



## Canadian Tax On Air Transportation Purchased In The U.S.

### General Applicability

Canada imposes one tax on air transportation - the goods and services tax (GST):

GST applies to any amount paid or payable outside of Canada for the transportation of a person by air where such air transportation commences (first enplanement) at an airport in Canada.

### Definitions

**"Stopover"** - a planned break in a journey.

**"Connection"** - a passenger deplanes one aircraft with the sole purpose of boarding another aircraft. A connection is not considered a planned break in a journey.

**"Taxation area"** - Canada, the United States (except Hawaii), and the Islands of St. Pierre and Miquelon.

**"Payment outside Canada"** - tickets, miscellaneous charges/exchange orders purchased outside Canada against any form of payment. For tax purposes, acceptance of a charge document outside Canada constitutes payment outside Canada.

Tickets issued against a PTA (prepaid ticket advice) are considered to be paid at the time and place of sale of the PTA.

### Application of the Goods and Services Tax

GST is imposed on the base fare at the rate of 7 percent when the air transportation commences **in** Canada for either domestic travel or travel within the taxation area.

### Exceptions:

Canadian legislation provides that where multiple transportation services (e.g. buses, trains, boats, or airplanes) are provided on a single ticket, each service is treated as part of a continuous journey and accorded the same GST status. The term "continuous journey" determines where an otherwise domestic or transborder transportation service qualifies as part of an international trip. As long as there is at least one international origin, destination, or stop-over, the entire ticket will be treated as a single international transportation service and the transportation will be "zero-rated" (e.g. GST will not be payable on any portion of the travel.) In these cases, there will be no requirement to prorate ticket prices in order to segregate domestic and transborder from international services.

### Example #1:

If a round trip Toronto-Miami-Toronto ticket is combined with a Caribbean cruise/tour, the GST tax would not be payable on any portion of the journey because the Caribbean is outside the taxation area. Stopovers either before **or** after the international portion are allowed without changing the GST tax-free status. The air portion **must** be provided on a single ticket. However, if stopovers occur both before and after the international portion, the continuous journey is broken and GST applies to the airline ticket.

### Example #2:

An individual boards a flight in Toronto to fly to Halifax. He spends a week in Halifax and then boards another flight from Halifax to London, England. If the entire trip is on a single ticket, it is considered to be a continuous journey regardless of the number of stopovers in the itinerary. Example #1 applies only when there are two or more tickets.

In circumstances where a combination of domestic and international travel is provided as part of a continuous journey and separate tickets are issued, the domestic portion may still be considered part of a continuous international journey provided the following conditions are met.

- all tickets are issued by the same travel service supplier or travel agency acting on behalf of two or more travel service suppliers.
- all tickets are for the same traveler.
- all intermediate stops are for connecting purposes only (not to exceed 24 hours unless a longer stop is required. It is the travel supplier's or travel agent's responsibility to demonstrate that length of stop is for connection purposes only.)
- the continuous journey contains a qualifying international origin, destination or stopover; and
- the supplier or travel agent must be able to prove to Revenue Canada, Customs & Excise, that the conditions for treating a domestic ticket as part of a continuous international journey have been met.

### Province of Quebec Sales Tax

The Province of Quebec sales tax rate is 7.5 percent. The tax applies to tickets sold inside or outside Canada for transport wholly within Canada and commencing in Quebec. It does not apply to transborder (Canada-USA) or international tickets or domestic tickets issued in conjunction with cross-referenced international/trans-border tickets. The tax is calculated on the base fare plus the Canadian GST. The code is XQ.



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### **Exemptions:**

Tickets purchased by the Government of the Province of Quebec and by the Federal Government of Canada are exempt.

### **Provinces of Nova Scotia, New Brunswick, and Newfoundland Harmonized Sales Tax (HST)**

The Government of Canada has instituted a new Harmonized Sales Tax (HST) effective for air transportation beginning on or after April 1, 1997. The HST, with a rate of 15%, applies to transportation wholly within Canada and commencing at one of 32 stations within the Provinces of Nova Scotia, New Brunswick, and Newfoundland.

The 15% HST, when collected, replaces the Canadian Goods and Services Tax (GST) and is calculated on the base fare. The code for the HST is RC.

### **Exemptions:**

There are no exemptions from the HST

### **Calgary Airport Improvement Fee**

Effective October 1, 2001, the Calgary Airport Improvement Fee is \$12.00 CAD for departing (non-connecting) passengers. The code for the Calgary Airport Improvement fee is SQ.

### **Exemptions:**

Connecting passengers are exempt if the journey continues domestically (inside Canada) within 4 hours. Passengers connecting to international travel are exempt if the journey continues within a 24-hour period. Children under the age of two years are also exempt.



Example 1 - On the flight itinerary TORONTO - MIAMI - TORONTO, purchased in the US, the following applies:

Base Fare	7.5% US Ticket Tax or \$15.40 Int'l Arr/Dep Tax	Canadian Goods & Services Tax (XG)	Quebec Sales Tax (XQ)	US Security Service Fee (AY)	US Customs Fee (YC)	<u>US Agricultural Inspection Fee (XA)</u>	US Immigration Fee (XY)	US Flight Segment Tax (ZP)
USD 506.15 Or CAD 699.00	USD 37.96	USD 36.83 or CAD 50.86	N/A	USD 2.50	EXEMPT	USD 5.00	USD 7.00	USD 7.00

A. US Ticket Tax/US International Arrival/Departure Taxes

The 7.5% US Ticket Tax is in effect as the air transportation takes place between points in the Continental US (Miami) and the Buffer Zone (Toronto).

B. Canadian Goods and Services Tax (XG)

The Canadian Goods and Services tax is imposed at the rate of 7% on the base. This tax is imposed when air transportation commences in Canada (Toronto) for either domestic or transborder (Miami) travel.

C. Quebec Sales Tax (XQ)

The Quebec Sales tax applies to tickets sold inside or outside Canada for transport wholly within Canada and commencing in Quebec. It does not apply to transborder (Toronto - Miami) or international tickets.

D. US Security Service Fee (AY)

Effective for tickets sold on or after February 1, 2002, a \$2.50 US Security Service Fee will be assessed on the enplanement in the United States.

E. US Agricultural Inspection Fee (XA)

Effective for tickets sold on or after January 1, 2007, the US Agricultural Inspection Fee is to be collected for travel to the US or Puerto Rico from any international point (including Canada).

F. US Customs Fee (YC)

Passengers whose travel is confined to the US and Canada are exempt from the US Customs Fee.

G. US Immigration Fee (XY)

The USD 7.00 fee is collected for travel from any international point (excluding US territories and possessions) into the US, Puerto Rico, Guam and US Virgin Islands. (Toronto - Miami)

H. US Flight Segment Tax (ZP)

In general, for Domestic Segments (that are not Rural Segments) that are paid for during 2007 and begin during 2007 or a later year, a 3.50 per person per flight segment excise tax will be assessed.



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Example 2 - On the flight itinerary NEW YORK - TORONTO - NEW YORK, purchased in the US, the following applies:

Base Fare	7.5% US Ticket Tax or \$15.40 Int'l Arr/Dep Tax	Canadian Goods & Services Tax (XG)	Quebec Sales Tax (XQ)	US Security Service Fee (AY)	US Customs Fee (YC)	US Agricultural Inspection Fee (XA)	US Immigration Fee (XY)	US Flight Segment Tax (ZP)
USD 348.00	USD 26.10	N/A	N/A	USD 2.50	EXEMPT	USD 5.00	USD 7.00	USD 7.00

A. US Ticket Tax/US International Arrival/Departure Taxes

The 7.5% US Ticket Tax is in effect as the air transportation takes place between points in the Continental US (New York) and the Buffer Zone (Toronto).

B. Canadian Goods and Services Tax (XG)

The Canadian Goods and Services tax is imposed at the rate of 7% on the base fare. This tax is imposed when air transportation commences in Canada for either domestic or transborder travel.

C. Quebec Sales Tax (XQ)

The Quebec Sales tax applies to tickets sold inside or outside Canada for transport wholly within Canada and commencing in Quebec. It does not apply to transborder (New York - Toronto - New York) or international tickets.

D. US Security Service Fee (AY)

Effective for tickets sold on or after February 1, 2002, a \$2.50 US Security Service Fee will be assessed on the enplanement in the United States.

E. US Customs Fee (YC)

Passengers whose travel is confined to the US and Canada are exempt from the US Customs Fee.

F. US Agricultural Inspection Fee (XA)

Effective for tickets sold on or after January 1, 2007, the US Agricultural Inspection Fee is to be collected for travel to the US or Puerto Rico from any international point (including Canada).

G. US Immigration Fee (XY)

The USD 7.00 fee is collected for travel from any international point (excluding US territories and possessions) into the US, Puerto Rico, Guam and US Virgin Islands. (Toronto - New York)

H. US Flight Segment Tax (ZP)

In general, for Domestic Segments (that are not Rural Segments) that are paid for during 2007 and begin during 2007 or a later year, a \$3.50 per person per flight segment excise tax will be assessed .



Example 3 - On the flight itinerary CHICAGO - EDMONTON - CHICAGO, purchased in the US, the following applies:

Base Fare	7.5% US Ticket Tax or \$15.40 Int'l Arr/Dep Tax	Canadian Air Transportation Tax (CA)	Quebec Sales Tax (XQ)	US Security Service Fee (AY)	US Customs Fee (YC)	US Agricultural Inspection Fee (XA)	US Immigration Fee (XY)	US Flight Segment Tax (ZP)
USD 988.00	USD 30.80	USD 10.86 Or CAD 15.00	N/A	USD 2.50	EXEMPT	USD 5.00	USD 7.00	N/A

A. US Ticket Tax/US International Arrival/Departure Taxes

The USD 15.40 International Departure Tax applies to any international air transportation commencing in the United States except from the US to a city within the Buffer Zone. Edmonton is not within the Buffer Zone, therefore the USD 15.40 International Departure Tax applies. The USD 15.40 International Arrival Tax also applies to any international air transportation ending in the US.

B. Canadian Goods and Services Tax (XG)

The Canadian Goods and Services tax is imposed at the rate of 7% on the base fare. This tax is imposed when air transportation commences in Canada for either domestic or transborder travel.

C. Quebec Sales Tax (XQ)

The Quebec Sales tax applies to tickets sold inside or outside Canada for transport wholly within Canada and commencing in Quebec. It does not apply to transborder (Chicago - Edmonton - Chicago) or international tickets.

D. US Security Service Fee (AY)

Effective for tickets sold on or after February 1, 2002, a \$2.50 US Security Service Fee will be assessed on the enplanement in the United States.

E. US Customs Fee (YC)

Passengers whose travel is confined to the US and Canada are exempt from the US Customs Fee.

F. US Agricultural Inspection Fee (XA)

Effective for tickets sold on or after January 1, 2007, the US Agricultural Inspection Fee is to be collected for travel to the US or Puerto Rico from any international point (including Canada).

G. US Immigration Fee (XY)

The USD 7.00 fee is collected for travel from any international point (excluding US territories and possessions) into the US, Puerto Rico, Guam and US Virgin Islands. (Edmonton - Chicago)

H. US Flight Segment Tax (ZP)

US Flight Segment Tax applies only to Domestic Segments.



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Example 4 - On the flight itinerary MONTREAL - VANCOUVER, purchased in the US, the following applies:

Base Fare	7.5% US Ticket Tax or \$15.40 Int'l Arr/Dep Tax	Canadian Goods & Services Tax (XG)	Quebec Sales Tax (XQ)	US Security Service Fee (AY)	US Customs Fee (YC)	US Agricultural Inspection Fee (XA)	US Immigration Fee (XY)	US Flight Segment Tax (ZP)
USD 1170.15 or CAD 1616.00	USD 87.76	USD 81.91 or CAD 113.12	USD 93.90 or CAD 129.68	N/A	N/A	N/A	N/A	USD 3.50

A. US Ticket Tax/US International Arrival/Departure Taxes

The 7.5% US Ticket Tax is in effect as the air transportation takes place between points in the Buffer Zone (Montreal and Vancouver) and the ticket was purchased in the United States.

B. Canadian Goods and Services Tax (XG)

The Canadian Goods and Services tax is imposed at the rate of 7% on the base fare. This tax is imposed when air transportation commences in Canada (Montreal - Vancouver)

C. Quebec Sales Tax (XQ)

The Quebec Sales tax applies to tickets sold inside or outside Canada for transport wholly within Canada and commencing in Quebec (Montreal - Vancouver).

D. US Security Service Fee (AY)

The US Security Service Fee does not apply because no enplanement in the United States occurs.

E. US Customs Fee (YC)

Domestic travel within Canada is not subject to this fee.

F. US Agricultural Inspection Fee (XA)

Domestic travel within Canada is not subject to this fee.

G. US Immigration Fee (XY)

Domestic travel within Canada is not subject to this fee

H. US Flight Segment Tax (ZP)

Travel is within the Buffer Zone and US Flight Segment Tax applies.



Example 5 - On the flight itinerary TORONTO - PARIS, purchased in the US, the following applies:

Base Fare	7.5% US Ticket Tax or \$15.40 Int'l Arr/Dep Tax	Canadian Goods & Services Tax (XG)	Quebec Sales Tax (XQ)	US Security Service Fee (AY)	US Customs Fee (YC)	US Agricultural Inspection Fee (XA)	US Immigration Fee (XY)	US Flight Segment Tax (ZP)
USD 1348.27 or CAD 1862.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

A. US Ticket Tax/US International Arrival/Departure Tax

The USD 15.40 International Arrival/Departure Tax applies to any international air transportation commencing/ending in the United States except from the US to a city within the Buffer Zone. Toronto is not within the United States, therefore this tax does not apply.

B. Canadian Goods and Services Tax (XG)

The Canadian Goods and Services tax is imposed at the rate of 7% on the base fare. This tax is imposed when air transportation commences in Canada (Toronto) for either domestic or transborder travel. Paris is not considered to be transborder travel, therefore the tax does not apply.

C. Quebec Sales Tax (XQ)

The Quebec Sales tax applies to tickets sold inside or outside Canada for transport wholly within Canada and commencing in Quebec. It does not apply to transborder (Toronto - Paris) or international tickets.

D. US Security Service Fee (AY)

The US Security Service Fee does not apply because no enplanement in the United States occurs.

E. US Customs Fee (YC)

The US is not part of the itinerary.

F. US Agricultural Inspection Fee (XA)

The US is not part of the itinerary.

G. US Immigration Fee (XY)

The US is not part of the itinerary.

H. US Flight Segment Tax (ZP)

No Domestic Segments in this example.



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Example 6 - On the flight itinerary CLEVELAND - TORONTO - PARIS, purchased in the US, the following applies:

Base Fare	7.5% US Ticket Tax or \$15.40 Int'l Arr/Dep Tax	Canadian Goods & Services Tax (XG)	Quebec Sales Tax (XQ)	US Security Service Fee (AY)	US Customs Fee (YC)	US Agricultural Inspection Fee (XA)	US Immigration Fee (XY)	US Flight Segment Tax (ZP)
USD 1280.00	USD 15.40	N/A	N/A	USD 2.50	N/A	N/A	N/A	N/A

A. US Ticket Tax/US International Arrival/Departure Tax

The USD 15.40 International Departure Tax applies to any international air transportation commencing in the United States except from the US to a city within the Buffer Zone.

B. Canadian Goods and Services Tax (XG)

The Canadian Goods and Services tax is imposed at the rate of 7% on the base fare. This tax is imposed when air transportation commences in Canada (Toronto) for either domestic or transborder travel.

C. Quebec Sales Tax (XQ)

The Quebec Sales tax applies to tickets sold inside or outside Canada for transport wholly within Canada and commencing in Quebec. It does not apply to transborder or international (Toronto - Paris) tickets.

D. US Security Service Fee (AY)

Effective for tickets sold on or after February 1, 2002, a \$2.50 US Security Service Fee will be assessed on the enplanement in the United States.

E. US Customs Fee (YC)

The fee does not apply because the itinerary includes no arrival in the US customs territory.

F. US Agricultural Inspection Fee (XA)

The fee does not apply because the itinerary includes no arrival in the US or Puerto Rico.

G. US Immigration Fee (XY)

The USD 7.00 fee for travel from any international point (excluding US territories and possessions) into the US, Puerto Rico, Guam and US Virgin Islands. (Cleveland - Toronto - Paris does not apply).

H. US Flight Segment Tax (ZP)

Does not apply to Uninterrupted International Air Transportation.



## LICENSED ARC PARTICIPATING CARRIERS

Agents are to collect Canadian transportation taxes for the following carriers which have obtained an air transportation tax license from the Canadian government:

AER LINGUS	KLM ROYAL DUTCH AIRLINES
AEROLINEAS ARGENTINAS	KOREAN AIR
AEROMEXICO	KUWAIT AIRLINES
AIR CANADA	LACSA
AIR FRANCE	LAN CHILE AIRLINES
AIR INDIA	LOT POLISH AIRLINES
AIR JAMAICA	LUFTHANSA GERMAN AIRLINES
AIR NEW ZEALAND	MALAYSIAN AIRLINE SYSTEM
ALASKA AIRLINES	MALEV HUNGARIAN AIRLINES
ALITALIA	MEXICANA AIRLINES
AMERICAN AIRLINES	MIDWEST EXPRESS
AMERICA WEST AIRLINES	NORTHWEST AIRLINES
AMERICAN TRANS AIR	OLYMPIC AIRWAYS
AUSTRIAN AIRLINES	PAKISTAN INTL AIRLINES
AVIANCA	PHILIPPINE AIRLINES
BRITISH AIRWAYS	QANTAS AIRWAYS
CATHAY PACIFIC LTD.	ROYAL JORDANIAN
CHINA AIRLINES	SAUDI ARABIAN AIRLINES
CONTINENTAL AIRLINES	SCANDINAVIAN AIRLINES
DELTA AIR LINES	SINGAPORE AIRLINES
EGYPT AIR	SOUTH AFRICAN AIRWAYS
EL AL ISRAEL AIRLINES	SPIRIT AIRLINES
FINNAIR OY	SWISSAIR
GREAT LAKES AVIATION	TACA
GULF AIR	TAP-AIR PORTUGAL
HAWAIIAN AIRLINES	THAI AIRWAYS
IBERIA	TRANS WORLD AIRLINES
ICELANDAIR	UNITED AIRLINES
JAPAN AIR LINES	USAIR
	VARIG

**The tax should not be collected for other ARC participating carriers who have not obtained a Canadian tax license.**

### Canadian Tax on Air Transportation Purchased Outside Canada

#### Examples of the US Air Transportation Tax, Goods and Services Tax, Province of Quebec Tax and other applicable taxes and fees:

	Place of Purchase	Flight Itinerary	Base Fare	7.5% US Ticket Tax or \$15.40 Int'l Arrival / Departure Tax	Amount Subject to Goods & Services Tax	Canadian Goods & Services Tax (XG)	Amount Subject to Quebec Tax	Quebec Sales Tax (XQ)	US Security Service Fee (AY)	US Customs Fee (YC)	US Agricultural Inspection Fee (XA)	US Immigration Fee (XY)	US Flight Segment Tax (ZP)	Total Collected
1.	US	Toronto-Miami-Toronto	USD 506.15 Or CAD 699.00	USD 37.96	USD 517.01 Or CAD 714.00	USD 36.83 Or CAD 50.86	N/A	N/A	USD 2.50	EXEMPT	USD 5.00	USD 7.00	USD 7.00	USD 602.44
2.	US	N.Y.-Toronto-N.Y.	USD 348.00	USD 26.10	N/A	N/A	N/A	N/A	USD 2.50	EXEMPT	USD 5.00	USD 7.00	USD 7.00	USD 400.10 includes 4.50 XF for JFK
3.	US	Chicago-Edmonton-Chicago	USD 988.00	USD 30.80	N/A	N/A	N/A	N/A	USD 2.50	EXEMPT	USD 5.00	USD 7.00	N/A	USD 1037.80 includes 4.50 XF for ORD
4.	US	Montreal-Vancouver	USD 1170.15 or CAD 1616.00	USD 87.76	USD 1170.15 or CAD 1616.00	USD 81.91 or CAD 113.12	USD 1252.06 Or CAD 1729.12	USD 93.90 Or CAD 129.68	N/A	N/A	N/A	N/A	USD 3.50	USD 1437.22
5.	US	Toronto-Paris	USD 1348.27 or CAD 1862.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	USD 1351.27 includes 3.00 FR tax
6.	US	Cleveland-Toronto-Paris	USD 1280.00	USD 15.40	N/A	N/A	N/A	N/A	USD 2.50	N/A	N/A	N/A	N/A	USD 1302.40 includes 4.50 XF for CLE

Note: Amounts are calculated on an exchange rate of approximately 0.7241. Actual US dollar amounts will vary based on the rate of exchange at the time of ticketing. The calculation of Canadian taxes must use predetermined Canadian dollar amounts and then be converted to US dollars.