

## **Canada's New Government Rolls Out the Welcome Mat!**

**Visiting Canada will be less taxing with Canada's new Foreign Convention and Tour Incentive Program (FCTIP).**

**Foreign Tour Operators and Foreign Travellers can get a tax break**

**It's as easy as 1-2-3!**

Here are some brief tips on the new FCTIP to help your foreign customers take full advantage of the rebates.

**1. MAKE SURE YOU KNOW WHAT QUALIFIES AS AN ELIGIBLE TOUR PACKAGE.**

The definition of a tour package is the same as the previous Visitor Rebate Program in Canada:

**accommodation + service for an all-inclusive price = eligible tour package.**

Take any room night and package it with at least one service for an all-inclusive price and you have an eligible tour package.

Examples of services:

Air, rail or city-to-city bus transportation; a guided tour or interpretation services; ski or golf lessons. Note: Meals, ski lift tickets or car rentals are not services.

Some Fully Independent Traveller (FIT) packages may also qualify for a rebate. For example, customers may create and purchase their own packages for an all-inclusive price through the same supplier.

**TIP:** You may want to submit your package documentation to the Canada Revenue Agency (CRA) for a ruling prior to marketing it so that you can make sure your package is an eligible tour package.

*For more information about eligible tour packages, please visit:*  
[www.cra-arc.gc.ca/E/pub/gi/notice221/README.html](http://www.cra-arc.gc.ca/E/pub/gi/notice221/README.html)

**2. WHEN SELLING TOUR PACKAGES, CREDIT YOUR FOREIGN CUSTOMERS WITH WELCOME TO CANADA POINT-OF-SALE SAVINGS!**

Your foreign customers (travellers and tour operators) can get back 50% of the GST/HST when they buy an eligible tour package (rebate prorated by the number of nights of accommodation in Canada). If you are a GST/HST registered tour operator

selling an eligible tour package, you may choose to credit the GST/HST rebate at point-of-sale. On your invoice, you simply charge your customer the full GST/HST and then deduct the credit amount from the total your customer owes.

You can tell your foreign customer that the price, including the GST/HST, has been reduced by the amount of the rebate for an eligible tour package. You then include the amount of tax you charged on your GST/HST return and also claim the amount you credited as a deduction on your return.

Remember to file form GST106 *Schedule 2 - Information on Claims Paid or Credited for Foreign Conventions and Tour Packages* with the CRA to provide details on how much you credited and claimed as a deduction. The form is available on line at [www.cra-arc.gc.ca/E/pbg/gf/gst106/README.html](http://www.cra-arc.gc.ca/E/pbg/gf/gst106/README.html).

If you choose not to credit the rebate amount, then your customer can claim the rebate from the CRA by filing form GST 115, *GST/HST Refund Application for Tour Packages* (along with supporting documentation). The form is available on line at [www.cra-arc.gc.ca/E/pbg/gf/gst115/README.html](http://www.cra-arc.gc.ca/E/pbg/gf/gst115/README.html).

### **3. WORK WITH YOUR PARTNERS TO *ROLL OUT THE WELCOME MAT TO CANADA!***

#### **Selling Room Nights to Foreign Tour Operators**

Accommodation providers, e.g. hotels and receptives, who sell accommodation to foreign tour operators, must charge GST/HST on room nights sold.

If the rooms were included in eligible tour packages sold to foreign customers, foreign tour operators qualify for a rebate of the GST/HST they paid. Foreign tour operators must pay the GST/HST on the rooms but can claim a rebate of all the GST/HST paid from the CRA.

You can tell foreign tour operators selling eligible tour packages that they can reduce their prices by the rebate amounts they are entitled to.

There are two options for filing the rebate claim.

#### **Option A**

Foreign tour operators file their rebate claims themselves (using form GST115 along with supporting documentation), or,

#### **Option B**

Make it as easy as possible for your partners to sell more Canada. If you have developed relationships with foreign tour operators you can play an important role in assisting with the process.

Steps:

- Foreign tour operators can provide you with written authorization (commonly called a *Power of Attorney*\*) and the supporting documentation to claim the rebate on their behalf.
- You would submit the rebate application (along with supporting documentation) on behalf of the foreign tour operator for the amount of the GST/HST paid.

\* Requirements for Power of Attorney vary among Provinces and Territories. You will want to ensure that you know what your rights and obligations are before signing a Power of Attorney. The CRA website has information on what you must include in a Power of Attorney in order for the CRA to be able to act on that Power of Attorney.

More information and a list of Frequently asked Questions can be found by visiting the CRA online at [www.cra-arc.gc.ca/menu/GHIS-e.html](http://www.cra-arc.gc.ca/menu/GHIS-e.html) or calling CRA directly at 1-800-959-5525.

Specific interpretative issues regarding the new program may be directed to any GST/HST Rulings Centre by telephone at 1-800-959-8287.

**It pays to visit Canada.**

## Summary

Like the previous Visitor Rebate Program:

- ✓ The **Tour Package Rebate** is 50% of the GST/HST paid on the total price of an eligible tour package (rebate prorated by the number of nights of accommodation in Canada).

This rebate may be credited at point-of-sale. When you credit this amount, you report the amount of GST/HST charged on your GST/HST return and you also claim the amount you credited as a deduction on your return. Under the new FCTIP, you must now file form GST106 to report on the amounts you credited and took a deduction for.

If you choose not to credit the amount, your foreign customer can claim the rebate from the CRA by filing form GST115.

The tour package rebate is available to foreign travellers and foreign businesses (including foreign tour operators).

You will recall, at the program's inception, that this rebate was intended as a proxy for the accommodation rebate in cases where the value of the accommodation could not be readily identified (i.e. all-inclusive tour packages).

- ✓ The **Accommodation Rebate** is 100% of the GST/HST paid on the price of accommodation for foreign tour operators who bought the accommodation and sold it in eligible tour packages to foreign customers.

Under the GST/HST legislation, the rebate for accommodation supplied to foreign tour operators cannot be credited at point-of-sale. The foreign tour operator must pay the tax and then claim a rebate from the CRA by filing form GST115. However, if you are selling accommodation to a foreign tour operator, you can choose to enter into a private Power of Attorney arrangement and file the claim on the foreign tour operator's behalf. Such an arrangement is not part of the FCTIP, but rather a private agreement between the parties.

As part of the new FCTIP, the Government now requires this element of accountability to ensure taxpayer dollars are being spent on the intended tour packages. The CRA is working to make this process work efficiently for all parties.