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October 12, 2002

Select Standing Committee

On Finance and Government Services

The Western Canada Bed & Breakfast Innkeepers Association represents bed and breakfast owners and operators in British Columbia and is recognised by the Ministry of Tourism and municipal governments throughout the province.

Its prime purpose lies in the maintenance of high standards of accommodation.

The vast majority of bed and breakfasts are small, owner-operated businesses in single-family homes. Their strength lies in their great flexibility and desire to serve the individual needs of their guests. Most municipalities recognise this and license bed and breakfasts in order that a full range of accommodation opportunities is available to leisure travellers.

This strength is also a weakness, however. The operators are generally single or retired; the demands of time and energy are high and the financial return is relatively small.

Bed and breakfast operators (there are perhaps 2,500 in British Columbia) are individuals without corporate umbrellas under which they might directly benefit from new measures to relieve small business of certain tax burdens. They applaud the commitment of this government to small business, but largely fall through the cracks of definition themselves.

In recent years, as tourism in British Columbia has increased, senior levels of government have become interested in "sharing" in the small bed and breakfast financial pie. Instead of being well satisfied with increasing revenues from tourism sales taxes and room taxes, government appears to be constantly on the lookout for various means by which it can reduce an already limited net return in the home-based sector of small business.

One recent example is the decision by the British Columbia Assessment Authority to apply split-classification assessment to bed and breakfasts of more than three rooms. Split classification designates as commercial that portion of property zoned residential but used as a bed and breakfast. Included are all areas of the property used in any way by the guests and not for the exclusive use of the owners.

The whole split-classification issue is counter-productive. The resulting small tax gain realised in the short term is more than offset by higher assessment administrative costs in the long term. A second, and far more important result, is that these small, home-based businesses cease operation, reduce their capacities or go underground.

All three of these results are in opposition to British Columbia's stated wish to support small business.

Another area of concern for our members is the application of Provincial Sales Tax to electricity usage in that flexible and indefinable area of the residence accessed by guests. The actual tax revenue gained by this is small, but the penalising quality of the tax is considerable when the cost must be absorbed and not passed on.

The Association believes that the Provincial government could best serve our sector of small business by designating bed and breakfast as residential and by devolving all zoning, licensing and related issues to local control. This belief is based on the premise that communities best understand their own wishes, particularly in areas related to the building of small, local, strong businesses serving leisure travellers. The imposition of taxation based on arbitrary rules and regulations interferes with community planning and development.

Tourism is a major source of revenue for the people of British Columbia. The direct flow through to Provincial and Municipal coffers in sales taxes and hotel room taxes is significant. These taxes, collected on behalf of government, do not adversely effect small, home-based business operators. Other forms, especially when applied indiscriminately or inequitably within a sector of any industry, are disruptive, create instability and are penalising by their very nature.

Our members strongly recommend that the Provincial government's fiscal policy be geared to elimination of areas of debatable taxation benefit, reduction in related labour-intensive and ineffective bureaucratic controls and active encouragement for the home-based business sector.

Respectfully submitted,

Rex Davidson

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