

Goods Purchased from Out-of-Province Suppliers

Social Service Tax Act

This bulletin provides specific tax information to help businesses understand how the social service tax, also called the provincial sales tax (PST), applies to goods purchased from out-of-province suppliers.

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

Purchases of Tangible Personal Property.....	1
Calculating the PST Due.....	3
Remitting the PST.....	4
Failure to Comply.....	4

Purchases of Tangible Personal Property

For Own Business Use

Businesses operating in British Columbia must pay PST on the purchase or lease price of all goods acquired outside British Columbia for use or consumption in their business operations in the province. If the seller does not collect the British Columbia PST due, the purchaser must remit the PST to the Ministry of Finance at the time the goods are brought into the province.

This applies to goods such as operating supplies, tools and equipment that are used in the operation of the business.

The revision bar (|) identifies changes to the previous version of this bulletin dated January 2007.

For Resale or Leasing Purposes

Businesses are not required to pay PST on items purchased or leased outside the province that are brought into British Columbia solely for resale or lease to others. However, the business must collect PST on the subsequent retail sale or lease of these items.

For Personal Use

Individuals must also pay PST on the purchase or lease price of goods acquired from another province or outside Canada.

For more information, please see [Bulletin SST 013](#), *Goods for Personal Use Imported by British Columbia Residents at International Borders*.

Gifts From Outside of British Columbia

Residents of British Columbia are required to pay PST on the fair market value of gifts purchased outside of the province for use in British Columbia where:

- the donor of the gift is a British Columbia resident, and
- sales tax, other than GST, has not been paid to another jurisdiction.

This change does not affect gifts purchased in British Columbia, received from non-residents or transferred from the estate of a deceased.

For more information, please see [Bulletin SST 118](#), *Out-of-Province Purchases: Goods for Personal Use*.

Environmental Levies

Battery Levy

The provincial environmental levy on new lead-acid batteries does not apply to batteries purchased from an out-of-province retailer.

Innovative Clean Energy (ICE) Fund Levy

Effective September 1, 2007, a provincial ICE Fund Levy of 0.4% applies to purchases 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).

For more information on the ICE Fund Levy, please see our website at www.sbr.gov.bc.ca/business/consumer_taxes/provincial_sales_tax/ice_fund_levy.htm

The ICE Fund Levy applies to purchases from out-of-province suppliers. This means that businesses and individuals must pay the levy on applicable energy products that they bring into British Columbia for their own business or personal use. If the seller does not collect the levy due, the purchaser must remit the levy to the ministry at the time the energy products are brought into the province.

Businesses are not required to pay the ICE Fund Levy on energy products purchased outside the province that are brought into British Columbia solely for resale to others. However, businesses must collect the ICE Fund Levy on the subsequent retail sale of the applicable energy products.

Calculating the PST Due

Purchases

PST must be calculated on the total amount paid to the out-of-province supplier to acquire title to the goods, including charges for materials, labour, manufacturing and processing, but excluding the GST. Customs, excise, transportation, service and other expenses incurred by the purchaser prior to use of the goods in this province must also be included in the total on which PST is calculated.

Leases

PST must be calculated on the total amount paid to the lessor for the right to use the goods, including the rental payment, down payment, licence or royalty fee and lease registration fee, as well as any charges to the lessee for customs, transportation, service and other similar costs incurred by the lessee prior to the use of the goods in the province, but not including the GST.

Lessees are not required to pay the environmental levy on new lead-acid batteries included with the item leased.

ICE Fund Levy

Effective September 1, 2007, the ICE Fund Levy must be calculated on the total amount paid to the out-of-province supplier to acquire title to the applicable energy products. The total amount paid is determined in the same manner as described above for calculating the PST due on purchases.

Remitting the PST

Registered Businesses

Businesses registered as vendors should remit the PST due on out-of-province purchases and leases with their regular tax return form. The amount of PST due on such purchases and leases should be indicated in the appropriate area of the form.

Non-Registered Businesses and Individuals

Businesses and individuals not registered as vendors should obtain a *Casual Remittance Return for Provincial Sales Tax (PST) Due on Taxable Tangible Personal Property by a Purchaser Not Registered Under the Social Service Tax Act* form (**FIN 428P**). This form is available from the ministry or any Service BC Centre, or on our website at www.sbr.gov.bc.ca/business/consumer_taxes/Provincial_Sales_Tax/forms.htm. Instructions for remitting the PST due are provided on the form.

ICE Fund Levy

Effective September 1, 2007, businesses and individuals should remit the ICE Fund Levy due using the same return form they would use to remit the PST due.

Out-of-Province Sellers

Sellers located outside British Columbia that meet certain conditions specified under the Act are required to register with the ministry and collect PST on sales to British Columbia individuals and businesses.

For more information, please see **Bulletin SST 074**, *Out-of-Province Sellers*.

Failure to Comply

Audit and Inspection of Business Records

The ministry monitors compliance with the requirements of the *Social Service Tax Act* through an audit and inspection program. Each year, the records of businesses operating in British Columbia are examined to ensure that all taxes due to the province have been remitted. When non-compliance is established, the taxpayer is assessed the PST due plus interest. In some cases, penalty charges are applied.



Need more info?

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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, 11, 21 and 93, and Regulations 17.1 and 17.2; *Finance Statutes (Innovative Clean Energy Fund) Amendment Act*, 2007