

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Fall Economic Statement 2020 (FES 2020). A list of the PBO's cost estimates of components of the FES 2020 can be viewed on [its website](#).

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Short Title: GST/HST on Platform-based Short-Term Accommodation

Description: The GST/HST would apply to all taxable supplies of short-term accommodation facilitated through digital accommodation platforms.

Notably, where the traditional supplier (e.g. property owner) is not registered for the GST/HST, the accommodation platform would be deemed the supplier and would be responsible for the collection and remittance of the GST/HST.

Data Sources:	Variable	Source
	Revenue of Private-Short Term Accommodation in Canada	Statistics Canada
	GDP by Industry	Statistics Canada, PBO's economic and industry models
	Revenue of Multi-Unit Hosts	CBRE Group

Estimation and Projection Method: This cost estimate covers the federal portion of the estimated GST/HST revenue only. It does not include provincial portions of the estimated HST revenue.

Estimated GST/HST revenue was comprised of the estimated revenue of short-term accommodation in Canada, the proportion of revenue subject to GST/HST, and the federal GST/HST rate (5 per cent). The assumed proportion of revenue where GST/HST was already collected, and the amount of revenue eligible for reimbursement through input tax credits were deducted from the estimate. To calculate the revenue of short-term private accommodation, historical revenue data were projected forward using growth rates of accommodation services GDP from the PBO's industry model. This model includes the impact of COVID-19 on accommodation services.

To determine the proportion of revenue subject to GST/HST, the PBO calculated and removed revenues consisting of fees transferred to the platform from the host, as such fees are considered business-to-business transactions and are therefore not subject to the GST/HST. Next, multi-unit hosts were used a proxy for hosts who operate as businesses on digital accommodation platforms. The PBO assumed hosts who operate as businesses would be registered for the GST/HST and removed the proportion of revenue from multi-unit hosts from the estimate. The PBO assumed no small suppliers under this policy as platforms would be required to collect and remit where traditional suppliers are not registered for the GST/HST. Lastly, the proportion of the GST/HST revenue eligible for reimbursement through

input tax credits was removed from the estimate. This was based on the proportion of digital platform users whose travel purpose was business-related.

Sources of Uncertainty: This estimate is highly dependent on the recovery path of accommodation services, and the PBO's economic projections. Due to the uncertainty surrounding COVID-19, the recovery path could differ greatly, which would ultimately impact the estimate. The behavioural response was determined to be immaterial for this estimate.

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Cost of proposed measure

\$ millions	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Total cost	-	-35	-54	-64	-75	-86

Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.
- "-" = PBO does not expect a financial cost.