



GST/HST Memoranda Series

28.3 Passenger Transportation Services

January 1999

Revised August 13, 1999

Overview

This section explains the tax status of passenger transportation services as they relate to the Goods and Services Tax (GST) and Harmonized Sales Tax (HST) provisions of the *Excise Tax Act* (the Act). The legislative reference for this section is Part VII of Schedule VI to the Act unless otherwise indicated.

Disclaimer

The information in this memorandum does not replace the law found in the *Excise Tax Act* and its Regulations. It is provided for your reference. As it may not completely address your particular operation, you may wish to refer to the Act or appropriate Regulation, or contact a Canada Revenue Agency (CRA) GST/HST Rulings Centre for more information. These centres are listed in GST/HST Memorandum 1.2, *Canada Revenue Agency GST/HST Rulings Centres*. If you wish to make a technical enquiry on the GST/HST by telephone, please call the toll-free number 1-800-959-8287.

If you are located in the Province of Quebec, please contact Revenu Québec by calling the toll-free number 1-800-567-4692 for additional information.

Note

This section and section 28.2 *Freight Transportation Services* of Chapter 28 supersede GST Memorandum 300-3-7, *Transportation Services*, dated May 4, 1992. Due to the number of revisions, the changes have not been side-barred.

Note HST

Reference in this publication is made to supplies taxable at 7% or 15% (the rate of the HST). The 15% HST applies to supplies made in Nova Scotia, New Brunswick and Newfoundland (the “participating provinces”).

Passenger transportation services

General

1. Passenger transportation services include all modes of transportation available to the general public such as transportation by bus, taxi, train, ship and aircraft. A supply of a passenger transportation service made in Canada can be exempt, zero-rated or taxable at 7% or 15%. The following paragraphs explain how to determine the tax status of a supply of a passenger transportation service.

Explanation of key transportation terms used in this publication

Continuous journey
Sch. VI, Part VII, s 1

2. A “continuous journey” of an individual or a group of individuals means the set of all passenger transportation services provided to the individual or group

(a) and for which a single ticket or voucher in respect of all services is issued, or

(b) where two or more tickets or vouchers are issued in respect of two or more legs of a single journey of the individual or group on which there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, and all the tickets or vouchers are issued by the same supplier or by two or more suppliers through one agent acting on behalf of all the suppliers where

(i) all such tickets are supplied at the same time and evidence satisfactory to the Minister is maintained by the supplier or agent that there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, or

(ii) the tickets or vouchers are issued at different times and evidence satisfactory to the Minister is submitted by the supplier or agent that there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued.

3. The term “continuous journey” is important in determining whether a domestic passenger transportation service that would otherwise be taxable at 7% or 15% qualifies as part of a zero-rated international trip. It is not uncommon for a traveller to have a single ticket for two or more transportation services. For example, a traveller may purchase an airline ticket for two flights: one from Winnipeg to Montreal to connect with another flight from Montreal to an overseas destination. Where multiple transportation services are provided on a single ticket, each of the services is treated as part of a continuous journey and accorded the same tax status. In other words, there is no requirement to distinguish between different services and prorate ticket prices. For example, in the case of air travel, as long as the ticket includes at least one origin, destination or stopover that is outside the taxation area, all passenger transportation services included in the ticket are treated as being international services and are zero-rated. Refer to paragraph 10 for the definition of taxation area.

4. Instances arise where separate tickets are issued to travellers for different portions of a journey. For example, a traveller purchases from a travel agent an overseas airline ticket, along with a shuttle bus ticket to the domestic airport of departure. In certain circumstances, separately ticketed domestic services are considered to form part of a continuous international journey. To qualify as part of a continuous international journey, the following conditions must be met:

(a) all tickets must be issued by the same supplier or travel agent;

(b) all tickets must be for the same traveller;

(c) any intermediate stops between the legs of the journey for which separate tickets are issued must be for connection purposes only;

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- (d) the continuous journey must contain an international origin, destination or stopover; and
- (e) the supplier of the passenger transportation service must be able to demonstrate to the Department's satisfaction that the conditions for treating a domestic ticket as part of a continuous international journey have been met. For example, all tickets should be cross-referenced or a travel itinerary maintained.

Note: For administrative purposes, when a transfer to another conveyance is required to complete the continuous journey, a period of 24 hours will be considered reasonable within which to make this connection. If a longer stop is required, it is the responsibility of the supplier or travel agency to demonstrate that the length of the stop is for connection purposes only.

Leg
Sch. IX, Part VI, s 1

5. "Leg" of a journey on a conveyance means a part of the journey that begins where passengers embark or disembark the conveyance or where it is stopped to allow for its servicing or refuelling and ends where it is next stopped for any of those purposes. This term is relevant only for determining whether or not the supply takes place in a participating province.

Origin
Sch. VI, Part VII, s 1

6. "Origin" means, in respect of a continuous journey, the place where the passenger transportation service that is included in the continuous journey and that is first provided begins.

Stopover
Sch. VI, Part VII, s 1

7. "Stopover", in respect of a continuous journey of an individual or a group of individuals, means any place at which the individual or group embarks or disembarks a transportation conveyance used in the provision of a passenger transportation service included in the continuous journey, for any reason other than transferring to another conveyance or to allow for servicing or refuelling of the conveyance.

8. This definition of stopover is important for two reasons:

- It determines the tax status of a single transport ticket when the journey both starts and ends in Canada. For example, it is zero-rated if there is an overseas stopover.
- It is crucial when two or more tickets are linked together to satisfy the continuous journey rule. A stopover does not signal the end of a continuous journey. When a transfer to another conveyance is required to complete the continuous journey, a period of 24 hours is considered reasonable within which to make the connection. If a longer stop is required, the supplier or the travel agency must demonstrate that the length of the stop is for connection purposes only.

Example

A person purchases one return air ticket departing from Montreal to Tokyo with stopovers in Toronto and Vancouver for two days each. The ticket is zero-rated because there is an overseas destination. The stopovers in Canada do not affect the tax status of the passenger transportation service on a **single ticket**.

Interruption in journey

9. An interruption in the journey to transfer between transport conveyances is **not** considered a stopover when the interruption

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- is less than 24 hours; or
- ends with the next available scheduled transportation to the next stage of the journey.

Example Individuals arrive at their destination in the evening and have 24 hours (or until the next available scheduled departure) to transfer onto the next stage of the journey before the interruption is considered a stopover.

Taxation area
Sch. VI, Part VII, s 1 10. "Taxation area" means Canada, the United States (except Hawaii) and the islands of St. Pierre and Miquelon. This definition is relevant only for transportation services which include transportation by air.

Termination
Sch. VI, Part VII, s1 11. "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.

International passenger transportation services

Passenger services
Sch. VI, Part VII, s 2 and 3 12. International passenger transportation services are zero-rated. Detailed information is provided below.

Continuous journey other than by air

Passenger transportation service other than by air
Sch. VI, Part VII, s 2 13. Passenger transportation services by rail, road or water (i.e., other than air travel) that are provided to an individual or a group of individuals and that are part of a continuous journey of the individual or group are zero-rated if:

- the origin or termination is outside Canada; or
- there is a stopover outside Canada.

Exclusions
Sch. VI, Part VII, s 2 14. Specifically excluded from this zero-rating provision are day trips outside Canada; that is, trips (other than by air) beginning and ending in Canada where the traveller is not scheduled to be outside Canada for an uninterrupted 24-hour period during the course of the trip.

Example A tour boat ride along the St. Lawrence River is not zero-rated if it starts and ends in Canada on the same day, even if the boat docks on the US side for lunch or sightseeing purposes.

Continuous journey by air

Sch. VI, Part VII, s 3

15. Passenger transportation services that are provided to an individual or a group of individuals and that are part of a continuous journey that includes air transport are zero-rated if:

- (a) the origin or termination of the continuous journey, or any stopover is outside the taxation area;
- (b) the origin and termination of the continuous journey and all stopovers are outside Canada;
- (c) the origin of the continuous journey is within the taxation area, but outside Canada, and the recipient of the supply tenders the consideration for the supply at a place outside Canada; or
- (d) all places at which the individual or group embarks or disembarks an aircraft are outside Canada, and the origin or termination of the continuous journey, or any stopover is outside Canada.

16. A person is considered to have tendered consideration for a passenger transportation service outside Canada where the person had ordered the ticket outside Canada and paid for it by cheque, money order or foreign institution credit card, mailed or supplied from outside Canada.

Example - Sch. VI, Part VII, para 3(c)

A recipient of a supply of a passenger air transportation service (air ticket with a routing from the USA to Canada) tenders the consideration for that supply by placing a phone call from the continental USA to a Canadian travel agent and providing a US bank issued credit card number over the phone. In this example, the supply is zero-rated because the origin of the continuous journey is within the taxation area, but outside Canada, and the recipient of the supply is considered to have paid for the supply at a place outside Canada.

Other zero-rated supplies

Excess baggage charges
Sch. VI, Part VII, s 4

17. Where a separate charge is made for a supply of a service of transporting an individual's baggage (the most common being excess baggage charges) in connection with a passenger transportation service, this separate charge is zero-rated, if the passenger transportation service itself is zero-rated.

International ferry
transportation services
Sch. VI, Part VII, s 14

18. A supply of ferrying by watercraft passengers or property to or from a place outside Canada where the principal purpose of the ferrying is to transport passengers and motor vehicles between parts of a road or highway system that are separated by a stretch of water is zero-rated. More information is available in Section 28.1, *Ferry, Road and Bridge Tolls*.

International air
ambulance services
Sch. VI, Part VII, s 15

19. A supply of an air ambulance service made by Canadian air ambulance operators where the passenger transportation service is to or from a place outside Canada is zero-rated.

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Property and services supplied in conjunction with international travel

Supplies of goods and services made to passengers s 180.1	20. The supply of tangible personal property or a service (e.g., the serving of food and beverages or the sale of goods) made to passengers on board an aircraft on a international flight or a vessel on an international voyage is deemed to be made outside Canada, where the property is delivered or the service is performed aboard the aircraft or vessel. Since the supply is deemed to have been made outside Canada it is not subject to the GST/HST.
Meaning of international flight ss 180.1(1) of the Act	21. International flight means any flight (other than a flight originating and terminating in Canada) of an aircraft that is operated by a person in the course of a business of supplying passenger transportation services.
Meaning of international voyage ss 180.1(1)	22. International voyage means any voyage (other than a voyage originating and terminating in Canada) of a vessel that is operated by a person in the course of a business of supplying passenger transportation services.

Domestic passenger transportation services

Taxable supplies of passenger transportation services

General	23. A taxable supply (other than a zero-rated supply) of a passenger transportation service is taxable at 7% or 15%, depending on whether the supply is made in a non-participating province or a participating province.
	24. Surface passenger transportation services are taxable at 7% or 15%, unless they are exempt. For example, taxi fares, and sea and train trips are taxable, provided they originate and terminate in Canada.

Exempt supplies of passenger transportation services

Municipal transit services Sch. V, Part VI, s 24	25. Municipal transit services or public passenger transportation services designated by the Minister to be a municipal transit service supplied directly to members of the public are exempt.
Meaning of municipal transit service Sch. V, Part VI, s 1	26. Municipal transit service means a public passenger transportation service (other than a charter service or a service that is part of a tour) that is supplied by a transit authority all or substantially all of whose supplies are of public passenger transportation services provided within a particular municipality and its environs.
Examples	<p>If an organization contracts with a municipality to provide transit services to the public on behalf of the municipality, the charges to the public are exempt. However, any charges by the organization to the transit authority for the provision of these services are taxable at 7% or 15%.</p> <p>If a school charters a city bus for a special field trip or a local transit authority offers sight-seeing tours of a city, these supplies are taxable at 7% or 15%.</p>
Road and bridge tolls Sch. V, Part VIII, s 2	27. Road and bridge tolls for travel entirely within Canada are exempt.

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Ferry transportation services Sch. V, Part VIII, s 1	28. A supply (other than a zero-rated supply) of a service of transporting property or passengers on a ferry is exempt where the principal purpose of the ferrying is to transport motor vehicles and passengers between parts of a road or highway system that are separated by a stretch of water.
Additional information	29. More information on ferry, road and bridge charges and ferry transportation services is available in Section 28.1, <i>Ferry, Road and Bridge Tolls</i> .
Domestic ambulance services Sch. V, Part II, s 4	30. A supply of an ambulance service made by a person who carries on the business of supplying ambulance services is exempt except an air ambulance service where the transportation is to or from a place outside Canada. Paragraph 19 explains the treatment of these latter services.

Place of supply

General s 144.1	31. Place of supply rules are important with respect to passenger transportation services because where the supply is made can help determine the tax status and/or tax rate of the service. There are rules to determine in which Canadian province a supply is made (i.e., participating province versus non-participating province).
Passenger transportation services Sch. IX, Part VI, para 2(a)	32. Where a ticket or voucher issued for the first passenger transportation service that is part of a continuous journey specifies an origin of the journey that is a place in a province and the termination and all stopovers in respect of the continuous journey are in Canada, the place of supply is that particular province.
Example	If a return rail ticket has a routing Halifax-Ottawa-Halifax, the place of supply would be Nova Scotia due to the fact that the origin specified in the ticket is a place in Nova Scotia and the termination and all stopovers in respect of the journey are in Canada. In this example, the consideration for the supply of the return rail ticket is subject to the 15% HST as the supply is made in a participating province.
Termination or stopover outside Canada Sch. IX, Part VI, para 2(a) and s 144.1	33. Where a ticket or voucher issued for the first passenger transportation service that is part of a continuous journey specifies an origin of the journey that is a place in a province and the termination or any stopover in respect of the continuous journey is outside Canada, the place of supply is deemed to be a non-participating province.
Example	If a return plane ticket has a routing Halifax-Boston-Halifax, the place of supply would be a non-participating province because the origin is specified in the ticket and there is a stopover outside Canada. In this example, the supply of the passenger transportation service is taxable at 7%.
Passenger transportation services Sch. IX, Part VI, para 2(b)	34. Where the origin of the passenger transportation service is not so specified, the place of supply is the place of negotiation of the supply.
Example	If a bus pass that entitles a passenger to unlimited bus travel for 60 days is purchased in Fredericton, New Brunswick, but the bus pass does not specify the origin of the passenger transportation service, the place of supply will be New Brunswick, and the consideration for the supply of the bus pass will be subject to the 15% HST.

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Supplies on board conveyance Sch. IX, Part VI, s 3	35. There are place of supply rules for supplies of tangible personal property or services (other than a passenger transportation service) delivered or performed on board a conveyance. Specifically, the sale of goods delivered on board a conveyance, or a supply of a service that is wholly performed on board the conveyance, during a leg of a continuous journey that begins and ends in the participating provinces is considered to be made in the participating province in which that leg of the journey begins.
Example	A supply of alcoholic beverages served during a leg of a flight that begins in Fredericton, New Brunswick, and ends in Halifax, Nova Scotia, is considered to be made in New Brunswick and is subject to the 15% HST.
Baggage charges Sch. IX, Part VI, s 4	36. There are place of supply rules for the service of transporting an individual's baggage in connection with a passenger transportation service supplied to the individual. Where a person who supplies a passenger transportation service to an individual also supplies a service of transporting that individual's baggage in connection with the passenger transportation service, the place of supply of the service of transporting the individual's baggage is the same as that of the passenger transportation service. Therefore, excess baggage charges will be subject to the 15% HST if the passenger transportation service is subject to the 15% HST.

Rebate of GST/HST paid in error

Sch. VI, Part VII, s 2 and 3	37. Registered suppliers may sell domestic transportation services on a zero-rated basis to unregistered non-resident tour operators, provided that the registered supplier maintains evidence (which will be provided by the unregistered non-resident tour operator) that the domestic transportation services will be ultimately resold as part of a zero-rated continuous journey.
Policy statement P-037	<p>38. Occasionally, situations arise where unregistered non-resident tour operators are charged amounts as GST/HST on domestic transportation services that would qualify as zero-rated because the Canadian supplier is not aware of, or does not understand, the provisions regarding a continuous journey. In these instances, the unregistered non-resident tour operators may seek an adjustment from the Canadian supplier. Where this is not practical or where the Canadian supplier refuses to adjust the amount charged as tax pursuant to section 232, the unregistered non-resident tour operators may apply to the Department for a rebate of the GST/HST paid in error on the domestic transportation services.</p> <p>39. The rebate for tax paid in error may be claimed using form GST189, <i>General Application for Rebate of Goods and Services Tax (GST)/Harmonized Sales Tax (HST)</i>. Unregistered non-resident tour operators must attach to their rebate claim all the requisite information that they are normally required to provide to the Canadian supplier to establish that the continuous journey criteria were in fact met. Detailed information on completing the form and claiming the rebate is available in the Revenue Canada guide, <i>GST/HST General Rebate Application</i>, which is available from any Revenue Canada tax services office.</p>

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Date: Aug. 13, 1999

NOTICE OF CHANGES: In GST/HST Memorandum 28.3, *Passenger Transportation Services*, of Chapter 28, *Special Sectors: Transportation*, dated January 1999.

The following changes are to be made to the above-mentioned memorandum to explain the Department's administrative policy with respect to the rebate of the GST/HST paid in error on domestic transportation services provided by unregistered non-resident tour operators.

The following is to be added after paragraph 36 on page 8:

Rebate of GST/HST paid in error

Sch. VI, Part VII, s 2
and 3

37. Registered suppliers may sell domestic transportation services on a zero-rated basis to unregistered non-resident tour operators, provided that the registered supplier maintains evidence (which will be provided by the unregistered non-resident tour operator) that the domestic transportation services will be ultimately resold as part of a zero-rated continuous journey.

Policy statement
P-037

38. Occasionally, situations arise where unregistered non-resident tour operators are charged amounts as GST/HST on domestic transportation services that would qualify as zero-rated because the Canadian supplier is not aware of, or does not understand, the provisions regarding a continuous journey. In these instances, the unregistered non-resident tour operators may seek an adjustment from the Canadian supplier. Where this is not practical or where the Canadian supplier refuses to adjust the amount charged as tax pursuant to section 232, the unregistered non-resident tour operators may apply to the Department for a rebate of the GST/HST paid in error on the domestic transportation services.

39. The rebate for tax paid in error may be claimed using form GST189, *General Application for Rebate of Goods and Services Tax (GST)/Harmonized Sales Tax (HST)*. Unregistered non-resident tour operators must attach to their rebate claim all the requisite information that they are normally required to provide to the Canadian supplier to establish that the continuous journey criteria were in fact met. Detailed information on completing the form and claiming the rebate is available in the Revenue Canada guide, *GST/HST General Rebate Application*, which is available from any Revenue Canada tax services office.

Please note that the database version of GST/HST Memorandum 28.3 is being revised to reflect these changes.

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All GST/HST memoranda and other Revenue Canada publications are available on Internet at the Revenue Canada site <http://www.rc.gc.ca/> under the heading "Technical Information" in "General Information".