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Applicability of GST/HST and the definition of “Continuous Journey”

Motor Coach Canada

Ron Choudhury, Partner
Colleen Ma, Partner

February 9, 2021

Agenda

- Fundamental GST/HST concepts
- GST/HST and passenger transportation services (“PT Services”)
- Examples – domestic travel
- Examples – international travel
- Resources



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Fundamental GST/HST Concepts

Imposition of GST/HST

165(1) Subject to this Part, every **recipient** of a taxable supply **made in Canada** shall pay to Her Majesty in right of Canada tax in respect of the supply calculated at the rate of **5% on the value of the consideration** for the supply.

165(2) Subject to this Part, every **recipient** of a taxable supply **made in a participating province** shall pay to Her Majesty in right of Canada, in addition to the tax imposed by subsection (1), tax in respect of the supply calculated at the **tax rate for that province** on the value of the consideration for the supply.

165(3) The tax rate in respect of a taxable supply that is a **zero-rated supply is 0%**.

Excise Tax Act (Canada)

Made in Canada – services generally

- Made in Canada
 - The services is, or is to be, performed in whole or in part in Canada
 - Next steps: (1) Which Province? (2) Zero-rated?
- Made outside Canada
 - The service is, or is to be, performed wholly outside Canada
 - Outside the scope of the legislation, no GST/HST

If transporting passengers in Canada at any point in the journey, need to consider GST/HST rules



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GST/HST and Passenger Transportation Services

What is a Passenger Transportation Service?

- Not defined in the legislation
- CRA: Mode of transportation available to the public (e.g., bus, train, aircraft boat) as long as there is:
 1. A mode of conveyance
 2. An operator of the conveyance independent of the traveler
 3. An itinerary
 - Describes all elements of the journey: origin, termination, stopovers, dates and times, modes of transportation

Made in a province – PT Services

- In which province is the supply made?
 - Is a ticket or voucher issued?
 - Continuous journey
 - Origin, termination, stopovers
- Why does it matter?
 - Determines the appropriate GST/HST rate to charge
 - BC, AB, SK, MB, QB, Territories → 5% GST
 - Ontario → 13% HST
 - Atlantic Canada → 15% HST

Which Province?

- Generally based on origin of the PT service
- Also consider location of the PT service termination and all stopovers in respect of the PT service
 - Inside or outside Canada?
 - Inside or outside participating (i.e., HST) province?

Made in HST Province

1. Is part of a continuous journey where a ticket or voucher is issued specifying the origin of the continuous journey and
 - the origin is a place in the participating province, and
 - the termination and all stopovers in respect of the continuous journey are in Canada,
2. Is part of a continuous journey where no ticket or voucher is issued specifying the origin of the continuous journey and
 - the passenger transportation service included in the continuous journey that is provided first cannot begin otherwise than in the participating province, and
 - the termination and all stopovers in respect of the continuous journey are in Canada, or
3. Is not part of a continuous journey and
 - the passenger transportation service begins in the participating province, and
 - the passenger transportation service ends in Canada;

Made in Non-HST Province

1. Is part of a continuous journey where a ticket or voucher is issued specifying the origin of the continuous journey and
 - the origin is a place outside the participating provinces, or
 - the termination or a stopover in respect of the continuous journey is outside Canada,
2. Is part of a continuous journey where no ticket or voucher is issued specifying the origin of the continuous journey and
 - the passenger transportation service included in the continuous journey that is provided first cannot begin in a participating province, or
 - the termination or a stopover in respect of the continuous journey is outside Canada, or
3. Is not part of a continuous journey and
 - the passenger transportation service begins outside the participating provinces, or
 - the passenger transportation service ends outside Canada.

Zero-Rated Supplies – PT Services

- GST/HST charged at 0%
- Most international travel
- Rules depend on whether continuous journey includes air travel

Continuous Journey – definition

continuous journey of an individual or a group of individuals means the set of all passenger transportation services provided to the individual or group

(a) and for which a single ticket or voucher in respect of all the services is issued, or

(b) where 2 or more tickets or vouchers are issued in respect of 2 or more legs of a single journey of the individual or group on which there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, and all the tickets or vouchers are issued by the same supplier or by 2 or more suppliers through one agent acting on behalf of all the suppliers where

(i) all such tickets are supplied at the same time and evidence satisfactory to the Minister is maintained by the supplier or agent that there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued, or

(ii) the tickets or vouchers are issued at different times and evidence satisfactory to the Minister is submitted by the supplier or agent that there is no stopover between any of the legs of the journey for which separate tickets or vouchers are issued;

Continuous Journey – CRA

“When only one ticket or voucher is issued for one or more passenger transportation services provided to an individual or group of individuals, all of the passenger transportation services on that ticket or voucher form a continuous journey.”

“When separate tickets or vouchers are issued to a person for different passenger transportation services provided to an individual or group of individuals, those services will form a continuous journey, whether or not they use the same mode of conveyance, if all of the conditions within paragraph (b) of the definition of continuous journey [...] are met.”

GST/HST Memorandum 28-3

Journey Includes Air Transportation

Tax Court of Canada:

“[...] there must be a nexus established between the transportation services occurring in Canada and the air travel coming into this country. This can be established when either one ticket is issued by the same supplier for all transportation services or when multiple tickets are issued for the transportation services by the same supplier or an agent acting on behalf of all the suppliers.”

Other Key Concepts

- **Origin**
 - Beginning of continuous journey
- **Termination**
 - End of continuous journey

Other Key Concepts continued ...

- **Stop over**
 - Place where individual / group embarks or disembarks motor coach except to transfer to another conveyance or service or refueling of the conveyance
 - For non-air travel where origin and termination in Canada, does not include any stops outside Canada where individual / group is not scheduled to be outside Canada for an uninterrupted period of at least 24 hours during the course of the journey
 - Less than 24 hours outside Canada will not be a stopover unless there is international travel that includes air

Zero-rating International Travel, No Air

2 A supply of a passenger transportation service that is provided to an individual or a group of individuals and that is part of a continuous journey of the individual or group, other than a continuous journey that includes transportation by air, where

- (a) the origin or termination of the continuous journey is outside Canada, or
- (b) there is a stopover outside Canada,

but not including a passenger transportation service that is part of a continuous journey if both the origin and the termination of the journey are in Canada and, at the time the journey begins, the individual or group is not scheduled to be outside Canada for an uninterrupted period of at least 24 hours during the course of the journey.

Zero-rating International Travel, with Air

3 A supply of a passenger transportation service that is provided to an individual or a group of individuals and that is part of a continuous journey of the individual or group that includes transportation by air, where

- (a) the origin or termination of the continuous journey, or any stopover in respect thereof, is outside the taxation area;
- (b) the origin and termination of the continuous journey, and all stopovers in respect thereof, are outside Canada;
- (c) the origin of the continuous journey is within the taxation area, but outside Canada; or
- (d) all places at which the individual or group embarks or disembarks an aircraft are outside Canada and the origin or termination of the continuous journey, or any stopover in respect thereof, is outside Canada.

Ancillary Supplies

- Need to also consider GST/HST treatment for:
 - Ticket issuing / change fee
 - Payments to travel agent
 - Excess baggage charge
 - Unaccompanied-minor charge
 - Food, beverage supplied on motor coach



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Domestic Travel Examples

Within Province

Scenario

Individual purchases one-way ticket from Saskatoon to Regina (or vice versa)

GST/HST Treatment

- One continuous journey
- Origin: Saskatchewan
- Charge: 5% GST

Also 5% if roundtrip ticket Saskatoon – Regina - Saskatoon

Intra-Provincial – one-way tickets

Scenario

Individual purchases two tickets:

1. Ticket from Saint-John, NB to Québec City, QC
2. Ticket from Québec City, QC to Saint-John, NB

GST/HST Treatment

- Two continuous journeys
- Ticket #1: Origin NB, 15% HST
- Ticket #2: Origin QC, 5% GST

Intra-Provincial – roundtrip

Scenario

Individual purchases roundtrip bus ticket from Saint-John, NB to Québec City, QC and back

GST/HST Treatment

- One continuous journey
- Origin: New Brunswick
- Stopover: Québec (inside Canada)
- Charge: 15% HST



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International Travel Examples

International Bus Tour – Day Trip

Scenario

- Bus picks up group in Niagara Falls, ON in a.m.
- Spend day in Niagara Falls, NY (< 24 hours)
- Bus drops off group in Niagara Falls, ON in p.m.
- Single voucher for entire trip

GST/HST Treatment

- Day trip continuous journey
- Origin and termination in Canada
- Stop over in USA, but < 24 hours
- Not zero-rated, charge HST 13%

International Weekend Charter

Scenario

- Pick up Vancouver, BC on Friday and travel to Seattle, WA
- Pick up Seattle, WA on Sunday and travel back to Vancouver, BC
- Single voucher for entire round trip

GST/HST Treatment

- Continuous journey
- Origin and termination in Canada
- Stop over in USA, but > 24 hours
- Zero-rated, no GST/HST

Air and Bus Tour

Scenario

- Family reunion ski trip.
- International flights to Calgary booked by family members independently.
- Family charters bus from airport to Banff.

GST/HST Treatment

- Air transportation and ground transportation not part of continuous journey
- Ground transportation only in Alberta.
- Not zero-rated, charge 5% GST.

Travel Agency

- Is the travel agency acting on behalf of another business?
 - Making a supply of agency services
 - Need to collect and remit GST/HST from business (unless zero-rated)
- Is the travel agency buying and reselling tickets?
 - Making a “resupply” of tickets
 - Need to pay GST/HST to vendor and collect and remit GST/HST from traveler (unless zero-rated)



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Resources

Summary Chart – Canada / USA

	One Ticket	Two Tickets
USA to Canada (one-way)	Zero-rated No GST/HST	Zero-rated No GST/HST
Canada to USA (one-way)	Zero-rated No GST/HST	Zero-rated No GST/HST
Roundtrip (from Canada) > 24 hours outside Canada	Zero-rated No GST/HST	Zero-rated No GST/HST
Roundtrip (from Canada) < 24 hours outside Canada	GST/HST	Zero-rated No GST/HST
Roundtrip (from USA)	Zero-rated No GST/HST	Zero-rated No GST/HST

Resources

- *Excise Tax Act* (Canada)
 - <https://laws-lois.justice.gc.ca/eng/acts/e-15/index.html>
- CRA GST/HST Memorandum 28-3, “Passenger Transportation Services”
 - https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/28-3/notice-change-passenger-transportation-services.html#_Toc14077639



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Questions?



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Offices in:

Vancouver

Calgary

Edmonton

Saskatoon

Regina

London

Kitchener-Waterloo

Guelph

Toronto

Vaughn

Markham

Montreal

Ron Choudhury, Partner

rchoudhury@millerthomson.com

Direct: 416.597.4398

Colleen Ma, Partner

cdma@millerthomson.com

Direct: 403.298.2422

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