

# Summary – GST/HST on Platform-based Short-term Accommodation

December 2020

## Online Tax Strategies

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The growing popularity of digital platforms for short-term rental accommodations has prompted the Federal government to issue rules to govern these new business activities. The recent Fall 2020 Economic Statement updates the application of GST/HST on short-term rental accommodation.

The Government is proposing to apply the GST/HST to all supplies short-term rental accommodation effective **July 1, 2021**. These supplies are short-term accommodation, that is, a rental of a residential complex, a residential unit, or part of a unit to a person for a period of less than one month where the price is more than \$20 per day.

The applicable tax rate would depend on the province where the short-term accommodation is situated. Accordingly, the applicable GST rate will be 5% for short-term accommodation situated in Quebec, Manitoba, British Columbia, Saskatchewan, Alberta, Yukon, the Northwest Territories or Nunavut. The applicable HST will be 13% for short-term accommodation situated in Ontario and 15% for short-term accommodation situated in Nova Scotia, New Brunswick, Prince Edward Island or Newfoundland and Labrador.

### **SUPPLIERS REQUIRED TO COLLECT AND REMIT THE GST/HST**

Under the new rules, the supplier required to collect and remit the GST/HST is either:

- the owner when the owner is registered for the GST/HST;
- OR
- the accommodation platform operator, where the property owner is not registered. In this case, the accommodation platform operator would be deemed to be the supplier of the short-term accommodation.

To determine whether an accommodation platform operator or owner is required to register for the GST/HST, they must make more than \$30,000 in taxable supplies in Canada over a 12-month period.

### **NON-RESIDENT ACCOMMODATION PLATFORM OPERATORS AND THE GST**

Non-resident accommodation platform operators can use a simplified registration and remittance framework. Under the simplified framework, non-resident accommodation platform operators will be required to collect and remit GST/HST only on supplies made to consumers in Canada, excluding supplies made to other businesses. However, non-resident operators who use this system are not eligible to claim input tax credits.

### **OWNER AND GUEST FEES CHARGED BY THE PLATFORM OPERATOR**

Some digital platform operators charge a service fee for the services they provide to owners who are not registered for the GST/HST. In this situation, accommodation platform operators registered for the GST/HST would be deemed not to have made a supply of services to the non-registered property owners. In this case, the platform operator will not be required to collect GST/HST on service fees charged to the non-registered owner. Some accommodation platform operators may charge the guest who is acquiring the short-term accommodation a service fee or commission. The GST/HST would be applicable on the platform's guest fee to a guest in respect of taxable short-term accommodation property situated in Canada. The GST/HST rate would be based on the location of the short-term accommodation in Canada.

### **COMPARISON WITH APPLICABLE PROVINCIAL SYSTEM**

Revenu Québec had already introduced rules on the application of QST in respect of digital platform operators. Like the federal system, the provincial system required any operator of such a platform to collect and remit QST on taxable supplies in excess of \$30,000. It also requires any non-resident platform operator to register for the QST if taxable supplies are in excess of \$30,000.

Accordingly, effective July 1, 2021, GST and QST must be collected on supplies of short-term accommodation situated in Quebec made using a digital platform if the owner or operator is required to register for GST and QST.

## CONCLUSION

With these new rules, the federal government is introducing a system to ensure that the GST/HST will be collected on virtually all short-term accommodation rentals in Canada. These amendments allow for harmonization of the GST/HST and QST with respect to short-term accommodation rentals made through a digital platform.

Applicable system	
Applicable system	GST and HST
Person making the supply	Generally, the owner
Supply threshold	\$30,000
Person responsible for accounting for the tax	<ul style="list-style-type: none"> <li>▪ The property owner (or person responsible for providing the accommodation – responsible person), where the owner (or responsible person) is registered for the GST/HST.</li> <li>▪ The accommodation platform operator, where the property owner (or responsible person) is not registered for the GST/HST. In these circumstances, the accommodation platform operator would be deemed to be the supplier of the short-term accommodation. This approach recognizes their necessary and fundamental role in making these supplies, and limits administrative and compliance costs for the parties involved.</li> </ul>

Do not hesitate to contact your Raymond Chabot Grant Thornton advisor who can help you determine which measures apply to your situation and assist you with the steps needed to benefit from these measures.

Furthermore, for additional information visit us at [rcgt.com](http://rcgt.com).