

Ministry of Finance

Tax Bulletin



ISSUED: July 1990 REVISED: January 2011

Bulletin SST 015

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

On July 1, 2010, the provincial sales tax (PST) was replaced with the harmonized sales tax (HST), and the provincial battery levy and the Innovative Clean Energy Fund Levy were eliminated. However, the information in this bulletin may still be applicable if, under the transitional rules, PST or the levies apply. For information on the transitional rules, please see www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/hst.html

Environmental Levies

Social Service Tax Act

Do you sell goods that may pose potential environmental or safety hazards?

Do you know how environmental levies apply to your sales?

This bulletin provides specific tax information to help businesses understand how environmental levies apply to their businesses.

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)*.

Table of Contents

Battery Levy	1
Innovative Clean Energy (ICE) Fund Levy	5
Other Eco or Enviro Levies	5

Battery Levy

A provincial environmental levy applies to new lead-acid batteries sold in British Columbia. The revenue from this levy is directed to the province's Sustainable Environment Fund to finance new initiatives aimed at the safe collection, disposal and recycling of batteries.

Sales

When to charge the levy

Generally, you charge a \$5 levy on each **new** lead-acid battery weighing 2 kg or more, unless the battery is:

- rebuilt, reconditioned or used, or
- new, but it is purchased solely to power an electric wheelchair or a motorized device designed for the transportation of a person with a physical impairment (for more information, please see the section below, Sales for electric wheelchairs or motorized devices).

Lead-acid batteries are considered **new** up to the time of their first retail sale after their manufacture. The battery levy applies if the first retail sale takes place in British Columbia. You charge the levy on the first retail sale of each new lead-acid battery sold separately or included with the goods sold.

You charge the battery levy to all of your customers, except those mentioned in the section below, When not to charge the levy. This includes sales to customers who qualify for a PST exemption, such as *bona fide* farmers and members of the diplomatic or consular corps.

PST does not apply to the battery levy. You must indicate the battery levy separately from the PST on the bill of sale. You do not include the levy in the purchase price when you calculate the PST.

However, the federal goods and services tax (GST) applies to the battery levy. For more information on how to apply the GST, please see **Bulletin SST 016**, *Provincial Social Service Tax (PST) and Federal Goods and Services Tax (GST)*.

You charge the levy on new lead-acid batteries to the federal government.

When not to charge the levy

Sales to First Nations customers

You do not charge the levy on new lead-acid batteries to eligible First Nations customers provided that all of the criteria for a PST exemption are met. For more information, please see **Bulletin SST 046**, *Exemption for Indians and Indian Bands*.

Please note: This exemption does not apply to Nisga'a Citizens or to sales made on Nisga'a land. Nisga'a Citizens are Nisga'a individuals included in the Nisga'a Final Agreement and who pay provincial taxes, effective June 1, 2008. For more information, please see **Bulletin GEN 013**, *Provincial Taxes on Nisga'a Lands*.

Sales for electric wheelchairs or motorized devices

You do not charge the levy on new lead-acid batteries purchased solely to power electric wheelchairs or motorized devices, such as scooters, designed for the transportation of a person with a physical impairment if the following information is listed on the invoice:

- certification that the battery is obtained for such use, and
- name, address, telephone number and signature of your customer.

To show why you did not charge the levy, you need to keep a copy of the invoice signed by your customer.

Out-of-province sales

If you ship new lead-acid batteries to an out-of-province location, you do not charge the battery levy. To show why you did not charge the battery levy, your records must show that the new lead-acid batteries were shipped for delivery out of the province. For more information, please see **Bulletin SST 030**, *Purchases by Non-Residents of British Columbia*.

Replacements, exchanges and warranties

If you sell goods that include new lead-acid batteries, and as part of the sales agreement, your customer exchanges the batteries for a different style or brand, you charge the levy on the replacement batteries. You do not charge the levy on the original batteries that can be sold as new.

You do not charge the levy when you replace, for no extra charge, a lead-acid battery that failed as the result of a manufacturing defect under the warranty.

However, you charge the levy if your customer chooses to replace the defective battery with a more expensive model than the one that would be replaced at no charge under the warranty. You also charge the levy if your customer needs to pay a portion of the replacement cost.

Motor vehicle dealers

You charge a \$5 levy on each new lead-acid battery that you sell with your new or used vehicle. If a vehicle has more than the standard number of batteries, you charge the levy on each new battery sold.

If you sell to out-of-province customers and your customers take delivery of vehicles in the province, you charge the levy on new lead-acid batteries. You charge the battery levy, even if your customers qualify for a point-of-purchase exemption from, or a refund of, PST.

If you use vehicles from your resale or lease inventory

You pay the levy on new lead-acid batteries in vehicles taken from the resale or lease inventory for personal use. You also pay the battery levy on vehicles used for business purposes, such as racing cars, parts-delivery vehicles, tow trucks, shuttle vehicles and other dealer-use vehicles.

You pay the levy on new lead-acid batteries in vehicles that you use while the vehicle is held in the resale or lease inventory and taxed under the dealer-use formula. You pay the battery levy the first time the vehicle is taxed under the dealer-use formula. If the vehicle is later sold, you do not charge the battery levy because you have already paid the levy and the batteries are no longer new. However, if you place a new battery in the vehicle as part of a sales agreement, you charge the levy.

For more information, please see **Bulletin SST 042**, *Motor Vehicle Dealers and Leasing Companies*.

Purchases

When to pay the levy

Purchased by lessors

You pay the levy on new lead-acid batteries that you purchase for vehicles in your lease inventory. If the supplier does not charge you the levy, you self-assess and record the levy at Step 3 of your next tax return.

Your customer does not pay the levy on batteries included with the vehicle being leased. However, you can recover the cost of the levy from your customer by adding the amount of the levy to the lease price of the vehicle, provided that the lease agreement meets the following criteria.

- The lease agreement must clearly state that your customer pays all the taxes, fees and levies related to the leased vehicle.
- The lease invoice to your customer must not list a separate charge for the levy. You may, however, refer to a clause in the lease agreement that allows you to recover the cost of the levy.

Your customer needs to pay this amount in order to use the leased vehicle. These charges become part of the total lease price of the vehicle and you charge PST on the total lease price.

If the above mentioned criteria are not met in the lease agreement, you will be liable to pay the levy.

When not to pay the levy

Purchased for resale

You do not pay the levy on new lead-acid batteries purchased for resale. To purchase the batteries without paying the levy, give the supplier your PST registration number.

If you take the batteries from the resale inventory for business or personal use, you pay the unpaid battery levy and record the levy at Step 3 of your next tax return.

Purchased from out-of-province suppliers

You do not pay the levy on new lead-acid batteries purchased outside of British Columbia and then later brought into British Columbia for use.

For information on remitting the battery levy, please see **Bulletin SST 032, *Completing the Social Service Tax Return.***

Innovative Clean Energy (ICE) Fund Levy

Effective September 1, 2007, a provincial ICE Fund levy of 0.4% applies to sales of electricity, natural gas, fuel oil and propane sold on a grid system. The levy does not apply to fuel taxed or exempted from tax under the *Motor Fuel Tax Act* (e.g. fuel used in a motor vehicle, generator or chainsaw). You collect the ICE Fund levy in addition to collecting PST on the sales. For more information, please see the *Notice to Sellers of Electricity, Natural Gas, Fuel Oil and Propane: Innovative Clean Energy (ICE) Fund Levy Extension.*

Other Eco or Enviro Levies

Some industries have imposed advance disposal fees (i.e. eco or enviro fees) on goods that pose potential environmental or safety hazards. These fees fund programs for the safe collection and disposal of hazardous and non-hazardous materials.

The provincial government does not impose these eco fees and does not administer the funds that are collected. These eco fees form part of the purchase price because these fees must be paid to receive the goods. Therefore, you charge PST on the eco fee if you sell taxable goods. You do not charge PST on the eco fee if you sell non-taxable or exempt goods. For example, you do not charge PST on the eco fee for goods purchased solely for resale because PST does not apply to goods purchased solely for resale.

For more information, please see the Ministry of Environment website at www.recycling.gov.bc.ca

Need more info?

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 available on our website.

Acknowledgments

We wish to acknowledge and thank *Retail BC* for consulting with us on public information. By working with us, they help us better serve their members and work towards making British Columbia the best place to do business.

References: *Social Service Tax Act*, Sections 9, 66, 67, 68.01, 71(g), 78, 96(5), 101(3) and 135, and Regulations 2, 3.25, 17.1 and 17.2; *Sustainable Fund Act*, Sections 4(d)