

## Your Responsibilities as a Registered Operator

### *Hotel Room Tax Act*

**Effective February 16, 2005:**

Tax exemption for lodging provided in qualifying industrial camps

The *Hotel Room Tax Act* imposes tax on purchases of accommodation that take place in British Columbia. Taxable accommodation is lodging provided in hotels, motels, and other establishments offering similar types of accommodation. The following information is provided to assist sellers of accommodation with the collection and remittance of hotel room tax in accordance with the requirements of the legislation.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Hotel Room Tax Act* and Regulations can be found on the web at [www.rev.gov.bc.ca](http://www.rev.gov.bc.ca)

#### **IN THIS ISSUE...**

- **Registration as an Operator**
- **What is Subject to the Tax?**
- **Collecting the Tax From Your Customer**
- **Exemptions and Unique Tax Applications**
- **Remitting the Tax Collected**
- **Social Service Tax**
- **Tax Compliance**

### **REGISTRATION AS AN OPERATOR**

#### **WHO MUST REGISTER?**

Under the Act, an operator is a person, other than a tourism agent, who sells taxable accommodation in the normal course of business. If you sell accommodation that is subject to tax, as listed on the next page of this bulletin, you must register as an operator with the Consumer Taxation Branch.

The Act defines a "tourism agent" as a person who purchases accommodation from one or more operators and who, for payment, makes the whole or any part of the accommodation available for use by their customers as part of a tourism service.

A tourism agent is a business that arranges tour packages that include accommodation and other

services, such as transportation and ticket passes to local events and facilities.

For example, a tourism agent may arrange a skiing package that would include transportation from Ireland to Whistler, accommodation in local facilities, and ski lift passes.

Tourism agents are not required to collect tax from their customers on the accommodation included in such services. However, they are required to pay tax on their cost of the accommodation.

**MORE INFO:** [Bulletin HRT 005, Do You Need to Register as an Operator?](#)

#### **HOW DO I REGISTER?**

Applications for registration as an operator (FIN 430) are available from all Consumer Taxation Branch and Government Agents offices. Please answer all questions carefully and completely to avoid delays in processing the registration. Forward your completed application to the Consumer Taxation Branch in Victoria, or present it in person at your local Consumer Taxation Branch office.

Alternatively, you may complete the application online and submit it electronically. The registration application is available on the Consumer Taxation Branch Web site at [www.rev.gov.bc.ca/ctb](http://www.rev.gov.bc.ca/ctb)

#### **YOUR CERTIFICATE OF REGISTRATION**

As a registered operator, you will receive a *Certificate of Registration* for each place of business in the province. Your certificate must be displayed

at all times in a prominent location at your business premises. This certificate does not take the place of a business licence, which should be obtained from your municipality or regional district.

If you change the structure of your business in any way, through incorporation, partnership change, or amalgamation, etc., or if you change your name, business name, or business location, you must notify the Consumer Taxation Branch and return your certificate. You can advise the branch by completing either the *Notice of Change of Business/Location Address* form (FIN 386), or the *Notice of Change of Ownership Name or Business Name* form (FIN 389). These forms can be submitted on-line, by fax, or by mail. You must also provide supporting documentation.

A new certificate will be issued. The certificate is not transferable. If you close or sell your business, the certificate becomes void and must be returned within 15 days of the closure or sale. The purchaser of your business must apply for a new certificate.

Please provide the account number shown on your certificate in all communications with the branch.

## WHAT IS SUBJECT TO THE TAX?

### WHAT TYPE OF ACCOMMODATION IS SUBJECT TO THE TAX?

Unless a specific exemption applies, all sales of accommodation provided by the following types of establishments, or similar establishments, are subject to tax. The tax applies whether or not the customer is a resident of British Columbia.

Sales of accommodation that are subject to tax include lodging in:

- hotels, motels, resorts, cabins, and similar establishments that offer **four or more units** of accommodation;
- lodging houses, boarding houses, bed and breakfast establishments, or rooming houses offering **four or more units** of accommodation;
- hostels and dormitories with **four or more beds** for rent;
- clubs and similar places that offer **four or more units** of accommodation, whether or not membership is required for the lodging;
- boats or ships moored at one location for the duration of the guests' stay that offer **four or more units** of accommodation;

- privately-owned units (e.g., chalets, condos, cabins) sold by a private management company that offers **four or more units** of accommodation.

### WHAT TYPE OF ACCOMMODATION IS NOT SUBJECT TO TAX?

The following type of lodging is not subject to tax under the Act. If you sell only the following type of accommodation, you are not required to register as an operator, and hotel room tax does not apply to your sales of lodging.

- Accommodation provided by an operator who offers **less than four** units of accommodation, regardless of the type of establishment. A unit of accommodation is the basic unit sold to the customer. For example, a unit of accommodation for a hotel or motel is generally a room or a suite, whereas a unit of accommodation for a hostel or dormitory is generally a bed.
- Lodging let to the same person for a continuous period of more than 2 months.
- Accommodation sold for a price of \$20 or less per day, or \$140 or less per week.
- Accommodation provided in tents.
- Tent or trailer sites supplied by a camp or trailer park.
- Lodging supplied to patients or residents in hospitals, nursing homes, or homes for the aged.
- Lodging supplied by employers to their employees in premises normally operated by or on behalf of the employer.
- Lodging in industrial camps (facilities that provide accommodation in bunkhouses, trailers or other structures) that are operated by or on behalf of an employer or under a contract with an employer, and are operated solely for the purpose of providing lodging exclusively (over 90%) to employees of the employer, other persons engaged by the employer or to both, during periods when those persons are performing work or other services for the employer.
- Lodging supplied to passengers in a ship or train while the ship or train is in transit or is making a scheduled stopover in the province.
- Lodging supplied by religious or charitable organizations at summer camps and similar places.
- Accommodation provided in cabins and

other accommodation units that are not supplied with **any** of the following: bedding, heat, electricity, and indoor plumbing.

## COLLECTING THE TAX FROM YOUR CUSTOMER

### TAX RATES

Tax at the rate of 8% of the purchase price applies to sales of accommodation. Operators in certain municipalities and regional districts are also required to collect a municipal and regional district tax of up to 2% of the purchase price.

**MORE INFO:** [Bulletin HRT 007, Municipal and Regional District Tax.](#)

### CHARGING THE TAX

Hotel room tax must be charged and collected at the time of sale on the full sale price of all taxable accommodation including any additional charges for extra beds, cots, cribs and pets. Sale price means the total amount that a customer must pay to obtain the right to use the accommodation, but does not include any federal goods and services tax (GST) applicable to the sale. However, please review the exemptions and unique tax applications outlined in the next section of this bulletin.

When a customer charges accommodation to an account, the tax due on the purchase must be included in your next remittance whether or not the customer has fully paid the account by that time. If the account becomes a bad debt and is written off, arrangements may be made through the Consumer Taxation Branch for a refund of the tax you remitted to the branch but did not collect from your customer.

The tax must be shown separately on all invoices. It is an offence against the Act for operators to offer to pay the tax themselves, or to tell customers that the operator is absorbing the tax, to encourage sales.

## EXEMPTIONS AND UNIQUE TAX APPLICATIONS

### DIPLOMATIC OR CONSULAR CORPS EXEMPTION

In accordance with international agreements, members of a diplomatic or consular corps are exempt from payment of hotel room tax. Persons claiming this exemption must present their diplomatic or consular identity card, issued by Foreign Affairs Canada, that indicates the holder is exempt from provincial sales tax. You may sell the accommodation exempt from tax provided the name, identity card number, expiry date, and

signature of the customer are recorded on the sales invoice or in a log book kept for this purpose.

**MORE INFO:** [Bulletin GEN 007, Exemptions for Members of the Diplomatic and Consular Corps.](#)

### EXEMPTION FOR FIRST NATIONS PURCHASERS

Accommodation provided on reserve land for the personal use of persons who qualify as an Indian or Indian band as defined under the *Indian Act* (Canada) is exempt from tax.

**MORE INFO:** [Bulletin HRT 004, Hotel Room Tax Exemption for Indians and Indian Bands.](#)

### ONE MEAL INCLUDED

When accommodation is sold for a single price that includes one meal (e.g., a bed and breakfast), tax applies to the normal price of the accommodation when sold without the meal. If the accommodation is not offered without the meal, tax applies to the total amount charged.

### TWO OR MORE MEALS INCLUDED

When accommodation is sold 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), the purchase price to which tax applies is the normal price of that accommodation when sold without meals. If the accommodation is not offered without meals, tax applies to 60% of the all-inclusive price. This 60% formula **does not** apply when accommodation is sold for a single price that includes fewer than two meals a day. Continental breakfasts and afternoon teas do not qualify as meals in determining whether the 60% formula applies.

### ACCOMMODATION SOLD WITH SPECIALIZED SERVICES AND MEALS

When accommodation is sold for a single price that includes meals and specialized services (e.g., the use of hunting, fishing, or horseback riding equipment, fishing boats, riding horses), the purchase price to which tax applies is the normal price of the accommodation when sold without meals and specialized services. When an operator does not offer the accommodation without the meals and specialized services, tax applies to 15% of the all-inclusive price. For information about the application of the 60% and 15% formulas, please refer to [Bulletin HRT 002, Fishing Lodges, Guide Outfitters, Guest Ranches, and Accommodation Packages.](#)

### DISCOUNT COUPONS OR REDUCED RATES

When you accept discount coupons or provide reduced rates, either to particular customers or as part of a general advertising campaign, tax applies

as follows.

- If you are reimbursed by a third party (e.g., the franchiser) for the amount of the discount, tax applies to the full price of the accommodation before the reduction.
- If you are not reimbursed by a third party for the amount of the discount, tax applies only to the reduced price actually received from your customer.

### ROOMS WITHOUT SLEEPING FACILITIES

If you provide rooms for displaying merchandise, holding meetings, receptions, dinners, or other entertainment, and the rooms do not contain beds, you must charge tax on the full cost of the rooms in the following circumstances.

- There is a sofa bed or hide-a-bed in the room that contains linen, blankets, and pillows, and is therefore available for use.
- A connecting room that contains a bed(s) is available for use because the connecting door is not locked.

If the sofa bed or connecting room is not available for use, you are not required to charge the tax on the cost of the room.

### ACCOMMODATION FOR A CONTINUOUS PERIOD OF OVER TWO MONTHS

You are required to collect the tax from your customer during the first two months of occupancy. If the same customer occupies a lodging for a continuous period of over two months, the tax paid by the guest during the first two months is refundable.

Lodging let to the same person for a continuous period of more than two months is exempt from tax only if the following conditions are met:

- the person is not a tourism agent and the lodging is actually 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 lodging is actually occupied during that period by the same customer of the tourism agent.

If a business or organization, such as an airline, purchases a **fixed** number of rooms for their personnel and the same number of rooms are rented for a continuous period of over two months, the tax paid should be refunded to the business as outlined above. If the number of rooms rented **varies** over the two-month period, only the tax paid

on the lowest number of rooms continuously rented over the two-month period is refundable. For instance, if an airline rents 40 rooms for the first 50 nights and 20 rooms for the next 11 nights, only the tax paid on 20 rooms is refundable.

### ROOMS PROVIDED AT NO CHARGE

The purchase price of accommodation means "*the price in money, the value of services rendered, and other considerations accepted by the operator in return for the accommodation.*" Therefore, if you provide rooms at no charge to persons performing a service for your establishment (e.g., tradespeople, entertainers, etc.), you must remit tax on the normal purchase price of the accommodation.

To determine the normal price of a room provided to persons performing a service for the operator, the following guidelines apply.

**Preferred Rates:** Hotels and other operators frequently offer varying rates for a particular room when occupied by a particular client and/or during a particular season. In this case, the price of the room for the purposes of calculating tax due is the lowest rate for that particular room occupied during that season.

**Value of Room Stated in Contract:** When the person providing the service has a contract stating that a room of a particular value is to be provided, the value stated in the contract will be considered the price of the room.

**Rooms Never Rented to Regular Guests:** In some cases, the rooms provided to persons providing a service are never rented to other guests due to the condition or location of the room (e.g., above the bar). If this is the case, no tax is due on the use of the room as there is no purchase price for that particular accommodation.

## REMITTING THE TAX COLLECTED

### TAX REPORTING PERIODS

Tax collected on sales of accommodation must be remitted to the Minister of Finance on a regular basis. A tax reporting period will be established by the Consumer Taxation Branch at the time of registration as an operator.

### FILING A TAX RETURN AND PAYING THE TAX BY THE DUE DATE

The tax return forwarded to you each reporting period includes instructions for completion. The completed form must be returned with your remittance by the 15th day of the month following the end of your reporting period. Tax returns that do not reach the branch by the due date are

subject to penalty and interest charges. No commission is allowed on overdue returns.

**MORE INFO:** [Bulletin HRT 003, \*Completing the Tax Return Form\*](#).

You are responsible for reporting your sales and submitting the tax owing by the due date even if your tax return form fails to reach you. Complete and send a facsimile of your return providing all the information normally shown on the return form, including your registration number, to the branch. Failure to include your registration number could delay the crediting of returns to your account. Blank forms are available from our Web site or from any Consumer Taxation Branch or Government Agents office.

## SOCIAL SERVICE TAX

### SALES OF ALCOHOLIC BEVERAGES OR SOUVENIRS

If you sell alcoholic beverages, souvenirs, or any other items of tangible personal property, you must also be registered as a vendor under the *Social Service Tax Act* and submit separate returns for the tax collected on such sales. Contact the Consumer Taxation Branch for information regarding registration under this Act and an application form. You can also register on-line at our Web site at [www.rev.gov.bc.ca/ctb](http://www.rev.gov.bc.ca/ctb)

### PURCHASES FOR BUSINESS USE

You must pay social service tax when you purchase towels, bed linen, soap, shampoo, or other items that are provided to your guests as part of the accommodation. You are also required to pay tax on equipment, furnishings, and supplies purchased or leased for use in the business. This includes cash registers, tables, chairs, stationery, and similar items. This also includes electricity, natural gas and fuel oil that you use in the business.

## TAX COMPLIANCE

### RETENTION OF RECORDS

You must keep all records of sales and adjustments for inspection by Consumer Taxation Branch representatives. These records may not be destroyed without written permission from the Director appointed under the *Hotel Room Tax Act*. Please contact the Consumer Taxation Branch for more information.

### AUDITS AND INSPECTIONS

The Consumer Taxation Branch monitors compliance with the requirements of the *Hotel Room Tax Act* through audit and inspection programs. Each year, the records of a number of businesses are examined to ensure that all taxes due to the province have been collected and remitted. When non-compliance is established, the taxpayer is assessed an amount equal to the tax due, plus interest and penalty charges, and may be subject to prosecution under the legislation.

To maintain a fair and equitable tax system, it is essential that all businesses comply with the requirements of the legislation. Where a person fails to remit taxes due and owing to the Crown, the legislation authorizes various collection proceedings such as seizure and sale of assets or attachment of bank accounts or receivables.

### NEED MORE INFO?

**This bulletin is provided for convenience and guidance. If you still have questions call us at 604 660-4524 in Vancouver or toll-free at 1 877 388-4440 elsewhere in Canada or refer to the legislation.**

Information is also on the Web at [www.rev.gov.bc.ca](http://www.rev.gov.bc.ca) While there, you can subscribe to our free electronic update service.

**References:** *Hotel Room Tax Act (Revised 1996)*, sections 1, 2, 4, 8, 23; Regulations 2.2, 2.4, 3.1, 4.1, 4.2, 4.3, 4.4, 5.1, 5.2, 5.5, 5.6, 8. *Social Service Tax Act* sections 1, 74.