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GST/HST and Foreign Airline Stopovers in Canada

Relief and Recovery

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Canadian GST/HST is not supposed to be a business cost to foreign airlines¹ that are simply landing or departing from Canada as part of an international flight.

There are a number of GST/HST relief provisions that may be available to foreign airlines for either not paying the tax in the first place, or to recover any tax paid in error.

Common GST/HST Relief Provisions for Foreign Airlines

General relief for foreign carriers that are not registered for GST/HST

GST/HST would not apply to the sale of goods and services to a foreign airline that is not GST/HST registered and that carries on a business of transporting passengers or goods to or from Canada or between places outside Canada by aircraft, where the goods and services

are acquired for consumption, use or resale in the course of so transporting passengers or goods².

Fuel and air navigation services

The sale of fuel or air navigation services³ would not be subject to GST/HST even if the foreign airline is registered for GST/HST purposes at the time of sale, provided that the foreign airline carries on a business of transporting passengers or goods to or from Canada or between places outside Canada by aircraft, and that the fuel or air navigation service is acquired by the foreign airline for use in the course of so transporting passengers or goods⁴.

Emergency repairs

No GST/HST would apply to an emergency repair service provided to a foreign airline, even if the airline is GST/HST registered (including any parts or other goods provided in conjunction with the service). This also applies in respect of a conveyance (e.g., an aircraft) or cargo container that is being used or transported by the foreign airline in the course of a business of transporting passengers or goods⁵.

Travel agent commissions

No GST/HST would apply to a foreign airline on the fees or commissions charged by a travel agency in regard to its services of acting as an agent for arranging or soliciting the sale of airfare tickets for an international flight to passengers on its behalf⁶.

¹For the purpose of our letter, a foreign airline refers to a person (e.g., an airline company) that is non-resident of Canada for GST/HST purposes. Special rules may deem a person to be a resident of Canada in certain cases. We are making the assumption that no such deeming rule would apply for the purpose of our letter.

²Section 2 of Part V of Schedule VI to the Excise Tax Act ("ETA").

³Navigation services as defined in subsection 2(1) of the Civil Air Navigations Services Commercialization Act.

⁴Sections 2.1 and 2.2 of Part V of Schedule VI to the ETA.

⁵Section 6 of Part V of Schedule VI to the ETA.

⁶Section 5.1 of Part VI of Schedule VI to the ETA.

The following example is provided by the Canada Revenue Agency (“CRA”):

On behalf of an airline, a registered travel agency in Canada sells a passenger transportation service from Toronto, Ontario to Paris, France. In that situation, no GST/HST on the fees charged by the travel agency.

Other GST/HST relief provisions may also be available that are not specific to the air transportation industry such as on the purchase of goods (other than an excisable good) to a foreign airline for export outside Canada under certain conditions.

Recovery of GST/HST for Foreign Airlines

If the foreign airline is registered for GST/HST purposes, it would normally be able to fully recover any GST/HST payable on its purchases by way of claiming input tax credits when it files its GST/HST returns.

Alternatively, a foreign airline that is not registered for GST/HST purposes should also be able to recover any amount of tax paid in error (if the supplier did not apply the above-noted relief provisions at the time of sale) by filing a rebate form for tax paid in error to the CRA within two years from the date on which the tax was paid.

Regardless of the circumstances, we can help you in maximizing your tax recovery. For further information on this or other applications of GST/HST, contact our Indirect Tax practice lead – Frédéric Pansieri.

This article has been prepared for the general information of our clients. Specific professional advice should be obtained prior to the implementation of any suggestion contained in this article. Please note that this publication should not be considered a substitute for personalized tax advice related to your particular situation.

⁷Example 15 in GST/HST Memorandum 28.3

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