

Accommodation

About this Guide

The information in this *Guide* explains how Retail Sales Tax (RST) applies to transient accommodation. Please note that this *Guide* replaces the previous version dated June 2001. Revisions to previous content have been identified by a bar (|).

Transient Accommodation

Definition

Under the *Retail Sales Tax Act* (Act), a taxable service includes the provision of transient accommodation. Transient accommodation is lodging for **less than a month** in the following (and similar) establishments:

- apartments, boarding houses and clubs
- hotels and motels
- hostels, tourist homes and lodging houses.

The length of a “**month**” depends on the number of days in the month when the lodging begins. For instance, a person who arrives in April and lodges for 31 **consecutive** days has stayed for **one month or more** for RST purposes, since April has only 30 days.

Membership Fees

Some membership fees include the privilege of accommodation, or accommodation and meals, as a benefit of membership. This is considered to be transient accommodation. In these instances, the membership fee must specify a separate amount for accommodation or accommodation and meals. Transient accommodation is subject to RST at the rate of 5 per cent. Meals are taxable at the rate of 8 per cent if the total charge for the meal is more than \$4.00, excluding the federal Goods and Services Tax (GST). RST is **not** to be charged on the GST.

Please note that for the balance of this Guide, reference to the \$4.00 amount will exclude GST.

Gratuity Charges

Some vendors in the accommodation industry add a mandatory service or gratuity charge to their bill. RST is payable at the rate of 5 per cent on the total charge (room and gratuity) even if the gratuity is shown separately.

“No Show” Charges

No RST is payable on “no show” charges which may be charged to customers who have guaranteed reservations, but do not show up. This amount is generally based on the charge for the category of the room guaranteed.

Accommodation Arranged By Companies

Some large companies, such as airlines, arrange transient accommodation for their employees or others. There are two ways this accommodation may be arranged:

1. A lodging establishment may set aside **specific** rooms for the use of the company for continuous periods for one month or more. The rooms are available for the company’s use whether or not the rooms are occupied during the period. RST does not apply to the charges made to the company for these rooms, provided each period is for a month or more.
2. A lodging establishment may agree to make available a certain number of rooms for the use of the company. Specific rooms are **not set aside** for that purpose but are randomly assigned from the rooms available in the lodging establishment when an individual arrives.

Accommodation Arranged by Companies (continued) If a room is occupied for a continuous period of less than one month, Retail Sales Tax (RST) is payable on the accommodation charges even if the company is billed by the lodging establishment on a monthly basis. The exemption from RST **only** applies if the rental of a specific room covers a continuous period of one month or more.

American Plan

If you offer meals and accommodation for one price under an American or modified American plan, 5 per cent RST must be added to the total charge. For a stay of a month or more, tax does not apply to the value of accommodation but does apply at 8 per cent to the value of meals. In this case, the charge for meals must be separated on the bill; otherwise the tax is 5 per cent of the **total** charge.

Time-Sharing Arrangements

Time-sharing arrangements refer to the right to use resort or hotel accommodation for a stated time period annually. Contracts may be for the lifetime of the owner or for a specified number of years. These arrangements are not considered transient accommodation and are not subject to RST.

Camps

Some camps offer counselling, instruction, and recreation together with accommodation and meals. For a stay of less than a month, RST applies as follows:

- the 5 per cent rate times 60 per cent of the total charge for meals and accommodation.

For a stay of a month or more, RST applies only to meals. Tax applies at the rate of 8 per cent if the charge for meals is listed separately on the bill; otherwise the tax payable is 5 per cent times 60 per cent times the total charge.

Tents Accommodation or lodging in tents is not considered transient accommodation. Where a camp operator provides lodging in tents together with meals, 8 per cent RST is payable only on the meals. If a separate charge is not made for meals, RST applies to the total charge.

Day Camps At children's day camps, without cafeterias and without separate charges for meals, no RST applies. However, the camp must pay 8 per cent tax on the prepared food products that it buys from eating establishments where the total charge is more than \$4.00 (excluding GST).

Religious Organizations Camps run by religious, charitable, and benevolent organizations must charge tax in the same way as commercial camps. If the camps are run by these organizations for disadvantaged persons, such as persons with disabilities and persons who are underprivileged, the organizations are not required to charge RST on meals or on transient accommodation.

Snack Bars Snack bars or cafeterias run by camps are required to charge RST on:

- meals, including tea, coffee, milk or juice, when the total charge is more than \$4.00
- soft drinks, except when sold with prepared food products, for a total charge of \$4.00 or less
- snack foods (including candy and confections) sold for 21¢ or more
- other taxable goods sold for 21¢ or more.

All-Inclusive Vacation Packages

The total charge for all-inclusive vacation packages or tours, such as canoeing, kayaking or other adventure type tours, is taxable at the rate of 8 per cent unless the prices for the taxable components are separated from the non-taxable components. (See **Information Notice: All-Inclusive Vacation Packages, May 2001**).

Tourist Resorts

The Retail Sales Tax (RST) status of services and items sold by tourist resorts is as follows:

Tax-Exempt

Tax Exempt Items & Services

- boat launching
- boats rented with an operator
- camp and/or trailer site
- freezer service
- gas and oil (premixed by manufacturer)
- gasoline (without oil)
- licences
- services of a guide
- wharfage

Taxable at 5 per cent

Items & Services Taxable at 5 per cent

- American plan and modified American plan
- housekeeping plan (day or week)

Taxable at 8 per cent

Items & Services Taxable at 8 per cent

- bait (live or artificial)
- boats, motors, repair parts and repair labour for same
- boat rentals (with or without guide)
- maps
- meals (including coffee, tea, milk or juice) on the full amount of the charge if it is more than \$4.00
- motor oil
- outboard motor rental
- snack foods, candy, confections
- soft drinks, except when sold with prepared food products for \$4.00 or less
- souvenirs, post cards, fishing tackle

Taxable at Special Rates

Items & Services Taxable at Special Rates

Gas and oil (premixed by vendor):

- 22:1 to 50:1 (Gas to oil mix) is taxable @ 4 cents/gallon or 1 cent/litre
- 16:1 to 20:1 (Gas to oil mix) is taxable @ 7 cents/gallon or 1½ cents/litre

Recreational Equipment and Facilities

RST applies to rental charges for recreational equipment, such as golf clubs, skis, boats and motors, tennis racquets and balls, and towels.

No tax applies, however, to charges for the use of facilities when the charges are shown separately on the customer's bill. These include golf courses, ski tows, tennis courts, swimming pools, saunas, and similar recreational facilities.

Purchases By Resort Operators

Resort operators may purchase recreational equipment tax-exempt for sale or rental to customers. To obtain the exemption, provide your supplier with a valid Purchase Exemption Certificate. (See **RST Guide 204 - Purchase Exemption Certificates**).

You must, however, pay RST on the items you purchase for your own use, such as boats for personal use or boats to be provided with an operator. (See **RST Guide 502 - Rentals**).

Tax-Exempt Accommodation

Tax-exempt accommodation includes:

- accommodation for students in educational institutions, patients in hospitals or nursing homes, residents in homes for the aged, and employees of such institutions
- accommodation if the charge for lodging is \$10.00 or less per day **or \$70.00** or less per week
- continuous accommodation for one month or more
- tent or trailer sites at campsites or trailer parks
- use of rooms without sleeping accommodation in lodging establishments, such as dining halls, meeting rooms, and entertainment halls.

Establishments do **not** have to charge Retail Sales Tax (RST) if there are fewer than four rooms, suites, apartments, cottages, or cabins set aside for lodgers or tenants. This would include bed and breakfast establishments. An individual who operates a bed and breakfast establishment does not require a Vendor Permit from the Ministry of Finance if:

- there are fewer than four rooms for sleeping accommodations for guests, and
- they charge an all-inclusive price for both bed and breakfast.

If prepared meals are more than \$4.00 and are charged separately on the billing to customers, then a Vendor Permit is required as RST is to be collected on these meals.

Complimentary Items and Services

RST is payable on the cost of meals, alcoholic beverages or transient accommodation provided free of charge to customers, entertainers or members of your family.

RST may be based on actual costs if records are kept to support the figures used, or costs may be estimated as:

- 60 per cent of the regular selling price for meals
- 50 per cent of the regular selling price for alcoholic beverages
- 40 per cent of the regular rate for transient accommodation.

RST applies on the costs at 8 per cent for each meal more than \$4.00, 12 per cent for alcoholic beverages taken from inventory for own use or given away free of charge, and 5 per cent for transient accommodation.

Room and board provided free to your employees is tax-exempt, but tax applies if any charge is made.

Disposable Items

RST must be paid on disposable items that are provided free of charge to guests. The following are examples of such disposable items:

- | | |
|---------------------------------------|--|
| • bar soaps and soap flakes | • sewing kits, matches and disposable combs |
| • facial tissue and toilet tissue | • shower caps and paper bath mats |
| • paper laundry bags and shoe shiners | • toilet seat strips, sanitary covers for glasses and sani bags. |

Telecommunication Services

Resellers of telecommunication services are required to charge Retail Sales Tax (RST) on the sale of taxable telecommunication services. These services include telephone and telegraph services, community antenna television and cable television, transmissions by microwave relay stations or by satellite, and pay television.

For RST purposes, hotels, motels, apartments, and condos providing telecommunication services are **not** considered to be resellers. If customers are billed for telephone calls made or for pay television, etc., these businesses are not required to charge RST provided the telecommunication services are shown separately on the billing to the customer. RST is to be paid by these businesses on telecommunication services they purchase from carriers or resellers and on equipment purchased to provide the services.

Legislative References

Retail Sales Tax Act, Section 1
Regulation 1012 under the Act, Sections 1 and 5
Regulation 1013 under the Act, Section 1

For Further Information

The information contained in this publication is only a guideline. For further information, please contact the nearest Ontario Ministry of Finance Tax Office listed under Taxes – Provincial (Retail) Sales Tax in the blue pages of your telephone directory, call our TAX FAX service at 1-877-4-TAX-FAX (1-877-482-9329), or visit our website at www.trd.fin.gov.on.ca.

*Ce guide est disponible en français sous le nom « Hébergement, n° 301F ».
Vous pouvez obtenir un exemplaire guide en appelant le 1-800-668-5821.*

© Queen's Printer for Ontario, 2006



ISBN 1-4249-1989-4 (Print)
ISBN 1-4249-1990-8 (HTML)
ISBN 1-4249-1991-6 (PDF)