CIRCULAR

Department of Municipal and Provincial Affairs

Towns and Local Service Districts Act

Tourist Accommodations Tax

On January 1, 2025, the **Towns and Local Service Districts Act** (the 'Act') will come into force and towns are permitted to charge a tourist accommodation tax.

The introduction of a tourist accommodation tax provides another lever that towns may use to help act on the town purposes identified in the Act, including economic development. It is one of the means to assist with the diversification of town revenue streams while also aligning with Newfoundland and Labrador's Tourism Vision 2026 and tourism development efforts to grow tourism revenues, visitation, and jobs in an increasingly competitive marketplace.

By-law Required

Please note that if your town decides to implement this tax, you must prepare a by-law in accordance with Section 129 of the Act.

A tourist accommodation tax is a tool that towns may consider using to generate revenue in support of tourism and facilitate the town and local area's development as a tourism destination. This may be achieved directly through municipal activities, or indirectly, by the town making a grant to a third party.

The funds collected from this tax must be used to develop tourism within your town/local area. Pursuant to the Section 129(8) of the Act, "a town council that imposes a tourist accommodation tax shall use the proceeds of the tax collected for the purposes of tourism". Please view the **Guidance Section** below.

Regulations in 2025

The Provincial Government is currently developing regulations for tourist accommodation taxes under the **Towns and Local Service Districts Act**. These regulations will come into effect later in 2025. As such, should a town implement, or consider implementing a tourist accommodation tax in 2025, the required town by-laws (which must be established before imposing a tourist accommodation tax) will need to comply with the regulations.

Please also note that towns are limited to charging a maximum of 4% of the daily rate, and only 12% of the revenue can be used to support the collection of the tax.

While towns are not required to submit their by-laws to the Department, by-laws must be posted on a town's website in accordance with Section 12 of the Act and the department is requesting a copy of each town's Tourist Accommodation Tax by-law for our records.

December 2024

Guidance Document

To help promote effective and efficient use of the tourist accommodation taxes collected, the following guidance may be considered.

1. Engage with local tourism stakeholders to drive support and ensure that tourism accommodation operations that are expected to collect the tax are represented on decisions surrounding implementation and investments made as a result of a tax generated by their operations.

2. Consider where possible, regional/destination area collaboration to achieve greater returns, efficiencies and economies of scale.

3. Maximize investments and leverage partnerships resources by coordinating and aligning activities around provincial strategies and priorities. Tourism Vision 2026 is available at https://www.gov.nl.ca/tcar/tourism-division/vision-2026/. For further guidance, please contact Lexie McKenzie, Manager of Strategic Initiatives, with the Department of Tourism, Culture, Arts and Recreation at email: lexiemckenzie@gov.nl.ca.

4. Establish an advisory committee with tourism sector representation, pursuant to section 48 of the Act, or work with an existing suitable tourism committee if one already exists within your town/local area. This advisory committee can provide valuable insight to enhance tourism development and growth in your community.

Funds for Tourism Purposes

Funds collected through a tourist accommodation tax must only be used for the purposes of tourism. Tourism purposes should align with the goals of provincial tourism strategies.

Tourist accommodation taxes collected may be considered for the following tourism purposes:

Destination and Product Experience Development

- Upgrading or building facilities at key tourist sites, including parking, restrooms, and visitor information services.
- Enhancing market-readiness and digital readiness of assets and experiences.
- Product experience enhancement.
- Construction, maintenance, or enhancement of tourist attractions (e.g., trails).
- Development of wayfinding systems (e.g. directional signage for visitors, language services).

Meetings, Conventions:

- Support for event planning, logistics, and marketing.
- Assistance with costs of hosting conferences, conventions, or major tourism-related events.

Visitor Services, which may include:

- Visitor Information Services Activities (e.g. mobile visitor services, ambassador programs).
- Projects to improve accessibility for visitors with disabilities.

Marketing Activities that are permitted may include:

- Collateral production and distribution (e.g. brochures)
- Consumer-focused asset development (e.g. production of local photography/videography)
- Marketing partnerships with Regional Destination Management Organizations

Tourism Purposes, Not Permitted

Non-resident marketing activities as listed below, are not anticipated to fit within scope of Tourism Purposes under the TLSDA, unless with explicit permission of the Minister of Municipal and Provincial Affairs.

- Media Advertising and Production (for example: print, radio, television, out-of-home, paper direct mail, email marketing, search engine marketing, paid social media, display, and native advertising).

- Website - Hosting, Development, Maintenance.
- Social Media Management Platforms and Tools.
- Consumer Shows and Events.
- Familiarization Tours.
- Travel Media Relations.
- Travel Trade marketplaces.