of continuous occupancy of less than one month for each unit used as a place of lodging, for each non-resident individual.
- Its application is filed within one year after the last day any tax to which the rebate relates became payable. Generally, the day the tax became payable is the day the tax was paid or the date of the invoice, whichever comes first.
- It provides the necessary documents to prove it is eligible for the rebate.

#### Note

A tour operator cannot claim a rebate for short-term accommodation if it separately provides the accommodation to another business or to an individual (that is, if the accommodation is not resold as part of an eligible tour package).

## Paying or crediting the rebate amount to a non-resident tour operator

Due to changes to the law that took effect on April 1, 2007:

■ **Suppliers have to file new Form GST106, Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages**, for every reporting period in which they claim a deduction from their net tax after March 31, 2007, for a rebate amount they pay or credit for an eligible tour package for which tax became payable after March 31, 2007. For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.

■ **Suppliers cannot pay or credit** the rebate amount for short-term accommodation they provide **separate** from an eligible tour package.

If you provide short-term accommodation separate from an eligible tour package to a non-resident tour operator, the tour operator may be able to claim a rebate by completing and sending us Form GST115, *GST/HST Rebate Application for Tour Packages*.

### Note

If you enter into an agreement with a tour operator to complete and file its rebate application for it, this is a separate, private arrangement under which the tour operator has to provide you with a power of attorney.

**This is not the same as paying or crediting the non-resident with the rebate amount.** For more information, see “Are you completing and filing a rebate application for a non-resident?” on page 26.

A non-resident tour operator that is not registered for GST/HST can claim a rebate for up to 50% of the GST/HST paid on an eligible tour package by filing Form GST115, *GST/HST Rebate Application for Tour Packages*, or you, as the supplier, can choose to pay or credit the tour operator with the rebate amount. If you pay or credit the rebate amount, the tour operator cannot apply to us for a rebate of that amount.

If you decide to pay or credit the rebate amount to the tour operator, make sure that the tour operator meets all of the eligibility conditions listed in the section “When is a rebate available to non-resident tour operators?” on the previous page. You should get the following information to confirm that you can pay or credit the rebate amount to a tour operator:

- the name of the tour operator;
- confirmation that the tour operator is a non-resident and is not registered for GST/HST;
- confirmation that the tour operator supplies the eligible tour package in the ordinary course of its business to another non-resident(s);
- confirmation that the tour operator received payment for its supply of the tour package at its business address, or its agent’s address, outside of Canada;

- the name of the non-resident(s) who acquired the tour package from the tour operator if the non-resident(s) are not non-resident individuals;
- the name(s), physical address(es), and arrival and departure dates of the non-resident individual(s) to whom the short-term accommodation in the tour package was made available. (A post office box is not a physical address.)

You do not have to forward this evidence to us. However, you should keep these documents in case we ask to see them for audit purposes.

### Note

We may accept other types of documents if those other documents allow us to confirm the eligibility requirements are met. The information demonstrating that the eligibility requirements have been met does not have to be on separate documents. All of the necessary information may be contained in only one or two documents. These could include electronic documents capable of being rendered into print, such as emails.

Your invoices have to show that you charged the tax and paid or credited the rebate amount to the non-resident.

### Joint liability

If we determine that the non-resident person was not entitled to a rebate, or that the amount paid or credited was more than the rebate amount the non-resident was entitled to, you are jointly liable with the non-resident to pay us any amount owing. However, you are only liable if you knew or should reasonably have known that the non-resident was not entitled to the amount.

### How do I pay or credit the rebate amount for an eligible tour package?

The rebate amount you can pay or credit for an eligible tour package is generally equal to 50% of the tax paid on the package. However, the rebate amount is reduced if any of the nights of accommodation provided in Canada as part of the tour package are ineligible accommodation. The reduced rebate amount is calculated as follows:

#### Step 1

$A \div B$

Where

A = the number of nights of short-term accommodation in Canada included in the tour package; and

B = the total number of nights in Canada included in the tour package.

#### Step 2

Your result from Step 1 x 50% x GST/HST paid.

The following is an example of when the rebate amount is prorated.

**Example**

On January 16, 2008, you sold 15 tour packages to a non-resident non-registered tour operator for an all-inclusive price of CAN \$1,000 for each tour package. Each package includes the following items, taxable at 5% GST:

- hotel accommodation (five nights in Ontario); and
- train transportation (two nights are spent on the train).

The tour operator meets all of the eligibility conditions for the rebate. It gives you the required documents showing that it has resold the eligible tour packages to non-residents.

You choose to credit the rebate amount to the tour operator. You credit the rebate amount as follows:

Selling price	(\$1,000 × 15 persons)	\$15,000.00
GST	(\$15,000 × 5%)	750.00
<b>Subtotal</b>		<b>\$15,750.00</b>
<b>Minus credit</b>		
for rebate amount	*5/7 × (50% × \$750)	(267.86)
Amount the tour operator pays you		<b><u>\$15,482.14</u></b>

\*Only the five nights in the hotel are eligible short-term accommodation. The two nights on the train do not qualify as short-term accommodation.

You record the \$750 GST as GST/HST collectible on line 103 of your GST/HST return. You then enter the \$267.86 amount that you credited to the tour operator as an adjustment on line 107 of your GST/HST return.

You can include the amount on line 107 in any GST/HST return that is filed **within one year** of the following date, whichever is later:

- the day the tax became payable; or
- the day the rebate was paid or credited.

**You also have to file Form GST106, Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages**, with your GST/HST return for the reporting period in which you claim the adjustment on line 107 for the amount you credited to the tour operator. For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.

## Rebate for non-resident businesses, organizations, and consumers

The information in this section does not apply to tour operators. For information, see “Rebate for non-resident tour operators” on page 22.

Due to changes to the law that took effect on April 1, 2007, a refund is no longer available for the tax paid on short-term accommodation unless the accommodation was purchased under a **written agreement** entered into before September 25, 2006, under which the first night of accommodation at the same facility in Canada is before April 1, 2009.

### When is a rebate available?

**Before reading this section, see “What is an eligible tour package for this rebate?” on page 21.**

A rebate for up to 50% of the GST/HST paid on the purchase of an eligible tour package may be available to:

- a non-resident consumer visiting Canada; or
- a non-resident business or organization that is not registered for GST/HST that purchased the eligible tour package and does not resell it as part of a business of selling tour packages. For example, this would include a business that purchased a tour package for use by an employee or a client for business travel or to give to an employee as an incentive trip.

To qualify, the non-resident must meet **all** of the following conditions:

- The non-resident is not registered for GST/HST.
- The short-term accommodation included in the eligible tour package was made available to a non-resident individual.
- The non-resident **did not** purchase the eligible tour package to resell in the ordinary course of a business of selling tour packages.
- The person is a non-resident of Canada at the time the rebate application is filed.
- The non-resident paid a minimum of CAN\$10 in GST or CAN\$26 in HST on the eligible tour package(s) included in the rebate claim. If the tax was paid before January 1, 2008, the minimum amounts are CAN\$12 in GST or CAN\$28 in HST. If it paid both GST and HST on an eligible tour package and the GST amount paid is less than the minimum \$10 and the HST amount paid is less than the minimum \$26, it has to get information from the supplier that the parts of the tour package that were taxed at 5% GST (or 6% before January 1, 2008), and 13% HST (or 14% before January 1, 2008), totalled at least \$200.
- The rebate application is filed within one year after the last day any tax to which the rebate relates became payable. Generally, the day the tax became payable is the day the tax was paid or the date of the invoice, whichever comes first.
- The non-resident provides the necessary documents to prove it is eligible for the rebate.



## Paying or crediting the rebate amount to a non-resident business, organization, or consumer

Due to changes to the law that took effect on April 1, 2007, **suppliers have to file the new Form GST106, Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages**, for every reporting period in which they claim an amount from their net tax after March 31, 2007, for a rebate they pay or credit for a tour package for which tax became payable after March 31, 2007.

For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.

A non-resident business, organization, or consumer can claim a rebate for an eligible tour package by completing and sending us Form GST115, *GST/HST Rebate Application for Tour Packages*, or you, as the supplier, may be able to pay or credit them with the rebate amount.

You can choose to pay or credit the non-resident business, organization, or consumer with the rebate amount if they meet all of the eligibility conditions (listed in the previous section) for claiming a rebate, and **one** of the following applies:

- the non-resident pays for the eligible tour package at a place outside Canada where you or your agent normally conduct business; or
- the non-resident pays a deposit of at least 20% of the total price of the tour package at least 14 days before the first day any short-term accommodation included in the eligible tour package is made available to them.

### Note

The deposit can be made by credit card, cheque, bank draft, or any other bill of exchange, but must be drawn on an account of an institution outside Canada. Debit cards from an institution outside Canada are also acceptable. Where a credit card is used, the day your account is credited by your customer's credit card company is the day the deposit is made.

If you pay or credit the rebate amount, the non-resident cannot apply to us for a rebate of that amount.

Your invoices have to show that you charged the tax and paid or credited the rebate amount to the non-resident.

### Joint liability

If we determine that the non-resident person was not entitled to a rebate, or that the amount paid or credited was more than the non-resident was entitled to, you are jointly liable with the non-resident to pay us any amount owing. However, you are only liable if you knew or should reasonably have known that the non-resident was not entitled.

## How do I pay or credit the rebate amount?

The rebate amount you can pay or credit for an eligible tour package is generally equal to 50% of the GST/HST paid on the package. However, the rebate is reduced if any of the nights of accommodation provided in Canada as part of the package are ineligible accommodation.

The following is an example of when the amount of a rebate is reduced. For the formula to calculate the reduced amount, see "How do I pay or credit the rebate amount for an eligible tour package?" on page 23.

### Example

On May 25, 2008, you sold an eligible tour package to a non-resident consumer for an all-inclusive price of CAN\$2,000. The entire package price was subject to HST. The package included:

- four nights on a cruise ship; and
- six nights accommodation at a resort.

The non-resident consumer paid you a deposit of 25% of the price of the tour package one month before the tour package began. You choose to credit the rebate amount to the non-resident. You credit the rebate amount as follows:

Selling price		\$2,000
HST	(\$2,000 × 13%)	<u>260</u>
<b>Subtotal</b>		<b>\$2,260</b>
Less deposit	(\$2,000 × 25%)	(500)
<b>Minus credit for HST</b>	<b>*6/10 × (50% × \$260)</b>	<b><u>(78)</u></b>
<b>Amount owing</b>		<b>\$1,682</b>
Total amount the non-resident pays you		<b><u>\$2182</u></b>
*Only the six nights in the resort are short-term accommodation. The four nights on the cruise ship do not qualify as short-term accommodation. This means that the rebate amount will be less than 50% of the tax paid on the package.		

You record the \$260 HST as GST/HST collectible on line 103 of your GST/HST return. You then enter the \$78 amount that you credited to the non-resident as an adjustment on line 107 of your GST/HST return.

You can include the amount on line 107 in any GST/HST return that is filed **within one year** of whichever of the following dates is later:

- the day the tax became payable; or
- the day the rebate was paid or credited.

**You also have to file Form GST106, Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages**, with your GST/HST return for the reporting period in which you claim the adjustment on line 107 for the amount you credited to the non-resident. For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.

## Are you completing and filing a rebate application for a non-resident?

If you enter into an agreement with a non-resident to complete and file their rebate application for them, this is a separate, private arrangement between you and the non-resident. In this case, the non-resident has to pay you the full amount of the GST/HST due and the non-resident has to wait to get the rebate from us (after you have filed their rebate application for them). **This arrangement is not the same as paying or crediting the non-resident with the rebate amount.**

If you enter into such an agreement, the non-resident has to:

- provide you with all of the documents required to validate their rebate claim. You must send these documents to us with the rebate application. (For the documents that are required, see the back of Form GST115, *GST/HST Rebate Application for Tour Packages*); and
- authorize you to file the rebate application for them by giving you power of attorney.

**We cannot accept and act on a power of attorney unless it contains all of the following:**

- a statement that you, the authorized person, are not affiliated with the Government of Canada or the Canada Revenue Agency;
- complete and upfront disclosure of any fees you charge the non-resident to act for them;
- a statement that the non-resident authorizes you to act for them;
- a statement that the power of attorney is for a rebate of the GST/HST under the Foreign Convention and Tour Incentive Program;
- the non-resident's name, address, telephone number, email address, if there is one, and their signature; and
- your name, address, telephone and fax numbers, and email address, if there is one.

## Conventions

A convention is a formal meeting or assembly that is not open to the general public.

A convention **does not** include a meeting or assembly the main purpose of which is to:

- provide any type of amusement, entertainment, or recreation;
- conduct contests or games of chance; or
- conduct the business of the convenor or attendees either in the course of a trade show that is open to the general public or otherwise than in the course of a trade show.

### Note

A convention may be either a domestic or a foreign convention. For more information on these types of conventions, see:

- "Domestic conventions," on the next page; and
- "Foreign conventions" on page 28.

### Example 1

A society of professionals holds its annual general meeting at a hotel in Canada and also delivers information sessions to the attendees. The event is only open to members of the society.

This **is** a convention as the formal meeting and the assemblies are not open to the general public and none of the exclusions in the definition of convention apply.

### Example 2

An environmental association holds a trade show at a convention centre in Canada. Exhibitors set up booths to promote the sale of their products and services. The event is open to the general public.

This **is not** a convention as the trade show does not meet the definition of convention.

### Example 3

An amateur athletic association holds try-out sessions at a gymnasium in Canada to determine whether athletes qualify to participate in an international competition. The event is only open to the participating athletes.

This **is not** a convention as the main purpose of the sessions is to conduct contests.

The following are definitions of terms we use for conventions.

**Convention facility** is any real property that is acquired by way of lease, licence, or similar arrangement by the sponsor or organizer of a convention for use exclusively as the site for the convention.

**Organizer** of a convention means the person that acquires the convention facility or related convention supplies and organizes the convention for the sponsor.

**Related convention supply** (For the definition and a list of examples, see Appendix 3 on page 34.)

**Sponsor** of a convention means the person who convenes the convention and supplies admissions to it. This is sometimes referred to as the host of the convention. A person that supports a convention through financial or other sponsorship of the event is not a sponsor for GST/HST purposes.

## Domestic conventions

A domestic convention is a convention held in Canada that is not a foreign convention. (To find out what a foreign convention is, see “Foreign conventions” on the next page.)

### Is GST/HST registration required?

#### Sponsors

If you are a **resident** sponsor of a domestic convention, you may be able to, or you may have to register for GST/HST.

For more information, see “Do I have to register for GST/HST?” on page 6.

If you are a **non-resident** sponsor of a domestic convention and are not already registered for GST/HST, you have to register for GST/HST before you make supplies of admission to the convention.

#### Organizers

If you are an organizer of a domestic convention, you may be able to, or you may have to register for GST/HST.

This applies to both resident and non-resident convention organizers. For more information, see “Do I have to register for GST/HST?” on page 6.

#### Exhibitors

If you are an exhibitor at a domestic convention and you are **resident** in Canada, you may be able to, or may have to register for GST/HST.

For more information, see “Do I have to register for GST/HST?” on page 6.

If you are an exhibitor that is a **non-resident** not already registered for GST/HST and you are in Canada exclusively to promote your products or services at a convention, you do not have to register for and charge GST/HST on any **orders** taken from attendees during the convention. However, if you bring products to the convention to sell to attendees, you may be considered to be carrying on business in Canada and may have to register.

#### Note

A rebate may be available to non-resident non-registered exhibitors for the GST/HST paid on related convention supplies (other than food or beverages) and on the lease of space at the convention site. For more information, see “Rebate for non-resident exhibitors” on page 31.

For more information on carrying on business in Canada and GST/HST registration, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

## Charging tax for domestic conventions

This section gives information on how GST/HST applies to the following supplies for domestic conventions:

- convention facilities;
- admissions;
- related convention supplies; and
- exhibition space.

### Convention facilities

If you are a GST/HST registrant, you have to charge GST/HST when you lease out space. This applies whether you are leasing to a resident or non-resident of Canada.

### Admissions

If you are a registrant, you have to charge GST/HST on the admission you charge the attendees of a domestic convention.

#### Exception

If you are a **sponsor** of a domestic convention and you sell an admission to a **non-resident** attendee, you only have to charge GST/HST on part of the admission.

To calculate the part of the admission that **is not** subject to GST/HST, first add up the costs of acquiring the convention facility and related convention supplies (for food, beverages, or items provided under a contract for catering, include only 50% of the cost in your calculation).

Divide this result by your total convention costs. The result is the percentage of the admission that **is not** subject to GST/HST when sold to a non-resident. The remainder is subject to GST/HST when sold to a non-resident.

#### Example

You are a sponsor of a domestic convention to be held in Halifax, Nova Scotia, in December 2008, and you are registered for GST/HST. You start selling admissions in January 2008. You will charge \$100 for each admission to the convention. You expect both resident and non-resident attendees.

You have to charge tax on the admissions as follows:

- On admissions you sell to **residents**, charge HST on the full admission.
- On admissions you sell to **non-residents**, charge HST on part of the admission.

You have to charge HST as the convention is in a participating province.

For the admissions sold to non-residents, you need to calculate what part of the admission is subject to HST. Start by calculating what part of the admission is **not** subject to HST. Your total convention expenses were \$300,000, of which \$210,000 was for acquiring the convention facility and related convention supplies.

You calculate the percentage of the admission that is **not** taxable as follows:

$$\$210,000 \div \$300,000 = 70\%$$

Therefore, 70% of the admission you charge to non-resident attendees is **not** subject to HST. This means that 30% (100% – 70%) of the admission you sell to non-residents is subject to HST.

You will only charge non-residents HST on \$30 of the admission (30% of the \$100 admission charge).

Canadian residents		Non-residents	
Admission	\$100	Admission	\$100.00
HST (\$100 × 13%)	<u>13</u>	HST (\$30 × 13%)	<u>3.90</u>
Total	<u>\$113</u>	Total	<u>\$103.90</u>

## Related convention supplies

You have to charge GST/HST if you are a registrant and you provide related convention supplies to a sponsor, organizer, or exhibitor at a domestic convention.

### Exception

If you are the **sponsor** of a domestic convention, do not charge GST/HST on related convention supplies you provide to **non-resident** exhibitors at the convention.

For information on what qualifies as a related convention supply and a list of examples, see Appendix 3 on page 34.

## Exhibition space

If you are a registrant, you have to charge GST/HST when you lease exhibition space to an exhibitor at the convention.

### Exception

If you are the **sponsor** of a domestic convention, do not charge GST/HST on the lease of exhibition space to **non-resident** exhibitors at the convention who will use the space exclusively as a site to promote their business, services, or goods.

## Foreign conventions

A foreign convention is a convention held in Canada where:

- at the time the sponsor of the convention determines the amount to be charged for the admissions, it is reasonably expected that at least 75% of the admissions will be provided to **non-residents** of Canada. (To find out how to determine the percentage of non-resident attendees, see below); and

- the sponsor of the convention is an organization whose head office is situated outside Canada or, if the organization has no head office, the member or majority of members having management and control of the organization is, or are, non-resident.

To determine the percentage of admissions reasonably expected to be provided to non-resident attendees, you can use the percentage of non-resident attendees:

- who attended previous conventions;
- who are usually invited to attend the convention;
- who are listed as members of the association; or
- another reasonable method.

### Note

If a convention is a foreign convention because it is reasonably expected that non-residents would make up at least 75% of the total of those attending, and it is later discovered that there were less than 75% non-resident attendees at the convention, the convention is still a foreign convention.

## Is GST/HST registration required?

### Sponsors

If you are a sponsor of a **foreign convention**, you **cannot** register for GST/HST if your **only** commercial activity in Canada is making sales of admissions or related convention supplies, or leasing exhibition space at a foreign convention.

However, if you sell books, posters, education material, or other items at the foreign convention, you may be able to, or you may have to register for GST/HST. For more information, see “Do I have to register for GST/HST?” on page 6. For information on carrying on business in Canada and GST/HST registration for non-residents, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

### Are you already registered for GST/HST?

If you are the sponsor of a foreign convention and you are already registered for GST/HST, your activities related to the foreign convention are not part of your commercial activities.

This means that you do not charge GST/HST on supplies related to the foreign convention (such as supplies of admissions, related convention supplies, and exhibition space). You also cannot claim ITCs for GST/HST you pay on purchases related to the foreign convention. However, you may be able to apply for a rebate. For more information, see “Rebate for foreign conventions” on the next page.

### Organizers

If you are an organizer of a foreign convention, you may be able to, or you may have to register for GST/HST.

This applies to both resident and non-resident convention organizers. For more information, see “Do I have to register for GST/HST?” on page 6.

## Exhibitors

If you are an exhibitor at a foreign convention and you are **resident** in Canada, you may be able to, or you may have to register for GST/HST.

For more information, see "Do I have to register for GST/HST?" on page 6. If you are a **non-resident** exhibitor not already registered for GST/HST who is in Canada only to promote your products or services at a foreign convention, you do not have to register for and charge GST/HST on any **orders** taken from attendees during the convention. However, if you bring products to the convention to sell to attendees, you may be considered to be carrying on business in Canada and you may have to register. For more information on carrying on business in Canada and GST/HST registration, see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*.

### Note

A rebate may be available to non-resident non-registered exhibitors for the GST/HST paid on related convention supplies (other than food or beverages) and on the lease of space at the convention site. For more information, see "Rebate for non-resident exhibitors" on page 31.

## Charging tax for foreign conventions

This section gives information on how GST/HST applies to the following supplies for foreign conventions:

- convention facilities;
- admissions;
- related convention supplies; and
- exhibition space.

### Convention facilities

If you are a GST/HST registrant, you have to charge GST/HST when you lease out space. This applies whether you are leasing to a resident or non-resident of Canada.

### Admissions

If you are a sponsor of a foreign convention, do not charge GST/HST on admissions to the convention, even if you are registered for GST/HST.

### Related convention supplies

If you are a registrant, you have to charge GST/HST on related convention supplies.

#### Exception

If you are a **sponsor** of a foreign convention, do not charge GST/HST on related convention supplies you provide to exhibitors at the convention.

For information on what a related convention supply is and a list of examples, see Appendix 3 on page 34.

## Exhibition space

If you are a GST/HST registrant, you have to charge GST/HST on exhibition space you lease to exhibitors at a foreign convention.

### Exception

If you are a **sponsor** of a foreign convention, do not charge GST/HST on the lease of exhibition space to exhibitors at the convention who will use the space exclusively as a site to promote their business, services, or goods.

## Rebate for foreign conventions

Due to changes to the law that took effect on April 1, 2007:

- **Suppliers have to file the new Form GST106, Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages**, for every reporting period in which they claim a deduction from their net tax for a rebate amount they paid or credited to a sponsor or non-registered organizer of a foreign convention after March 31, 2007. For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.
- **Generally a rebate is no longer available** for the tax paid on short-term accommodation by convention attendees after March 31, 2007. However, the rebate is still available if the accommodation was purchased under a **written agreement** entered into before September 25, 2006, under which the first night of continuous accommodation at the same facility in Canada is before April 1, 2009.

### Suppliers can continue to pay or credit the rebate amount for accommodation on this accommodation only.

A typical written agreement in the convention industry is between the sponsor and one or more short-term accommodation providers, such as a hotel. The terms of the agreement usually include a discounted price or **convention rate** on a block of rooms that can be reserved by attendees for the duration of the convention and a specified number of nights before and after the convention.

The accommodation provider generally agrees to hold the block of rooms until a specific date. It may also offer rooms to attendees at the convention rate after the cut-off date or in addition to the original block of rooms, subject to availability.

Rooms sold at the convention rate are included under the written agreement.

### Who can claim a rebate?

A rebate may be available for:

- sponsors of foreign conventions; and
- organizers of foreign conventions who are not registered for GST/HST.

#### Note

A rebate may also be available to non-resident exhibitors. For more information, see "Rebate for non-resident exhibitors" on page 31.

## What expenses are eligible for the rebate?

A sponsor and a non-registered organizer of a foreign convention may claim a rebate for:

- the tax paid for the convention facilities and related convention supplies **that are not** food, beverages, or items purchased under a contract for catering; and
- 50% of the tax paid for food, beverages, or items purchased under a contract for catering.

See Appendix 3 on page 34 for information on what a related convention supply is and a list of examples.

## Can I pay or credit the rebate amount?

A sponsor or non-registered organizer of a foreign convention can apply for the rebate by sending us Form GST386, *Rebate Application for Foreign Conventions*, or if you are the supplier of the convention facility or related convention supplies, you may be able to pay or credit the rebate amount to the sponsor or organizer.

Only the following suppliers can pay or credit the rebate amount:

- a registrant organizer (for example a company providing local management expertise and services in organizing a convention for an incoming organization);
- a registrant operator of convention facilities that is not the organizer of the convention; or
- a registrant supplier of short-term accommodation (for example, a hotel) that is not the organizer of the convention if the accommodation is acquired exclusively for supply in connection with a foreign convention.

In any other case, the sponsor or organizer of the convention has to send us Form GST386 to apply for its rebate.

### Note

If you pay or credit the rebate amount on the supplies, the sponsor or non-registered organizer cannot apply to us for a rebate of that amount.

## Documentary evidence

When you pay or credit the rebate amount, the sponsor or non-registered organizer must provide you with sufficient documentary evidence showing it is entitled to the rebate. This could include a convention agenda, itinerary or event program, complete hotel folios, copies of invoices, and receipts or other documents that confirm that the event was a foreign convention.

## Joint liability

If we determine that the sponsor or non-registered organizer was not entitled to a rebate, or that the amount paid or credited was more than the amount of the rebate the non-resident was entitled to, and you knew or ought to have known this, you and the non-resident are jointly liable to pay us any amount owing. Otherwise, only the non-resident is liable to pay us any amount owing.

## How to pay or credit the rebate amount for a foreign convention

Due to changes to the law that took effect on April 1, 2007, suppliers have to file new Form GST106, *Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages*, for every reporting period in which they claim a deduction from their net tax for a rebate amount they paid or credited to a sponsor or non-registered organizer of a foreign convention after March 31, 2007. For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.

If you choose to pay or credit the rebate amount, you still have to charge the full amount of the tax due on the convention facility or related convention supplies. You have to show the full amount of the tax payable by the sponsor or non-registered organizer on the invoice and also show the rebate amount you paid or credited.

### Note

The rebate amount you can pay or credit is the same as the amount that the sponsor or non-registered organizer would have received if it had paid the tax and filed a rebate claim with us.

Report the full amount of the GST/HST collected or collectible from the sponsor or organizer on line 103 of your GST/HST return. Then enter the amount that you paid or credited on line 107 of your GST/HST return.

You can include the amount on line 107 in any GST/HST return that is filed **within one year** of whichever of the following dates is later:

- the day the tax became payable; or
- the day the rebate was paid or credited.

You also have to file Form GST106, *Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages*, with your GST/HST return for the period in which you enter the adjustment on line 107. For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.

The following is an example showing how to credit the rebate amount for a foreign convention.

### Example

You are the organizer of a foreign convention held in Sydney, Nova Scotia, and you are registered for GST/HST. You invoice the non-resident sponsor of the convention for the following services:

- meals and catering;
- meeting rooms and exhibition space; and
- exhibit decorations.

Item	Charge	HST	HST rebate
Meals and catering*	\$10,000	\$1,300	\$650
Meeting rooms	5,000	650	650
Exhibition space	10,000	1,300	1,300
Exhibit decorations	<u>5,000</u>	<u>650</u>	<u>650</u>
<b>Total</b>	<b><u>\$30,000</u></b>	<b><u>\$3,900</u></b>	<b><u>\$3,250</u></b>

\*A rebate is only available for 50% of the GST/HST paid for food, beverages, or items supplied under a catering contract.

Net amount payable by sponsor	
Invoice total	\$30,000
Total HST	<u>3,900</u>
Subtotal	\$33,900
Less rebate amount credited	<u>3,250</u>
<b>Net amount sponsor pays</b>	<b><u>\$30,650</u></b>

#### Note

Your invoices have to show that you paid or credited a rebate amount to the sponsor or non-registered organizer.

You, the organizer, report the \$3,900 HST as GST/HST collected or collectible on line 103 of your GST/HST return. You then enter the \$3,250 amount you credited as an adjustment on line 107 of your GST/HST return. You can include the amount on line 107 in any GST/HST return that is filed **within one year** of whichever of the following dates is later:

- the day any tax related to the rebate became payable; or
- the day the amount was paid or credited.

**You also have to file Form GST106, Schedule 2 – Information on Claims Paid or Credited for Foreign Conventions and Tour Packages**, with your GST/HST return for the period in which you enter the adjustment on line 107. For information on filing Schedule 2 and the consequences of not filing by the due date, see Form GST106.

For more information, see Booklet RC4160, *Rebate for Tour Packages, Foreign Conventions, and Non-Resident Exhibitor Purchases*, which includes Form GST386, *Rebate Application for Foreign Conventions*.

## Rebate for non-resident exhibitors

**N**on-resident exhibitors who are not registered for GST/HST and who rented or leased exhibition space exclusively to promote the business or products of the person can claim a rebate for the GST/HST and QST paid on the following, if rented or purchased from a GST/HST registrant that is not the sponsor:

- related convention supplies, **except** for food, beverages, or items purchased under a contract for catering (for more information on related convention supplies, see Appendix 2 on page 33); and
- exhibition space.

Suppliers cannot pay or credit the rebate amount to non-resident exhibitors. Non-resident exhibitors have to send us Form GST386, *Rebate Application for Foreign Conventions*, within one year after the last day of the convention to claim their rebate.

#### Note

Non-resident exhibitors have to pay GST/HST on exhibition space and related convention supplies rented or purchased from a registrant that is not the sponsor.

Non-resident exhibitors **do not** pay GST/HST on exhibition space or related convention supplies rented or purchased from the **sponsor** of the convention (whether foreign or domestic). A non-resident exhibitor that has paid tax **in error** on these items can ask a sponsor for a refund or credit of the amount. If the sponsor does not provide a refund or credit, see Guide RC4033, *General Application for GST/HST Rebates*.

## Appendix 1 – Terms we use in this guide

**Consumer** is an individual who acquires or imports property or services for personal consumption, use, or enjoyment or the personal consumption, use, or enjoyment by another individual. It does not include individuals who acquire or import property or services for their commercial activities.

**Coupon** is a document or other device, such as a voucher, receipt, or ticket that can be redeemed for a product or service or can be used to buy a product or service, but does not include a gift certificate or a barter unit.

**Exempt supplies** are goods and services that are not subject to GST/HST. You cannot claim input tax credits for GST/HST paid or payable on expenses related to these supplies.

**Input tax credit (ITC)** is a credit that GST/HST registrants can claim to recover the GST/HST they paid or owe to their suppliers for property or services they acquired in or imported into Canada or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

**Origin** means, for a continuous journey, the place where the passenger transportation service that is included in the continuous journey and that is first provided begins.

**Participating province** means the province of Nova Scotia, New Brunswick, or Newfoundland and Labrador.

**Person** includes an individual, a partnership, a corporation, the estate of a deceased individual, a trust, and an organization such as a society, club, commission, or association.

**Registrant** means a person who is registered or who has to be registered for GST/HST.

**Stopover** is any place where a traveller boards or exits an aircraft, bus, train, boat, or other mode of passenger transportation for any reason other than to transfer to another mode of transportation, or for the mode of transportation to be serviced or refuelled.

**Supply** means the provision of property or a service in any way, including sale, lease, licence, rental, transfer, barter, exchange, gift, and disposition.

**Taxable supplies** are supplies of property and services that are made in the course of commercial activity and are subject to GST/HST at the rate of 5% and 13% respectively, or at the rate of 0% (zero-rated supplies).

**Taxation area** means Canada, the United States (except Hawaii), and the islands of St. Pierre and Miquelon.

**Termination** of a continuous journey means the place where the passenger transportation service that is included in the continuous journey and that is last provided ends.

**Travel providers** include travel agents, hotels, air carriers, tour operators, and cruise operators. If you buy travel products or tour packages to resell, we consider you to be a travel provider.

**Zero-rated supplies** are supplies of property and services that are taxable at the rate of 0%. This means that you do not collect GST/HST on such supplies, but GST/HST registrants can claim an ITC for GST/HST they pay or owe on purchases and expenses incurred to provide them.



## Appendix 2 – Examples of eligible and non-eligible tour packages

### Eligible tour packages

If you sell an eligible tour package to a non-resident person, that person may be able to claim a rebate for some of the GST/HST they paid on the tour package or you, as the supplier, may be able to pay or credit the rebate amount to the non-resident. One of the conditions that must be met to qualify for the rebate is that the non-resident must have purchased a tour package that is an **eligible** tour package.

#### Note

For information on the other conditions for claiming the rebate, see “Non-resident rebate for eligible tour packages” on page 21.

To be an **eligible** tour package for the rebate, a package must be sold for an all-inclusive price and **must include** short-term accommodation in Canada and at least one service. The following are examples of eligible tour packages.

#### Note

It is very important to know what we mean by the terms short-term accommodation, service, and all-inclusive price. For more information, see “Non-resident rebate for eligible tour packages” on page 21.

#### Example 1

A package includes round-trip air transportation, hotel accommodation in Canada, guided sightseeing tours, and meals. The package is sold for an all-inclusive price.

This package **is** an eligible tour package for the rebate because it is a tour package and it includes both short-term accommodation in Canada and a service (both the air transportation and the sightseeing tours are services) sold for an all-inclusive price.

#### Example 2

A package includes accommodation at a bed and breakfast in Canada, bus transportation to and from an outlet shopping centre in a neighbouring city, and attendance at a festival. The package is sold for an all-inclusive price.

This package **is** an eligible tour package for the rebate because it is a tour package and it includes short-term accommodation in Canada and a service (intercity bus transportation) sold for an all-inclusive price.

#### Example 3

A buyer asks that an advertised package be altered to add theatre tickets and a car rental. The advertised package included hotel accommodation in Canada and round-trip air transportation. The altered package is sold for an all-inclusive price.

This package **is** an eligible tour package for the rebate since it is a tour package and it includes short-term accommodation in Canada and a service (air transportation) and the package is sold for an all-inclusive price.

#### Example 4

A tour operator offers customized packages to buyers. The tour operator offers short-term accommodation in Canada, meals, air transportation, and admission ticket options. The buyers build their own package by choosing one of each option. The package is sold for an all-inclusive price.

This package **is** an eligible tour package for the rebate because it is a tour package and it includes short-term accommodation in Canada and a service (air transportation) for an all-inclusive price.

### Non-eligible packages

The following are examples of packages that are not eligible tour packages for GST/HST. No GST/HST rebate is available on sales of these packages.

#### Example 1

A package includes short-term accommodation in Canada, meals, and admission to a heritage site sold for an all-inclusive price.

This package **is not** an eligible tour package for the rebate. Although the package includes short-term accommodation in Canada, it does not include a service (meals and the admission are both property).

#### Example 2

A hotel in Canada provides short-term accommodation and a shuttle to and from a nearby casino. The shuttle is included in the **room price**.

This **is not** an eligible tour package for the rebate because the shuttle is part of the accommodation. Therefore, this is accommodation only.

#### Example 3

A stay at an all-inclusive resort in Canada is sold. The price includes accommodation at the resort, meals at the resort, access to the resort swimming pool, access to the resort tennis court, and a spa service at the resort spa.

This **is not** an eligible tour package for the rebate because, in the case of an all-inclusive resort, items such as the meals, complimentary access to the swimming pool and tennis court, and complimentary service at the resort spa are amenities that are part of the accommodation. Therefore, this is accommodation only.

## Appendix 3 – What is a related convention supply?

Related convention supplies are property or services bought exclusively for consumption, use, sale, or to be given away in connection with a convention **that are included in the admission charge for the convention.**

They also include goods and services that are provided for a separate charge, but only if they are acquired exclusively to be consumed or used by the buyer in promoting its business, services, or goods at the convention.

The following are examples of possible related convention supplies.

### Accommodation

- hotel accommodation for use by the convention sponsor or the attendees

### Audio-visual

- audio, audio-visual, and video services, including equipment and labour associated with the technical services

### Business equipment

- computers, photocopiers, desks, and chairs

### Convention materials

- banners, flags, signs, papers, shields, floral arrangements, stand decorations, backdrops, and other decorations, and office supplies

### Convention show services

- equipment, furnishings, and labour to install such items as carpeting, tables, chairs, exhibit booths, decorative plants, draping, banners, displays, and signs

### Destination management services

- local planning, management, and co-ordination services in organizing elements of the convention for the incoming organization

### Food, beverages, and catering services

- 50% of the tax paid for food, beverages, and catering services related to the convention

#### Note

The rebate for 50% of the tax paid on food, beverages, and catering services **is not** available to exhibitors.

### Memorabilia

- lapel buttons, billfolds, key chains, pens, pencils, corsages, T-shirts, scarves, mugs, jewellery, badges, and similar promotional items

### Moving and storage services

- labour and equipment to deliver exhibit materials to the assigned space, including the storage of crates during the convention

### On-site services

- personnel for on-site work such as the staffing of the registration desk, photographic services, and security services

### Printed matter

- identification badges;
- information bulletins, on-site newsletters, booklets, programs, and memoranda relating to a convention or to products displayed at a convention

### Professional services

- customs brokerage, legal, accounting, and freight forwarders' services

### Simultaneous interpretation equipment

- simultaneous interpretation and audio-related equipment and labour

### Speakers and educational seminars

- facilitators and course materials

### Telecommunications

- telephone, fax, video, audio, or computer link-ups

### Translators and interpreters

- individuals who translate and interpret the languages being used

### Transportation services

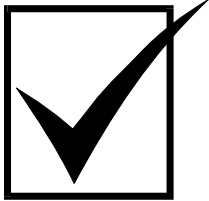
- chartered group transportation services used solely to transport attendees of the convention between any of the convention facilities, places of lodging for the attendees, or the transportation terminals (for example, airport shuttle services)

The following property and services do not qualify as related convention supplies (and therefore **are not** eligible for a GST/HST rebate):

- transportation services (other than the chartered transportation services described above);
- entertainment such as city tours; and
- goods, intangible property, or services provided to the attendees of the convention for a separate charge from the admission fee, such as souvenirs, books, and videos sold during the convention.

# ***Your opinion counts!***

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