

## Accommodation - Registered Operators of Hotels, Motels or Other Lodgings

### *Hotel Room Tax Act*

**Do you operate a hotel, motel, resort, hostel, bed & breakfast or other lodging?**

**Are you already registered as an operator in British Columbia?**

This bulletin provides specific tax information to help registered operators of hotels, motels and other lodgings understand how the hotel room tax (HRT) applies to their businesses. If you are not registered as an operator, please see [Bulletin HRT 005](#), *Registering to Collect Hotel Room Tax (HRT)* for information on when and how to register.

Also included is information on how the municipal and regional district tax and the social service tax, also called the provincial sales tax (PST), may apply in certain circumstances.

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The revision bar ( | ) identifies changes to the previous version of this bulletin dated June 2008.

## Overview

### HRT Rate

The HRT rate is 8% of the accommodation purchase price. For example, if you rent a room in your hotel or motel for \$200 per night, the purchaser (your guest) pays 8% of \$200, or \$16, for each night's stay.

### HRT Charges

You charge HRT when you sell an accommodation unit on the full purchase price of that unit. Full purchase price means the total amount that a guest pays for the right to use the accommodation, including any additional charges for extra beds, cots, cribs, linens and pets, but excluding the goods and services tax (GST).

The HRT must appear as a separate line item on all your invoices.

### HRT Remittance

When you send in your regular tax return, you send in the tax due on all sales of accommodation, including those charged to an account, whether or not your guest has paid the account. If the account becomes a bad debt and you write it off, you can claim a refund of the tax you sent in by taking an adjustment at Step 3 of your next tax return. For more information on bad debts, please see [Bulletin GEN 001](#), *Refund of Tax Remitted on Sales Written Off as Bad Debts*.

For detailed information about your tax return, please see [Bulletin HRT 003](#), *Completing the Hotel Room Tax Return*.

### Municipal and Regional District Tax

If you are a registered operator in certain areas of the province, you are also required to charge a municipal and regional district tax of up to 2% of the purchase price of accommodation. The ministry administers this tax for the municipalities under the *Hotel Room Tax Act*, but it is separate from the HRT and has its own tax return form.

The same rules apply to this tax as to the HRT; that is, if you have to charge or refund the HRT, you also have to charge or refund this tax. To find out more about this additional tax, please see [Bulletin HRT 007](#), *Municipal and Regional District Tax*.

### Records and Audits

You are required to keep books, records and other business related documents necessary to supply details of all your sales, purchases, amounts of tax collected and remitted, and commissions taken, for five years. You need written permission from the ministry to destroy records before five years.

The ministry conducts audits to make sure provincial sales taxes are collected and paid fairly and consistently throughout the province. Audits promote voluntary compliance by educating taxpayers about how to calculate their taxes and by collecting taxes that should have been remitted or paid. For information on what to expect during an audit, please see [Bulletin GEN 009](#), *Understanding Your Consumer Tax Audit*.

## Other Responsibilities

As a registered operator, you are required to:

- have your *Certificate of Registration* in a prominent place in each of your business locations,
- contact the ministry if your *Certificate of Registration* is damaged or lost, and
- notify the ministry and return your *Certificate of Registration* if you change your address, the name or nature of your business, or stop operating your business. If you change the legal entity of your business (e.g. sole proprietor to incorporation), submit a new *Application for Registration as an Operator* form ([FIN 430](#)).

## Sales

### When to Charge HRT

You charge HRT if you offer **four or more** units of accommodation in the following, or similar types of, establishments:

- hotels, motels, resorts, cabins,
- lodging, boarding or rooming houses, or bed & breakfast establishments,
- hostels or dormitories,
- clubs,
- boats or ships moored at one location for the duration of your guests' stay, or
- chalets, condominiums, cabins etc. on behalf of private owners.

The HRT applies whether or not the guest is a resident of British Columbia. Your out-of-province guests may find our brochure, [What Visitors Should Know](#), helpful. The brochure is available from the ministry or any [Service BC Centre](#), or on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/visiting\\_bc.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/visiting_bc.htm)

If you offer four or more units of accommodation, but only rent two or three, you charge HRT on that accommodation.

If you advertise three or fewer units for rent, but actually rent out more than three, you need to be registered as an operator and charge HRT on **all** your accommodation rentals.

If, however, you offer four or more units for part of the year, and three or fewer units for a period, such as during your off-season, there are circumstances when you do not charge HRT on those three or fewer units during that period. For more information, please see [Bulletin HRT 008, Bed & Breakfast Operators](#).

## When Not to Charge HRT

You do not charge HRT if you:

- offer **three or fewer** units of accommodation in British Columbia, regardless of the type of establishment,
- rent a unit to the same guest for a continuous period of more than one month (please see the section below, *Accommodation for a Continuous Period of Over One Month*),
- rent accommodation for a price of \$30 or less per day, or \$210 or less per week,
- provide accommodation in tents,
- provide accommodation without amenities, such as bedding, heat, electricity and indoor plumbing (if any one of these amenities is provided, and you offer four or more units of accommodation, you are required to register with the ministry and charge HRT),
- are a religious or charitable organization providing lodgings at a summer camp or similar place,
- operate a camp or trailer park and provide tent or trailer sites, or
- supply lodgings:
  - to patients or residents in hospitals, nursing homes or homes for the aged,
  - to your employees in premises that you normally operate or that are operated for you,
  - to passengers in a ship or train while in transit or making a scheduled stopover in British Columbia, or
  - in bunkhouses, trailers or other structures within industrial camps that you normally operate, or that are operated for you, solely to provide lodging for your employees and/or contractors while they are working for you. At least 90% of the lodgers must be your employees/contractors or your employees/contractors must occupy the lodgings for at least 90% of the time, over a one-year period. For more information on this type of lodging, please see [Bulletin HRT 009, Accommodation Providers to Natural Resource Industries](#).

## Exemptions

### Indians or Indian Bands

You do not charge HRT on sales of accommodation provided wholly on reserve, or designated reserve land, to guests who qualify as status Indians or Indian Bands under the *Indian Act* (Canada). For more information, please see [Bulletin HRT 004](#), *Hotel Room Tax Exemption for Indians and Indian Bands*.

**Please note:** This exemption does not apply to Nisga'a Citizens or to sales of accommodation on Nisga'a land. Nisga'a Citizens are Nisga'a individuals included in the Nisga'a Final Agreement and who pay provincial taxes, effective June 1, 2008. For more information, please see [Bulletin GEN 013](#), *Provincial Taxes on Nisga'a Lands*.

### Diplomatic or Consular Corps

You do not charge HRT on sales of accommodation to guests who are members of the diplomatic or consular corps.

The guest must show you their diplomatic or consular identity card (issued by Foreign Affairs Canada) and British Columbia must be listed on the back of the card as a province granting exemption. To show why you did not charge the tax, your records must show the number and expiry date of your guest's identity card on the sales invoice or in a logbook kept for this purpose, and your guest's signature. For more information, please see [Bulletin GEN 007](#), *Exemptions for Members of the Diplomatic and Consular Corps*.

## Unique Tax Applications

### Package Programs that Include Meals and/or Specialized Services with Accommodation

In the examples below, continental breakfasts and afternoon teas do not qualify as meals.

#### One meal included

If you sell accommodation for a single price that includes one meal (e.g. bed & breakfast), you charge HRT on the normal price of the accommodation when sold without the meal. However, if this is the only type of package you offer (the guest does not have a choice), you charge HRT on the total purchase price.

#### Two or more meals included

If you sell accommodation for a single price that includes at least two meals provided within a 24-hour period (e.g. breakfast and lunch, or lunch and dinner), you charge HRT on the normal price of the accommodation when sold without meals. However, if this is

the only type of package you offer (the guest does not have a choice), you charge HRT on 60% of the all-inclusive price.

### **Meals and specialized services**

If you sell accommodation for a single price that includes meals and specialized services (e.g. the services of a guide, hunting, fishing or horseback riding equipment, boats, riding horses etc.), you charge HRT on the normal price of the accommodation when sold without meals and specialized services. However, if this is the only type of package you offer (the guest does not have a choice), you charge HRT on 15% of the all-inclusive price, or on \$100 a day, whichever results in less tax.

For more information about the 60% and 15% formulas, please see [Bulletin HRT 002](#), *Fishing Lodges, Guide Outfitters, Guest Ranches and Accommodation Packages*.

### **Accommodation for a Continuous Period of Over One Month**

You do not charge HRT on lodging rented to the same guest for a continuous period of more than one month, provided:

- the person is not a tourism agent and the lodging is occupied during that period by that person, that person's employees or members of that person's family, or
- the person is a tourism agent and the tourism agent's client occupies the lodging during that period (the same guest for the entire period).

The one-month period can begin at any date and ends the day before the numerically corresponding date in the following month, even if it is less than 30 or 31 days. For example, February 22 to March 21 is a one-month period, even though it is only 28 days. In this example, the guest must occupy the lodging through March 21 and check out March 22 (or later) to be eligible for this exemption.

If you bill by the month, you do not charge HRT at any time. If, however, you bill for shorter periods, such as weekly or bi-weekly, or the guest pre-pays for the accommodation, you charge HRT. If the same guest occupies the accommodation for a one-month period, you can refund the HRT paid by the guest. Once the guest's stay has exceeded one month, you do not charge HRT on the remainder of the stay.

If you have already sent in the HRT paid by the guest with your regular tax return, you can claim a refund at Step 3 of your next tax return.

If a business or organization rents a fixed number of rooms for their personnel, **all** for a continuous period of over one month, the same rules apply. If, however, the number of rooms rented **varies**, only the rooms continuously rented over the one-month period are exempt from tax. For example, if an airline rents 40 rooms during a one-month period,

but only 30 continuously for the entire month, you charge HRT on the 10 rooms not rented for the full month. You do not charge tax on the 30 rooms rented continuously for the entire month.

## **Accommodation Provided at No Charge**

### **Rooms provided to a person performing a service**

If you provide a room at no charge to someone performing a service for your establishment, such as a tradesperson or entertainer, the value of that service is considered payment for the room. You pay HRT on the *normal* purchase price of that room based on the following:

- if you offer rates that vary by season, the normal price is the lowest rate for that room during that season,
- if you have signed a contract with the person providing the service, stating that you will provide a room of a particular value, the value stated in the contract is the normal price of the room, or
- if you provide the person with a room that you never rent to regular guests because of its condition or location (over the bar, for example), there is no normal price; therefore, you do not pay HRT.

### **Rooms provided for no consideration**

If you provide rooms at no charge and do not receive consideration of any kind in return, you do not pay (or charge) HRT in the following situations:

- you provide a room to your employees or to a person who is not providing a service for your establishment (e.g. friend or relative),
- you provide a room to a prospective client inspecting the facilities to decide whether to hold a convention or other event there,
- you donate the use of a room as a contest prize (e.g. certificate for free weekend),
- you provide a room to a media representative, or
- you provide additional free nights with a reserved stay. For example, you charge HRT on the first two nights of a “stay two nights and get the third night free” package, but not on the third “free” night.

### **Rooms Without Sleeping Facilities**

If you provide rooms for displaying merchandise, holding meetings, receptions, dinners or other entertainment, you charge HRT on the full cost of the rooms if any of the following apply:

- the room contains a bed or beds,
- there is a sofa bed or hide-a-bed in the room that contains linen, blankets and pillows, or

- there is a connecting room with a bed or beds and the connecting door is not locked.

### **Discount Coupons or Reduced Rates**

If you accept discount coupons or provide reduced rates, either to particular guests or as part of a general advertising campaign, you charge HRT as follows.

- If a third party (e.g. the franchiser) reimburses you for the discount, you charge HRT on the full price of the accommodation before the reduction.
- If a third party does not reimburse you for the discount, you charge HRT only on the reduced price actually received from your guest.

### **Room Cancellation Charges**

If a guest makes a deposit to reserve a room and then cancels the reservation, you do not charge HRT on the deposit because a sale of accommodation has not taken place.

### **Sales to the Provincial or Federal Governments**

You charge HRT on sales of accommodation to the Governments of Canada and British Columbia, and their employees. For more information, please see [Bulletin GEN 002](#), *Sales and Leases to the Governments of Canada and British Columbia*.

## **Purchases**

### **Purchases by Another Operator for Resale**

If you purchase rooms in another hotel for your guests' use when your own rooms are full, you cannot use your HRT registration number to purchase the rooms for resale without paying HRT. You pay the other operator HRT on the accommodation and then reimburse yourself by charging HRT on the charge to your guest. You can make a credit (or debit) adjustment in your records for any difference in HRT you paid for the accommodation, and add or deduct the difference at Step 2 (in Box B) of your next tax return.

This applies only to registered operators. If the purchaser of the accommodation is not a registered operator, they are treated as an agent of the establishment, not as a purchaser for resale (see section below, Purchases Through Tourist Information Centres and Other Agents).

### **Purchases Through Tourist Information Centres and Other Agents**

If you have an arrangement with a tourist information centre to sell accommodation at your establishment, you charge HRT on the amount you bill the centre for the accommodation. In this situation, the centre is not reselling the accommodation, but is acting as an agent for your establishment. The centre may add a mark-up to the



amount charged to the customer, but does not charge or show HRT on its invoices to the customer. The centre's mark-up is considered an administrative fee for the service of arranging the accommodation.

## Provincial Sales Tax

For general PST information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

### Sales of Alcoholic Beverages, Souvenirs or Other Goods

If you sell taxable goods, such as alcoholic beverages, souvenirs, toiletries etc., you will need to register as a vendor under the *Social Service Tax Act*. This means you charge your customer PST on these sales.

To register, complete an *Application for Registration as a Vendor* form ([FIN 418](#)). You will receive a PST registration number. To purchase items for resale without paying PST, give the supplier your registration number. This form is available from the ministry or any [Service BC Centre](#). You will also find it on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/forms.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/forms.htm)

### Liquor Included with All-inclusive Vacation Packages

If you include liquor in an all-inclusive vacation package, it is considered part of the vacation service that you are selling. You pay PST at the rate of 10% on the cost of the liquor you use in providing the service. You do not charge PST on the sale of the liquor to vacation package purchasers.

### Internet Access and Long Distance Telephone Calls

If you provide internet access and long distance telephone service for your guests' use, you are considered the user of the services. You pay PST on the costs of the services you are providing. You do not charge PST on the charge to your guest for the service.

### Parking and Valet Services

If you operate an establishment in the South Coast British Columbia transportation service region, you charge your guests PST on any charges for parking.

You may purchase parking rights for resale exempt from PST. However, if you purchase parking rights to give away free parking to your guests, you are not purchasing parking for resale; therefore, you pay PST on the purchase.

If you purchase parking rights to resell to a valet service, you charge PST on the resale to the valet service. The valet service pays the PST because it is purchasing parking rights for its own use to provide a valet service. The valet service does not resell the parking right, so does not charge its customers PST. For more information, please see [Bulletin SST 105](#), *Motor Vehicle Parking*.

## **Purchases for Business Use**

You pay PST on the purchase or lease of new or used goods that you use in your business, such as:

- stationery, furniture and office equipment,
- advertising materials, such as flyers and brochures,
- goods you purchase to give away as free promotions, such as items included in a gift basket for your guests,
- computer hardware and software (unless custom software), and
- towels, bed linen, soap, shampoo, bathroom tissue and other items that you provide to your guests as part of the accommodation.

This also applies if the above items are included in the purchase or lease of an existing establishment; however, an exemption is available for transfers of tax-paid assets between closely related parties, such as between parent and subsidiary corporations. For more information, please see [Bulletin SST 092](#), *Transfer of Business Assets Between Closely Related Parties*.

## **Purchases from Out-of-Province Suppliers**

If you purchase taxable goods from an out-of-province supplier, you pay PST on the total amount that you pay to bring the goods into British Columbia, including charges for transportation, customs, excise and any other costs, except the goods and services tax (GST). If the supplier does not charge you PST, you self-assess and record the PST due at Step 3 of your next tax return.

If you do not have a PST registration number and the supplier does not charge PST at the time of the sale, you self-assess the PST due using the *Casual Remittance Return for Provincial Sales Tax (PST) Due on Taxable Tangible Personal Property by a Purchaser Not Registered under the Social Service Tax Act* form ([FIN 428P](#)). Do this at the time you bring or ship the goods into British Columbia.

For more information, please see [Bulletin SST 043](#), *Goods Purchased from Out-of-Province Suppliers*.

## Electricity, Natural Gas or Fuel Oil Used for Your Business

PST does not apply to **residential** use of electricity, natural gas or fuel oil (which includes propane), but it does apply to business use. If you run a business out of your home, whether you are a registered operator or not, PST applies to that portion of electricity, natural gas or fuel oil used for your office, any rental rooms and common areas used mostly by your guests. For more information on how to calculate the PST owing, please see [Bulletin SST 133](#), *Home-Based Businesses*.

Effective September 1, 2007, a provincial Innovative Clean Energy (ICE) Fund levy of 0.4% applies to purchases of electricity, natural gas, fuel oil and propane sold on a grid system.

The PST exemption for residential use of electricity, natural gas, fuel oil and propane (including propane sold on a grid system) does not apply to the ICE Fund levy. This means you pay the levy on these products whether you use them for business or residential purposes. For more information, please see our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/ICE\\_Fund\\_Levy.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/ICE_Fund_Levy.htm)

**Please note:** Effective February 20, 2008, biodiesel fuel used for commercial use is exempt from tax. This exemption includes the biodiesel portion of any blend of biodiesel fuel and fuel oil.



### Need more info?

Accommodation website: [www.sbr.gov.bc.ca/industry\\_specific/accommodation/accommodation.htm](http://www.sbr.gov.bc.ca/industry_specific/accommodation/accommodation.htm)

Telephone (Vancouver): 604 660-4524

Toll-free in Canada: 1 877 388-4440

E-mail: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Hotel Room Tax Act*, *Social Service Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/consumer\\_taxes.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm)

References: *Hotel Room Tax Act*, Sections 1, 2, 3, 4, 6, 8 and 23, and Regulations 2.2, 2.4, 3.1, 3.14, 4.1-4.4, 5.1, 5.2, 5.5, 5.6, 5.7 and 9; *Social Service Tax Act*, Sections 1, 5, 11, 53, 61, 68.01, 74, 92 and 98, and Regulations 2.40, 3.22, 5.9, 5.10, 17.1 and 17.2