

Ministry of Finance

Tax Bulletin



ISSUED: September 1981 REVISED: February 2009

Bulletin SST 011

www.fin.gov.bc.ca/rev.htm

Exemption for Material and Equipment Used to Conserve Energy

Social Service Tax Act

This bulletin provides specific tax information to explain the exemptions from social service tax, also called provincial sales tax (PST), that relate to energy conservation.

For general PST information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

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Preventing Heat Loss from a Building

The following material and equipment that prevent heat loss from a building are exempt from PST.

- Thermal insulation material that is a bat, a blanket, loose fill or cellular plastic material, and that is designed primarily to prevent heat loss from a building.
- Rigid or semi-rigid insulation attached to buildings also qualifies for exemption. The exemption does not include vapour barrier material or any other material incorporated into or attached to a building and serving a structural or decorative function.
- Polystyrene forming blocks that are used in the construction industry initially as a form for concrete, and that remain permanently attached to the concrete to serve as the primary insulation for the completed building to prevent heat loss from that building.
- Fastening components specifically designed for use with exempt polystyrene forming blocks, even if purchased separately from the blocks.
- Chemicals used to make spray polyurethane foam insulation designed primarily to prevent heat loss from a building.
- Weather stripping and caulking material designed to prevent heat loss from a building. Many types of caulking are multi-purpose. To qualify, the caulking must specify a use designed to prevent heat loss from a building, such as “suitable for use around window/door frames” or “seals out moisture and drafts” (e.g. “bathtub” caulking would not qualify).
- Window insulating systems consisting of a transparent or translucent film, including frames or integral parts of the systems, installed in an existing window and designed primarily to retain heat in a building by absorbing solar heat or reducing drafts. Films that are mainly intended to reduce glare or reflect heat away do not qualify.

Preventing Heat Transfer to, or from, Hot Water Tanks, Water Pipes and Ductwork

Insulation that is designed to prevent heat transfer to, or from, hot water tanks, hot or cold water pipes, and ductwork is exempt from PST. For example, insulation blankets for hot water tanks, preformed insulation sleeves for hot or cold water pipes, and insulation wrap for air ducts are exempt when used to prevent heat transfer. The exemption does not apply to tape or sealants.

ENERGY STAR® Qualified Windows, Doors and Skylights

From February 21, 2007 to March 31, 2011, inclusive, pre-manufactured windows, doors (including side panels) and skylights that are listed as being ENERGY STAR®¹ Qualified by the Office of Energy Efficiency, Natural Resources Canada, are exempt from tax.

To be listed as ENERGY STAR® Qualified, products must meet or exceed technical specifications set by the Office of Energy Efficiency, Natural Resources Canada. A list of brand names and model numbers of ENERGY STAR® Qualified windows, doors (including side panels) and skylights can be found on the Natural Resources Canada website, at www.oeenrcan.gc.ca/residential/personal/windows-doors/buying.cfm?attr=4

The exemption applies to all hardware, including hinges, frames and locks that form part of the pre-manufactured window, door or skylight at the time of the sale. Some models may include side panels listed as being ENERGY STAR® Qualified. The exemption applies to these as well.

As of February 21, 2007, products that do not have the ENERGY STAR® designation are taxable. This means that there is no longer an exemption for glass and other materials used to manufacture windows or skylights (unless purchased for resale) as the ENERGY STAR® designation is available only for pre-manufactured products. Also, there is no longer an exemption for window walls in high-rise residential and commercial buildings as there are no standards equivalent to ENERGY STAR® for these products.

There is no change to the exemption for replacement parts, such as glass used to repair ENERGY STAR® windows. For more details, see the section below, Parts and Services.

If you are a contractor, you should also refer to [Bulletin SST 072](#), *Real Property Contractors*. If you are a retailer, you should refer to [Bulletin SST 057](#), *Building and Home Improvement Stores*.

¹ The ENERGY STAR® mark is administered and promoted in Canada by Natural Resources Canada and is registered in Canada by the United States Environmental Protection Agency.

Transitional Refunds

Before February 21, 2007, the following products qualified under the previous PST exemption for windows and doors:

- storm windows, storm doors, multi-glazed windows and doors containing multi-glazed windows, and
- glass and other materials purchased to construct multi-glazed windows.

Recognizing that individuals and businesses may have entered into agreements before February 21, 2007, to purchase or supply and install products that qualified under the previous exemption, PST refunds are available for the following agreements:

- lump sum agreements entered into by contractors before February 21, 2007, to supply and install products qualifying under the previous exemption, and purchases of the products are made on or after February 21, 2007, and
- written agreements entered into by individuals or businesses before February 21, 2007, to purchase a specific quantity of products qualifying under the previous exemption, and purchases of the products are made on or after February 21, 2007.

To qualify for the above transitional refunds, applicants must:

- purchase and take delivery of the products between February 21, 2007 and March 31, 2009, inclusive, and
- apply for the refund before April 1, 2010.

Please note: Contractors cannot claim a refund if the lump sum agreement allows them to recover the PST from their customers.

To claim a refund, applicants need to provide the following information:

- a completed and signed *Application for Refund* form ([FIN 413](#)),
- a copy of the written agreement dated before February 21, 2007,
 - for contractors: the lump sum agreement to supply and install products that qualified under the previous exemption
 - for individuals and other businesses: the purchase order, receipt or other written document to purchase a specific quantity of products that qualified under the previous exemption
- purchase invoices or receipts, dated between February 21, 2007 and March 31, 2009, inclusive, for products that qualified under the previous exemption,

- proof that PST was paid on the purchase invoices or receipts (e.g. cancelled cheques or accounting records), and
- proof that the previously exempt products were delivered to the applicant between February 21, 2007 and March 31, 2009, inclusive.

Applicants should forward their refund claims to:

Ministry of Finance
Refund Section
PO Box 9628 Stn Prov Govt
Victoria BC V8W 9N6

Application forms and more information on claiming refunds are available on our refunds website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/refunds.htm

Taxable and Non-Taxable Goods or Services Sold Together for a Single Price

This type of bundling can lead to different tax applications depending on the price of the bundle and the value of the taxable goods or services in the bundle.

Generally, if a taxable good or service is bundled with a good or service that is not taxable and both are sold for a single price, tax applies only to the fair market value of the taxable item. However, special rules can apply.

For more information, please see [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-Taxable Goods or Services Sold Together for a Single Price*.

Energy Efficient Residential Furnaces, Boilers, Heat Pumps and Gas-Fired Water Heaters

Furnaces, Boilers and Heat Pumps

From February 16, 2005 to March 31, 2011, inclusive, qualifying energy efficient residential furnaces, boilers and heat pumps are eligible for an exemption from PST if purchased or leased **for residential purposes**.

“**Residential purposes**” means installed in a residential dwelling. Residential dwellings include single family homes and multiple family dwellings, such as apartment buildings and extended care facilities.

What qualifies

Oil-fired forced air furnaces, boilers, and air- or ground-source heat pumps are eligible for exemption if they are listed as being ENERGY STAR® Qualified by the Office of Energy Efficiency, Natural Resources Canada, at the time of purchase or lease.

These exemptions apply to the following time periods.

ENERGY STAR® Qualified Equipment	From	To (inclusive)
oil-fired forced air furnaces	February 21, 2007	March 31, 2011
boilers	February 16, 2005	March 31, 2011
air- or ground-source heat pumps	February 16, 2005	March 31, 2011

A list of brand names and model numbers of ENERGY STAR® Qualified residential furnaces, boilers and heat pumps is available on the Natural Resources Canada website at www.oeenrcan.gc.ca/residential/personal/energy-star-home-heating.cfm?attr=4

The exemption applies to all parts of the residential furnace, boiler or heat pump as supplied by the manufacturer or system installer.

For heat pumps, the exemption includes all major components integral to a heat pump system, including evaporator, coils, condenser, compressor, accumulator, expansion device, heat exchanger, valves, fans, blowers, pumps and controls, as well as piping, refrigerant solutions circulated within closed-loop heat pump systems, and energy efficient recovery thermostats.

The exemption does not include ductwork or other heating distribution systems used to circulate air in a residence, generic thermostats, or supplementary heating systems that are not integral to a heat pump system.

Gas-Fired Water Heaters

From February 20, 2008 to March 31, 2011, inclusive, qualifying gas-fired water heaters are exempt from PST when purchased or leased for residential purposes (see definition of “residential purposes” above).

Gas-fired water heaters are eligible for an exemption if they have an energy factor of 0.80 or greater. This includes qualifying gas-fired storage water heaters and gas-fired instantaneous water heaters.

For a list of brand names and model numbers of qualifying gas-fired water heaters, please see our Energy Conservation website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/energy_conservation_exemptions.htm

How to Claim the Exemption

Most homeowners acquire a furnace, boiler, heat pump or gas-fired water heater through a contractor who purchases and installs the equipment in the residence under a contract. Because the exemption applies at the time of purchase, the contractor receives the exemption for the qualifying furnace, boiler, heat pump or gas-fired water heater at the time the item is purchased from the supplier.

Contractors who are registered as a vendor or lessor under the *Social Service Tax Act* may purchase or lease a qualifying furnace, boiler, heat pump or gas-fired water heater for residential purposes without paying tax by providing their registration number to the supplier.

If a contractor or other purchaser is not registered as a vendor or lessor, then that person must provide the supplier with a completed and signed *Certificate of Exemption* form ([FIN 453](#)).

The supplier must retain the signed *Certificate of Exemption* in their records to show why tax was not collected on the sale. Future exempt sales of qualifying furnaces, boilers, heat pumps or gas-fired water heaters may be made to the same contractor or purchaser on the basis of this signed certificate.

Certificates of Exemption are available from any [Service BC Centre](#) or on the web at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/forms.htm

ENERGY STAR® Qualified Residential Refrigerators, Freezers and Clothes Washers

From February 20, 2008 to March 31, 2010, inclusive, qualifying energy efficient refrigerators, freezers and clothes washers designed for residential use are exempt from PST.

Residential refrigerators, freezers and clothes washers (including integrated clothes washer-dryer units) qualify for exemption if they are listed as being ENERGY STAR® Qualified by the Office of Energy Efficiency, Natural Resources Canada, at the time of purchase or lease.

A list of brand names and model numbers of ENERGY STAR® Qualified refrigerators, freezers and clothes washers is available on the Natural Resources Canada website at www.oeec.nrcan.gc.ca/residential/personal/new-appliances.cfm?attr=4

Energy Efficient Commercial Boilers

From February 18, 2009 to March 31, 2011, inclusive, qualifying energy efficient commercial boilers are exempt from PST.

Natural gas and propane-fired commercial boilers with a boiler input rating of 200,000 BTU/h, or greater, qualify for exemption if they have a combustion efficiency of at least 90%, as determined by the following testing standards:

- for boilers with a boiler input rating under 300,000 BTU/h:
 - CAN/CSA-P.2-07, *Testing Method for Measuring the Annual Fuel Utilization Efficiency of Residential Gas-Fired Furnaces and Boilers*, of the Canadian Standards Association, and
- for boilers with a boiler input rating of 300,000 BTU/h or greater:
 - ANSI Z21.13-2004/CSA 4.9-2004, *Gas-Fired Low Pressure Steam and Hot Water Boilers*, of the Canadian Standards Association, or
 - BTS-2000, *Method to Determine Efficiency of Commercial Space Heating Boilers*, of the Hydronics Institute Division of the Air Conditioning, Heating and Refrigeration Institute.

If a contractor or other person purchases a qualifying commercial boiler before February 18, 2009, and does not install the furnace until February 18, 2009, or later, they may be eligible for a refund of PST paid, as long as the ministry receives the refund application before February 18, 2010.

Alternative Energy Sources

Purchases and leases of prescribed ocean, wind, solar and micro-hydro power generating equipment are exempt from PST.

Please note that while the following materials and equipment are exempt, they **must** be sold as complete units in order for their component parts (such as wiring, controllers, devices, tubing etc.) to qualify for the exemption. If the component parts are sold separately, they are taxable, even if the complete unit is split up and invoiced separately for shipping purposes.

- Effective February 18, 2009, equipment specifically designed to produce mechanical or electrical energy from ocean tides, currents or waves, together with generators, wiring, controllers, monitors, pumps, tubing, floats, water fences, aids to navigation as defined in the *Canada Shipping Act, 2001*, and devices that convert direct current into alternating current, when they are sold with, and as part of, that equipment.
- Wind-powered generating equipment specifically designed to produce mechanical or electrical energy together with generators, controllers, wiring, and devices that convert direct current into alternating current, when they are sold with, and as part of, that equipment.
- Solar photovoltaic collector panels, together with wiring, controllers, and devices that convert direct current into alternating current, when they are sold with, and as part of, that system.
- Solar thermal collector panels, together with wiring, pumps, tubing, and heat exchangers, when they are sold with, and as part of, that system.
- Micro-hydro turbines and generators designed to produce up to 150 kilowatts of mechanical or electrical energy together with controllers, wiring, tubing, and devices that convert direct current into alternating current, when they are sold with, and as part of, that equipment.
- Pipes used to bring water from the source into the micro-hydro generator and turbine qualify for exemption when sold with and as part of the system. However, the pipes are subject to tax if purchased separately from the micro-hydro generator and turbine. The pipes are considered to be tubing.

Batteries are considered generic, and when purchased for the operation of ocean, wind, solar and micro-hydro power generating systems, they do not qualify for the exemption.

Conversion Kits

Natural Gas and Propane Conversions

Natural gas and propane conversion kits for internal combustion engines qualify for exemption, except for kits that have been factory or dealer equipped in a motor vehicle prior to the sale of that vehicle.

Kits to convert motor vehicles to operate exclusively on electricity also qualify for exemption.

Hybrid Electric and HCNG Bus Conversions

Effective February 22, 2006, a refund is available for tax paid on parts and labour to convert shuttle buses and passenger buses to operate as hybrid electric vehicles or to operate on HCNG (a blend of hydrogen and compressed natural gas). There is a maximum refund of \$5,000 for each shuttle bus conversion and \$10,000 for each passenger bus conversion.

The refund applies to all parts required for the vehicle to run as a hybrid electric vehicle or to operate on HCNG. However, tax continues to apply to repair or maintenance services provided to the shuttle bus or passenger bus after the conversion.

Installation of Conversion Kits

Charges to install an exempt conversion kit are also exempt. However, tax applies to any other parts or service that may be provided at the same time as the conversion, but are not essential to it. In this case, state the exempt installation charges separately on the sales invoice.

Repair or maintenance services provided to exempt conversion kits, as well as the parts consumed in their repair or maintenance, are exempt from PST.

For more information, please see [Bulletin SST 085](#), *Alternative Fuel Vehicles and Alternative Motor Fuel Tax Concessions*.

Aerodynamic and Anti-Idling Devices

Aerodynamic Devices

The following devices are exempt from PST when purchased for the purpose of increasing the aerodynamics of commercial tractor-trailers, including MJVs and in-province vehicles:

- tractor-trailer gap fairings,
- tractor roof fairings,
- trailer side skirts,
- aerodynamic bumpers,
- tank skirts,
- base flaps, and
- boat tails.

These devices can significantly improve the fuel efficiency of commercial tractor-trailers when operated at highway speed.

Anti-Idling Devices

From February 18, 2009 to March 31, 2012, inclusive, the following devices are exempt from PST when purchased for use in, or on, trucks and truck-tractors (including MJVs and in-province vehicles) with a gross vehicle weight of 5,000 kg or more:

- auxiliary power units,
- cabin heaters, and
- engine heaters.

These devices can significantly improve fuel efficiency and reduce emissions by reducing the need for trucks to idle.

Parts and Services

Parts

Parts **designed for** and used in the repair or reconditioning of the exempt equipment outlined in this bulletin may be purchased exempt from PST. However, the exemption does not apply to generic parts (such as nuts, bolts, washers, rivets etc.) that may also be used in the repair or reconditioning of other taxable equipment.

Taxable Services

A taxable service is any service to install, assemble, dismantle, repair, adjust, restore, recondition, refinish or maintain tangible personal property.

Services provided to exempt material and equipment may also be exempt from PST. Tax must be collected on services provided to taxable material and equipment.

For more information, please see [Bulletin SST 018](#), *Taxable Services*.

Need more info?

Energy Conservation website: www.sbr.gov.bc.ca/Consumer_Taxes/Provincial_Sales_Tax/energy_conservation_exemptions.htm

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/legislation.htm

References: *Social Service Tax Act*, Sections 1, 5, 40, 74(e), 77(c) and 138(1)(j) - (j.2), and Regulations 2.45, 2.46 and 3.20; *Budget Measures Implementation Act, 2009*.