

Accommodation and Parking Rights



BULLETIN 107

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*Do you sell parking rights along with accommodation?
Do you sell accommodation packages that include parking rights?*

This bulletin provides specific tax information to help sellers of accommodation understand how the Parking Tax applies to their businesses.

As a business selling accommodation, your sales may be subject to provincial sales tax and municipal and regional district taxes respectively. For more information on these taxes, please refer to the Provincial Ministry of Finance's website at www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/ministries/finance

For general good and sales tax (GST) information that applies to all businesses, please see the Canada Revenue Agency website at canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses.html, or call 1-800-959-5525.

For general information on Parking Tax, please refer to **Bulletin 105, Motor Vehicle Parking**.

Contents

Overview	1
Parking Rights Sold Separately from Accommodation	2
Parking Rights Included within Accommodation Packages	2
Exemption	4

Overview

When selling or providing parking rights along with accommodation, Parking Tax must also be charged on the purchase price of the parking right, unless there is a specific exemption from tax. For details on exemptions, see *Exemption* section on page 4.

Parking Rights Sold Separately from Accommodation

Where a business charges its customers separately for accommodation and parking rights, at fair values, the application of Parking Tax is straightforward. The Parking Tax would be applied on the sale price of the parking rights as if it were being sold on its own to customers.

When a business provides a discount to customers on the sale of a parking right when purchasing accommodation, then the Parking Tax would apply on the price of the parking right after taking into account the discount offered.

For example, the regular price of a hotel room is \$90 per night and the regular price for the general public to park a car regardless of whether you are staying at the hotel is \$20 per day. You provide a \$5 discount on the sale of parking rights to customers who purchase accommodation. When the customer takes advantage of the discount by purchasing accommodation, the Parking Tax would be charged as follows:

Reduced Parking Right Price = Regular price – Discount = \$20 – \$5 = **\$15**

Parking Tax = Reduced Parking Right Price × 29% = \$15 × 29% = **\$4.35**

Parking Rights Included within Accommodation Packages

Where businesses make accommodation packages available under one price that includes parking rights and other goods or services, the Parking Tax may be applicable to a portion of the price charged for the package.

The accommodation package price is considered to include an amount paid for the accommodation and the parking right. You must accordingly allocate the sale price of the package between the price paid for the sale of the accommodation and the price paid for the parking right. The value that is allocated to the parking right for Parking Tax calculation may vary depending on the circumstances.

Refer to the following cases to assist you in determining the amount of the accommodation package price to allocate to the parking right included in the package:

Case 1: If the accommodation package price is equal to or less than the price of the accommodation alone, calculated at the time the reservation/booking is made by the guest, then the value of the parking is \$0.

For example, at the time the reservation/booking is made, a hotel room is available at a price of \$90 per night and the regular price to park a car while staying at the hotel is \$20 per night. A package rate is also available for the hotel that includes the room and one parking space for a price of \$90 per night. As both the accommodation and the package price are the same, the value of the parking is \$0 and you do not charge Parking Tax.

Case 2: If the package includes accommodation and parking and the price of the package exceeds the price of the accommodation alone, the value of the parking is the difference between the package price and the accommodation price calculated at the time the reservation/booking is made by the guest.

For example, at the time the reservation/booking is made, a hotel room is available at a price of \$90 per night and the regular price to park a car while staying at the hotel is \$20 per night. A package rate is also available for the hotel that includes the room and one parking space for a price of \$100 per night. The value of the parking is as follows:

$$\text{Parking Value} = \text{Package Rate} - \text{Room Rate} = \$100 - \$90 = \$10$$

The value of parking is \$10 and you charge Parking Tax of \$2.90 (\$10 × 29%).

Case 3: If the package includes accommodation, parking and other goods or services and the other goods and services are not nominal and the price of the package exceeds the price of the accommodation alone, the value of the parking is a reasonable allocation of the difference between the package price and the accommodation price calculated at the time the reservation/booking is made by the guest.

For example, at the time the reservation/booking is made, a hotel room is available at a price of \$90 per night, the regular price to park a car while staying at the hotel is \$20 per night, and an average breakfast in the restaurant is valued at \$15. A package rate is also available for the hotel that includes the room, one parking space and breakfast for a price of \$110 per night. In order to calculate the price of the parking a reasonable allocation between parking and breakfast could be calculated as follows:

$$\begin{aligned}\text{Parking Allocation} &= \text{Regular Parking Price} / \text{Regular Parking Price} + \text{Average Breakfast Price} \\ &= \$20 / \$20 + \$15 = \mathbf{57.14\%}\end{aligned}$$

The value of the parking would be as follows:

$$\text{Parking Value} = (\text{Package Rate} - \text{Room Price}) \times \text{Parking Allocation} = (\$110 - \$90) \times 57.14\% = \mathbf{\$11.43}$$

The value of parking is \$11.43 and you would charge Parking Tax of \$3.31 (\$11.43 × 29%).

In some cases, it may be difficult to determine the amount of the parking right allocation or keep a record of it when accommodation package prices vary due to negotiations on the sale with the customer. When this happens, you can estimate the parking right allocation of the taxable portion and charge the Parking Tax on that value. It is important to keep a record of how you determined the value of the parking right as you may be asked for information to support the valuation during an audit. Where you are unable to support the valuation you used, the Parking Tax Administrator may assess the fair value of the parking right.

Exemption

The sale of a parking right is exempt from Parking Tax when the parking right is included in the price of every sale of accommodation whether or not the customer has a car to park. The exemption only applies if you do not offer accommodation without parking (i.e., the customer does not have a choice of paying for parking), and no discounts are provided when parking is not required or unavailable due to a full lot.

For example, two customers purchase a similar room for one night. Customer A would like to park his car overnight. Customer A is charged \$100 for the room including parking. Customer B does not have a car to park. Customer B is charged \$100 for the room including parking that won't be used. The parking rights are included at no charge in the cost of the accommodation and so you do not charge Parking Tax.

Need More Information?

Telephone:

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E-mail:

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Website:

translink.ca/parkingtax

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. Any conflict or inconsistency between applicable legislation and this bulletin will be resolved by referring to applicable legislation. Access to the *South Coast British Columbia Transportation Authority Act* and Regulations are available on our website at **translink.ca/parkingtax**.
