

## Bed & Breakfast Operators

*Hotel Room Tax Act, Social Service Tax Act*

**Do you operate a bed and breakfast in British Columbia?**

**Do you sell items such as souvenirs or toiletries at your bed and breakfast?**

This bulletin provides specific tax information to help bed and breakfast (B&B) operators understand how hotel room tax (HRT) applies to their businesses. 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.

### Hotel Room Tax

Hotel room tax applies to short-term or overnight lodging in hotels, motels, resorts, cabins, boarding houses, B&Bs and other similar establishments that offer four or more units of accommodation. When a room or suite is rented as a residence for a continuous period of more than one month, HRT does not apply.

The HRT rate is 8% of the price your guests pay to stay at your B&B. For an overview of the HRT, please see [Bulletin HRT 006](#), *Accommodation – Registered Operators of Hotels, Motels or Other Lodgings*.

### Municipal and Regional District Tax

Some municipalities also charge an additional municipal and regional district tax of up to 2%. 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 ([FIN 401](#)).

The same rules apply to this tax as to the HRT; that is, if you charge or refund HRT, you charge or refund this tax at the same time. For a list of cities and towns

that charge the additional tax, please see [Bulletin HRT 007](#), *Municipal and Regional District Tax*.

## Registration as an Operator

### When to Register

If you offer four or more units of accommodation **at any time** (even if all the rooms are not always rented), you register as an operator with the ministry and charge your guests HRT. This applies whether you operate year-round or seasonally. For more information on when and how to register, please see [Bulletin HRT 005](#), *Do You Need to Register as an Operator?*

### When Not to Register

You do not need to register as an operator or charge HRT if you sell **only** the following types of lodging.

- Lodging of three or fewer units of accommodation. A unit of accommodation is the basic unit sold to a customer. For example, a unit of accommodation for a hotel, motel or B&B is generally a room or a suite. 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 one month, such as apartments.
- Lodging where the charge for accommodation is \$30 or less per day, or \$210 or less per week.

## Sales

As a general rule, you charge HRT unless your type of lodging is specifically exempted under the *Hotel Room Tax Act*. For instance, if you offer between one and three rooms for rent, you do not need to register as an operator or charge your guests HRT. However, if you offer four or more rooms, you register as an operator, charge your guests HRT and send the tax collected to the ministry.

### When to Charge Hotel Room Tax

You charge HRT in the following circumstances.

- When you **offer or rent** four or more rooms, at any time.

- When you offer four or more rooms for rent, but rent out fewer than four rooms. If you **offer** four or more rooms, HRT applies, regardless of how many rooms you actually rent out. For example, if you offer six rooms and only two are rented, you must charge HRT on those two rented rooms.
- When you advertise three or fewer rooms for rent, but actually rent out more than three rooms. If, **at any time**, the number of rooms **offered or rented** is four or more, you must be registered and charge HRT.
- When you are a registered operator and you provide a room to someone performing a service for you, such as a tradesperson. The value of that service becomes “payment” for the room and HRT applies to the normal room rate.

HRT applies whether or not your guest is a resident of British Columbia. Your out-of-province guests may find our brochure, [BC Sales Taxes: What Visitors Should Know](#), helpful. The brochure is available on our website, or you may request a supply from us at any time.

### **When Not to Charge Hotel Room Tax**

You do not charge HRT in the following circumstances.

- When you offer **three or fewer** rental rooms at your B&B at all times.
- When you can show clear documentation that you are offering and renting **three or fewer** rooms for a period of time, such as during your off-season, when you usually offer or rent four or more rooms. You do not charge HRT on the room rentals for that period only. Clear documentation could include staff layoffs, advertising and website changes that show three or fewer rooms available.
- When you rent a room to the same guest for a continuous period of more than one month. Any HRT paid during the first month may be refunded to your guest. If you charged and sent in HRT that you subsequently refunded to your guest, you may claim a refund of the tax as an adjustment on your next HRT return ([FIN 432](#)).
- When you charge your guest \$30 or less per day, or \$210 or less per week.
- When you provide a room for no charge, such as a free stay donated as a draw prize or to an employee in the course of their employment.
- When you provide an additional free night with a reserved stay (for example, if you are registered, HRT applies to the first two nights of a “stay two nights and get the third night free” package, but not on the third “free” night).

## Provincial Sales Tax

For general PST information that applies to most 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 \(PST\)](#).

If you regularly sell taxable goods at your B&B, such as souvenirs or toiletries (food items are not taxable), you will need to register as a vendor. This means you charge your customers PST on those sales. Registering as a vendor is separate from registering as an operator.

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-Government Agent office. You will also find it on our website at [www.sbr.gov.bc.ca/ctb/forms.htm](http://www.sbr.gov.bc.ca/ctb/forms.htm)

If you purchase items for resale and you take items from your resale inventory for business or personal use, you self-assess PST on your cost of the items. Self-assess means you calculate the PST due and send it to the ministry.

### 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 or office equipment,
- advertising materials, such as flyers and brochures,
- free promotional items, such as items included in a gift basket for your guests,
- computer hardware and software (unless custom software), and
- towels, bed linens, soap, shampoo, bathroom tissue and other items that you provide to your guests as part of the accommodation.

### 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. "Business use" for a B&B includes any rental rooms, common areas used mostly for your guests and an office if you have one. When you run a B&B out of your home, whether you are registered with the ministry or not, PST applies to the portion of electricity, natural gas or fuel oil used for your business.

If PST is not already shown on your electricity or fuel bills, calculate the amount of tax due and send it to the ministry. Please follow the steps below to calculate the PST due.

1. Calculate a reasonable percentage of the total square footage of your home that is used for your business (just like you would for income tax purposes).
2. Add up the amounts for each electricity or fuel bill (excluding GST).
3. Multiply the amount from Step 2 by the percentage of your home used for your business.
4. Multiply the amount from Step 3 by the current PST rate (7%). This is the PST due.

**Example:**

1. Percentage of home used for business: 40%
2. Hydro                    \$110  
    Natural Gas        \$ 70 (include only if the business portion uses it)  
                                     \$180
3.  $\$180 \times .40$  (40% business use) = \$72
4.  $\$72 \times .07$  (7% PST) = **\$5.04**

In this example, \$5.04 is due on the electricity and fuel used for this B&B.

If you paid PST on the full amount of your electricity, natural gas or fuel oil bills, you may apply for a refund of the PST paid on the residential portion. For more information, please see [Bulletin GEN 008](#), *Refunds of Overpayments of Tax*.

**PST Remittance**

If you have a PST registration number, you self-assess and record any PST due on utilities or goods at Step 3 of your next PST return. To show that you paid the PST, make a note in your accounting records.

If you do not have a PST registration number, pay the PST due by completing a *Return of Tax Due on Taxable Tangible Personal Property by a Purchaser/Seller Not Registered* form ([FIN 428](#)). You can do this at any Service BC-Government Agent office, or you can download the form from our website and mail us your payment.

## Other Bulletins

The following are additional bulletins relevant to your business.

**Bulletin HRT 006**, *Accommodation – Registered Operators of Hotels, Motels or Other Lodgings* – provides information on accommodation packages, discount coupons or reduced rates, rooms provided at no charge, long term rentals, exemptions for First Nations purchasers and members of a diplomatic or consular corps, sales of alcoholic beverages, tax reporting and retaining your tax records.

**Bulletin HRT 003**, *Completing the Tax Return Form* – provides step-by-step instructions for completing the HRT return and the municipal and regional district tax return.

**Bulletin SST 043**, *Goods Purchased from Out-of-Province Suppliers* – explains that PST is due on goods you buy from outside the province that are taxable in British Columbia, and provides information on paying the PST due.

**Bulletin SST 044**, *Do You Need to Register as a Vendor?* – provides information on if and how to register as a vendor if you sell taxable goods or services.

### Need more info?

Accommodation website: [www.sbr.gov.bc.ca/ctb/Accommodation.htm](http://www.sbr.gov.bc.ca/ctb/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* and Regulations and the *Social Service Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/ctb](http://www.sbr.gov.bc.ca/ctb)

References: *Hotel Room Tax Act*, Sections 1, 2, 3, 3.1, 4, 6 and 8, and Regulations 2.2 and 5.1; *Social Service Tax Act*, Sections 5, 6, 9, 74(b) and (c), 79(1) and 92, and Regulations 3.22 and 3.24