

Advertising Agencies

Social Service Tax Act

Do you operate an advertising agency?

Do you need to know how PST applies to your business?

This bulletin provides specific tax information to help advertising agencies understand how the social service tax, also called the provincial sales tax (PST), applies 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 \(PST\)](#).

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Overview

PST applies differently to the various services and products offered by advertising agencies, depending on the type of service or product you provide to your client. If your agency produces advertising commercials as video or audio recordings,

The revision bar (|) identifies changes to the previous version of this bulletin dated October 2006.

you are providing a non-taxable service. This means you do not charge PST on the services or products you provide in making the commercials.

You charge PST when you produce or arrange for the creation of more than one copy of a tangible product with your advertising services, such as pamphlets, brochures, flyers and other promotional materials. If you produce or arrange for the creation of more than one copy of a tangible product and you are unsure of how PST applies, please contact the ministry and provide information on the products and services in question. The ministry will advise you on how PST applies in your situation.

Electronic products, such as digital designs, websites and electronic brochures, are non-taxable even if you provide your client with a copy of the product on disk or tape. For more information, please see [Bulletin SST 128](#), *Graphic Designers*.

Services

Advertising Design

You do not charge PST on advertising design services when you do not produce tangible products to sell to your client. For example, when you create an electronic advertising product or hard-copy proof, and send it directly to a printing company who bills your client directly, you do not charge PST for your services. The printer will charge your client PST on the printing charges. In this case, you are providing a non-taxable service.

Please note: Only the **original** copy, or first final version, of a design provided to you client on a tangible medium (i.e. paper, disk or electronic file) qualifies as incidental. You charge PST on any subsequent copies provided to your client. If you do not normally have a set price for the subsequent copies you sell, you determine the value from the cost of the materials you used to create them.

However, the PST application may change when you produce a tangible product with your design services, such as an industrial designer who produces furniture or an interior designer who makes custom drapes. If the primary purpose of the contract is to produce a tangible product, you charge PST on the total amount of the contract, which includes your design services, materials and labour charges (e.g. labour charges to build custom furniture).

Copy Writing

Copy writing is a non-taxable service. You do not charge PST on the following types of copy:

- writing in the form of copy writing,
- copy written for print, radio, television or internet advertising,
- scripts written for film, slide and audio-visual presentations, or
- **original** research papers provided as background information on various subjects.

Advertising Placement

You do not charge PST for advertisements placed through media, such as:

- billboards,
- newspapers,
- bus signs,
- periodicals,
- bus stop kiosks,
- magazines,
- electronic bulletin boards, and
- Internet.

When you provide an advertising placement service, you pay PST on any materials or services you use to produce the product used in the placement, such as the advertising poster, and on any back-up disks or tapes that you provide to your client.

Commercials

If you produce a radio, film or television commercial, you are providing a non-taxable service. You do not charge PST on your fee; however, you pay PST on any materials and taxable services you use in the production.

You do not pay PST for audio recording services, even if the studio provides you with a disk or tape of the audio recording. You do not pay PST on license fees for music or film libraries when you incorporate the audio or video into the commercial. You also do not pay PST on editing and post-production services.

You do not charge PST when you arrange for broadcast of the commercial by a licensed public broadcaster.

For more information, please see [Bulletin SST 076](#), *Film and Television Production*.

Direct Mailings

Taxable Sales

When you produce and distribute direct mailing promotional materials, such as flyers, brochures, product samples and catalogues, *for a specific client*, you charge PST on the materials, including the delivery and shipping charges, unless you deliver the materials outside British Columbia. You do not charge your client PST on postage costs.

If your client receives the materials in British Columbia before the materials are mailed out of the province, you charge PST on the sale. The client can apply to the ministry for a PST refund on materials mailed out of British Columbia for use outside the province.

Non-Taxable Sales and Services

When you produce and distribute direct mailing materials, such as an advertising booklet or advertising coupons, *for more than one client*, you do not charge PST because you are selling advertising space, which is a non-taxable service.

However, you pay PST on your purchases of tangible products, such as graphic designs, artwork and printing costs that are used to provide this service.

Digital Materials

When you produce digital advertising design, artwork, website design, electronic brochures, electronic pamphlets and other electronic promotional materials, you do not charge PST because you are not producing a tangible product for your client. In this case, you are providing a non-taxable service even if you deliver a copy of the **original** electronic product on a tangible medium, such as a disk or tape. In this case, the disk or tape is considered incidental to the services you are providing. However, you pay PST on any tangible materials or services you use to produce the digital materials, such as the disks or tapes, and artwork, photographs and illustrations provided to you on a tangible medium, i.e. paper or disk.

Please note: Only the **original** copy, or first final version, of a design provided to your client on a tangible medium qualifies as incidental. You charge PST on any subsequent copies provided to your client. If you do not normally have a set price for subsequent copies you sell, you can determine their value from the cost of the materials used to create them.

Purchases

When to Pay PST

You pay PST on the purchase or lease of new or used goods and services that you use in your business, such as:

- stationery, furniture and office equipment,
- advertising materials, such as flyers and brochures,
- goods you purchase to give away as free promotions,
- computer hardware and software, except custom software (for more information, please see [Bulletin SST 040, Computer Software and Hardware](#)),
- incidental goods you provide to your client with your service, such as a disk containing an **original** advertising design,
- supplies, such as toner and paper, for your own use, i.e. for draft concept designs,
- equipment used to perform your services, such as tools, computers, printers and cameras, and
- services to repair your equipment.

If the supplier does not charge you PST on the above items, you self-assess and record the PST due at Step 3 of your next tax return.

When Not to Pay PST

You do not pay PST on the following:

- goods you purchase for resale or lease to your clients,
- tangible materials incorporated into the products you sell, such as paper, ink, binding materials and covers,
- digital materials transferred to you electronically,
- audio and video tapes and dubs used to produce commercials for public broadcast, and
- containers, labels or packaging materials that are included with your sales at no extra charge to your clients.

There is also a specific PST exemption for the following materials and supplies when you use or consume them in the production of the finished tangible product:

- typeset products,
- cuts,
- plates,

- blankets used in the printing process to transfer the ink to the product being printed,
- artwork,
- engravings,
- photographs,
- photographic paper,
- negatives,
- film,
- transparencies,
- flats,
- paste-ups,
- signatures,
- proofs, and
- materials used to manufacture or produce any of the items listed above, such as:
 - etch and conversion solution
 - film or photo developing chemicals
 - gum and marking sheets.

For more information, please see [Bulletin SST 029, Printing, Publishing, and Related Industries](#).

To purchase the above items without paying PST, give the supplier your PST registration number.

Materials Used to Perform Services

Often, you will perform a service without providing a tangible product, or the cost of the tangible product may be nominal (for example, a back-up tape or disk). Although you do not charge PST for the service, you pay PST for all tangible materials, supplies, telecommunication services and taxable services you use to provide this service. If you have your own artists on staff, you pay PST on the computer programs or art supplies they use.

Purchases from Out-of-Province Suppliers

If you purchase taxable goods from an out-of-province supplier, you pay PST on the total amount that you pay to bring the goods into British Columbia, including charges for transportation, customs, excise and any other costs, except the goods and services tax (GST). If the supplier does not charge you PST, you self-assess and record the PST due at Step 3 of your next tax return.



Need more info?

Advertising Agency website: www.sbr.gov.bc.ca/industry_specific/advertising_industry/advertising.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, 6, 11, 20, 21, 69.1, 76 and 77, and Regulations 3.28, 12, 12.1 and 16.1