

SPECIAL FOCUS: THE HOTEL ROOM TAX ACT – A BRIEF HISTORY

The data presented in the *Room Revenue Report* is tabulated by BC STATS using the hotel room tax database maintained and administered by the Consumer Taxation Branch of the Ministry of Finance and Corporate Relations. The use of this administrative database means that accurate and timely information is available with no extra paper burden to accommodation businesses in the province. (For a brief discussion of the limitations of the data, see the “Explanatory Notes” on page 15 of this report.)

The Province of BC presently collects 8% of the purchase price of accommodation sales under the Hotel Room Tax Act. The history of this tax is becoming clouded in the mists of time; it is hoped that this account will correct any misconceptions that exist about the tax.

A brief history of the tax

The tax was introduced in April 1, 1971, and was set at 5%, the same rate as the provincial sales tax. In the budget speech that introduced the levy, Premier and Finance Minister W.A.C. Bennett said “It is considered that our tourists should make a modest contribution to our expenditures on their behalf.”

Changes to the hotel room tax rate are shown in the table below. The hotel room tax has remained at 8% of the purchase price of the accommodation since March 20, 1987.

The *1995/96 BC Public Accounts* report revenues of \$81 million generated by the tax.

“8%?!? I’m sure I paid 10% room tax when I stayed in Vancouver ...”

At present, seven municipalities in BC collect an additional tax on room sales: Oak Bay, Prince Rupert, Saanich, Smithers, Vancouver, Victoria, and Whistler. In all cases, the tax is 2%. (The Act limits the total amount collected through both portions of the tax to 10% of the accommodation cost.) Whistler was the first municipality to begin collecting the additional tax, starting in May 1, 1988.

This additional revenue is collected by the Province, and returned to the Municipality where it was collected. It is earmarked for specific tourism-related expenditure. In many cities, including both the City of Vancouver and the City of Victoria, a regulation under the Hotel Room Tax Act states that the revenue is to be expended on “convention centre marketing and tourism promotion, projects and programs”. Elsewhere, the money is dedicated to more specific projects. Oak Bay, for instance, operates a shuttle bus from downtown Victoria to the shopping area of Oak Bay.

Room taxes elsewhere

In addition to the BC hotel room tax, a federal Goods and Service tax of 7% is also levied throughout Canada. Other jurisdictions also levy accommodation taxes. For instance, in both Alberta and Ontario, the provincial government taxes hotel and motel room rentals at 5%. In Seattle, both a 7% room tax and the city sales tax of 8.2% are charged on accommodation.

PROVINCIAL SALES AND HOTEL ROOM TAX TIMELINE

July 1, 1948	provincial sales tax (PST, Social Services Tax Act) introduced; 3%
April 1, 1954	PST rate changed to 5%
April 1, 1971	hotel room tax introduced (Hotel Room Tax Act); set at 5%
March 27, 1976	PST rate changed to 7%
April 11, 1978	PST rate changed to 5%
April 3, 1979	PST rate changed to 4%
March 10, 1981	PST rate changed to 6%
	hotel room tax rate changed to 6% on rooms under \$50, and 8% on rooms \$50 or more per day
July 8, 1983	PST rate changed to 7%; extended to restaurant meals \$7 or more
March 1, 1984	hotel room tax rate changed to 7% on all rooms
March 20, 1987	PST rate changed to 6%; no longer paid on restaurant meals
	hotel room tax rate changed to 8%
March 31, 1993	PST rate changed to 7%