

Application of the 3% Lodging Tax in the Québec tourist region

This information bulletin is to make public the application of the 3% lodging tax in the Québec tourist region as of June 1, 2007 following a request to that effect made by the region's tourist association.

For information on the subject of this information bulletin, contact the Secteur du droit fiscal et de la fiscalité at 418 691-2236.

The French and English versions of this bulletin are available on the website of the ministère des Finances at: www.finances.gouv.qc.ca

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The government has set up a tourist partnership fund to strengthen and sustain tourist promotion and development in Québec. The fund is financed in part by a lodging tax applicable to each accommodation unit rented in a sleeping-accommodation establishment located in a tourist region of Québec that makes such a request of the government through its regional tourist association (RTA).

RTAs that want the lodging tax to apply in their territory can choose between a specific tax of \$2 per overnight stay or an *ad valorem* tax of 3% of the price of each overnight stay.

The revenue generated by this tax, after deducting the costs of its administration, are remitted to the participating regions and the amounts thus remitted are used in accordance with the terms and conditions agreed to in a memorandum of understanding between the ministère du Tourisme and the RTAs of these participating regions.

Since July 1, 2001, the specific lodging tax of \$2 per overnight stay has applied in the Québec tourist region. Further to a request submitted by the region's RTA, the specific tax of \$2 per overnight stay will be replaced, as of June 1, 2007, by the *ad valorem* tax of 3% of the price of each overnight stay.

However, where a customer acquires an accommodation unit from a person who acquired the unit from another person solely to re-supply it for a price, the lodging tax will not be 3% of the price of each overnight stay but rather \$3 per overnight stay. In such a case, the application of a specific tax of \$3 instead of an *ad valorem* tax of 3% enables the lodging tax pre-collection system to be applied, ensuring the direct nature of the tax while simplifying its administration entrusted essentially to operators of sleeping-accommodation establishments.

Accordingly, the operator of a sleeping-accommodation establishment located in the Québec tourist region will have to collect or pre-collect the 3% or \$3 lodging tax, as the case may be, regarding an accommodation unit rented in his establishment that he invoices after May 31, 2007 for occupation after that date.

However, the operator of a sleeping-accommodation establishment will not have to pre-collect the \$3 tax in respect of accommodation units billed to a travel intermediary where the price of these units has been set under an agreement reached before June 1, 2007 between the operator and the intermediary, and their occupation by tourist customers takes place between May 31, 2007 and September 1, 2008. In such circumstances, the operator will continue to be required to pre-collect the existing \$2 tax.