



Accommodation

SBP 908

Cette publication est disponible en français en appelant le 1-800-668-5821.

About this Pointer

This Pointer will help you if you provide **transient accommodation** services. It explains the basic Retail Sales Tax (**RST**) rules for your type of business.

Please note that this Pointer replaces the previous version dated February 2001. Revisions have been identified by a bar (I).

What is transient accommodation?

Transient accommodation means lodging for stays of **less than one month**, and may include a meal plan all for one price. Providers of transient accommodation include hotels and motels, resorts, bed and breakfasts, hostels, boarding houses, and clubs.

Charging RST

Three RST rates may apply in your business. You charge RST at:

- **5** per cent on transient accommodation if you have four or more guest rooms
- **10** per cent on alcoholic beverages
- **8** per cent on other items, such as prepared foods over \$4.00, snack foods, soft drinks, and recreational equipment.

Other types of sales are not taxable. For example, you do **not** charge RST on:

- transient accommodation if you have fewer than four guest rooms
- accommodation at a trailer park or campsite
- telephone, fax and Pay TV charges
- food products, such as juice, milk and fruits.

You can find detailed information on the above items in the publications listed at the end of this Pointer.

Prepared food and accommodation for one-price

If you provide meals with accommodation for **one price**, you must charge RST at 5 per cent on the total charge. Where the charge for meals and accommodation are shown separately, you must charge 5 per cent RST on the accommodation portion and 8 per cent RST on the meal portion over \$4.00. Examples of one-price accommodation and meal plans include:

- Bed and Breakfast (B&B) - breakfast
- Modified American Plan (MAP) - breakfast and dinner
- American Plan (AP) - breakfast, lunch and dinner.

How do I bill my customers?

You must show the sale and RST separately on your invoices when:

- you are charging two or more rates of RST, or
- you show sales of taxable and non-taxable goods and services on the same invoice.

If you apply a mandatory service charge or gratuity to a room rental, you must charge 5 per cent RST on the total charge (room and gratuity). If you also charge a gratuity on a one-price accommodation and meal plan, you charge 5 per cent RST on the total charge, even if the gratuity is shown separately.

How do I bill my customers? (continued)

The following example shows the bill for a meal plan included in the accommodation, and a mini-bar in the guest room. To keep it simple, the calculation **excludes** the federal Goods and Services Tax (GST).

Item	Amount	RST Rate
Modified American Plan (2 nights)	\$300.00	5 %
Lunch (not included in MAP)	10.00	8 %
Alcoholic beverages (main bar)	20.00	10 %
Orange juice (mini-bar)	1.00	No RST
Snacks (mini-bar)	5.00	8 %
Vodka (mini-bar)	5.00	10 %
Canoe rental	30.00	8 %
Subtotal	\$371.00	
RST 5 % (\$300.00 x 5 %)	15.00	
RST 8 % (\$10.00 + 5.00 + 30.00 = \$45.00 x 8 %)	3.60	
RST 10 % (\$20.00 + 5.00 = \$25.00 x 10 %)	2.50	
Total bill (excluding GST)	\$392.10	

If you offer vacation packages that combine taxable items at different RST rates, along with tax-exempt items, please contact us for the proper billing method.

On what do I pay RST?

You must pay RST on all taxable goods and services you buy to provide a service to your customers. Examples include your purchases of:

- toiletries (soaps, shower caps), linens, towels
- telephone and cable charges
- sports equipment (if provided free with accommodation)
- furniture (beds, table lamps, televisions)
- equipment and supplies used to **prepare** food (see below about supplies used to **serve** food).

When you provide free accommodation and meals to anyone other than your employees, or free alcoholic drinks to anyone including yourself, you must pay RST on these costs. Report the RST on Line 3 of your RST return. **RST Guide 301 - Accommodation** shows you how to calculate these costs. Instructions on how to complete your RST return are included with your return card.

What can I purchase without paying RST?

If you **sell** or **rent** goods to your customers, you can purchase these goods exempt from RST. These include sports equipment, bait and tackle, snack foods, and disposable items used to **serve** prepared food (such as plastic cups, paper plates, napkins). To claim an exemption, you must give a valid Purchase Exemption Certificate (PEC) to your supplier. For details on PECs, please refer to **RST Guide 204 - Purchase Exemption Certificates**.

Keeping records

You must keep **all** books and records to support your sales and purchases for at least seven years. Such records include detailed cash register tapes (X and Z tapes), guest checks, sales invoices and journals, purchase invoices and journals, bank records and financial statements.

For more information

For more 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.

In addition to the publications mentioned in this *Pointer*, the following may interest you:

Small Business Pointers
906 - Prepared Foods
907 - Alcoholic Beverages

RST Guides
300 - Prepared Foods
302 - Alcoholic Beverages
500 - Food Products
501 - Snack Foods, Beverages and Candies

This Pointer uses plain language to explain the most common situations faced by small businesses. The explanations are provided for guidance only. Whether tax applies in your situation will depend on the specific facts involved. Please contact us if you have questions.