

Ministry of Finance

Tax Bulletin



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Bulletin SST 051

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

On July 1, 2010, the provincial sales tax (PST) was replaced with the harmonized sales tax (HST). However, the information in this bulletin may still be applicable if, under the transitional rules, PST applies. For information on the transitional rules, please see www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/hst.html

Aircraft

Social Service Tax Act

Do you, sell or lease aircraft, parts or accessories?

Do you operate an airline, airport or flying school, or provide services to aircraft?

This bulletin provides specific tax information to help those in the aircraft industry 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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Taxable Items

The following is a list of taxable aircraft and related items sold or purchased by businesses or individuals (this is not a complete list):

- piston or non-turbine engine aircraft,
- services or repairs to non-turbine aircraft (including repairs performed outside of British Columbia),
- consumable products (e.g. fuel, motor oil, grease and operating supplies) for all aircraft,
- kits to build non-turbine aircraft,
- non-turbine aircraft purchased with the intention of converting to turbine aircraft,
- non-turbine aircraft purchased with the intention to lease with a pilot to your customers (e.g. aircraft purchased to provide charter services),
- aircraft leased well below market rates or for nominal rates, and
- retail sales at airports. (If the Minister of National Revenue does not specifically certify your shop as a duty-free shop, you charge PST.)

Sales

If you occasionally sell or lease taxable aircraft, you do not need to register with the ministry, but you are required to charge PST. You remit the PST you charged using a *Casual Remittance Return For Provincial Sales Tax (PST) Due on Taxable Tangible Personal Property by a Seller Not Registered Under the Social Service Tax Act* form (**FIN 428S**). This form is available from the ministry or any **Service BC Centre**. You will also find it on our website.

If you regularly sell or lease taxable aircraft, you will need to register with the ministry and charge PST. To register, complete an *Application for Registration as a Vendor* form (**FIN 418**). You record your sales on the *Social Service Tax Return – Boats, Aircraft and Manufactured Homes* form (**FIN 424**) and on your *Social Service Tax Return* form (**FIN 400**).

Purchases

If you purchase taxable aircraft and are not charged PST, you self-assess and pay the PST due. If you are registered with the ministry, you self-assess and record the PST due at Step 3 of your next tax return. If you are not registered with the ministry, you self-assess the PST due using the *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**).

To ensure that PST has been paid on all private aircraft sales, the ministry routinely reviews the records of Transport Canada and matches any change in ownership with payments of PST. Therefore, if you purchase taxable aircraft and do not pay PST, you will be issued an assessment of the PST.

Environmental Levy on Batteries

The provincial environmental levy on new lead-acid batteries applies to aircraft. For more information, please see **Bulletin SST 015**, *Environmental Levies*.

Non-Taxable Items

The following is a list of non-taxable aircraft and related items sold or purchased by businesses or individuals (this is not a complete list):

- turbine engine aircraft, including turbo-prop,
- other turbine aircraft, including heli-jets,
- services or repairs to turbine aircraft,
- conversion kits or other parts to convert a non-turbine aircraft to a turbine aircraft,
- retail sales onboard aircraft when flying inter-provincial or international routes while the aircraft is airborne, and
- any aircraft (turbine or non-turbine) leased with a pilot (e.g. charter services where the pilot is provided under the terms of the agreement).

Purchase for Resale

You do not pay PST on aircraft you purchase for resale or lease to your customers. To purchase aircraft without paying PST, give the supplier your PST registration number.

Flying Schools

You do not charge PST on flying lessons. You also do not charge PST on flying lessons that include the use of a non-turbine aircraft when sold together for a single price. Flying lessons may include, ground school training, on-board or radio instruction, and the required solo flying hours.

You charge PST on the lease of a non-turbine aircraft when sold separately and not part of the total price for flying lessons. This includes fees charged to a student for the use of an aircraft to accumulate solo hours, even if an instructor is available by radio in case of emergency.

Parts and Accessories

Non-Turbine Aircraft

Parts and accessories for non-turbine aircraft are taxable. Therefore, you charge or pay PST on the sale or lease of parts and accessories for non-turbine aircraft, such as:

- air filters,
- communications equipment, and
- flight instruments.

Turbine Aircraft

Parts and accessories for turbine aircraft may or may not be taxable, depending on if the item is a part or an accessory.

- **Parts** are items that are essential to the basic, safe functioning of the aircraft. You do not charge or pay PST on parts that are attached to, and become part of, a turbine aircraft, such as:
 - primary communications equipment (including GPS),
 - major components (e.g. motors and airframes), and
 - minor repair parts (e.g. tires, batteries and filters).
- **Accessories** are items that are not necessary for the safe operation of the aircraft. For example, a helicopter used for fire fighting may be accessorized with a utility basket to transport fire-fighting gear, but the helicopter could perform the basic functions of a helicopter without the basket.
 - You charge or pay PST on accessories for turbine aircraft that are sold and installed *after* the sale or purchase.
 - You do not charge or pay PST on accessories for turbine aircraft that are sold with, and installed *prior* to, the sale or purchase.

If you take taxable parts or accessories from your resale inventory for business or personal use, you self-assess PST on your cost of the part or accessory.

Out-of-Province Transactions

Sales

You do not charge PST on the sale or lease of taxable aircraft to out-of-province customers when:

- the out-of-province customer provides proof that they are a non-resident of British Columbia,
- the aircraft is for use primarily outside the province,

- the aircraft will not be used for a business purpose in the province, and
- you and the out-of-province customer complete and sign a *Certificate of an Aircraft Sale to A Non-Resident of British Columbia* form (**FIN 548**). If you deliver the aircraft to an out-of-province location, you also complete an *Out-of-Province Delivery Exemption* form (**FIN 448**) or provide a copy of the bill of lading confirming the aircraft was delivered to an out-of-province location.

You charge non-residents the battery levy on each new lead-acid battery sold with an aircraft, unless you deliver the aircraft to an out-of-province location.

Purchases

If you purchase taxable goods from out-of-province, 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). For example, if you purchase a non-turbine aircraft from outside British Columbia and bring it into the province, you pay PST on the total amount that you pay to bring the aircraft into British Columbia.

Services

Generally, you charge PST on services to non-turbine aircraft and parts sold to customers who are visiting British Columbia from another province or country.

However, you do not charge PST when an out-of-province customer brings a non-turbine aircraft into the province solely for the purpose of receiving a service, and remove the non-turbine aircraft from the province immediately afterwards. To show why you did not charge PST, your records must show that the aircraft was removed from the province after the service was completed, such as a shipping invoice or a written statement signed by the customer. For more information on selling goods to out-of-province customers, please see **Bulletin SST 030, Purchases by Non-Residents of British Columbia**.

Inter-Provincial or International Use

If you purchase or lease a non-turbine aircraft for inter-provincial or international use, you may qualify to pay the PST due over three years on a proportional basis (a percentage of time the aircraft was flown in the province over total time flown) if the aircraft is used:

- for a commercial purpose and for flights between provinces or countries, and
- for flights that begin or end in British Columbia (or for flights connecting two or more points in British Columbia).

For details, and to see if you qualify to pay the PST proportionally, please contact us.

Goods Brought Into British Columbia

Goods for Permanent Use

If you bring equipment, non-turbine aircraft or other taxable goods into the province for permanent use, you pay PST on the depreciated value of each item using the depreciation schedule below. Items can be depreciated up to 50% of their purchase price.

- Motor vehicles, including all self-propelled equipment and trailers, 30% per year (2.5% for each month).
- Aircraft, 25% per year (2.0833% for each month).
- Vessels, 15% per year (1.25% for each month).
- Railway rolling stock, 10% per year (0.833% for each month).
- Other equipment, furniture and fixtures, 20% per year (1.667% for each month).

For more details, please see **Bulletin SST 043**, *Goods Purchased from Out-of-Province Suppliers*.

Goods for Temporary Use

If you bring taxable goods into the province for less than six days, you do *not* pay PST (except leased goods – see the section below, Leased Goods). The six days may be consecutive or spread out over a number of weeks or months.

If you bring taxable goods into British Columbia for temporary use only – 6 days or more in a 12-month period – to perform a specific task related to your business, and then take the goods back out of the province, you may be eligible to pay PST using the temporary use formula. The temporary use formula allows you to pay PST on one-third of the value of the goods for each 12-month period that the goods are in British Columbia. For details, and to see if you qualify for the temporary use formula, please see **Bulletin SST 098**, *Equipment Brought into British Columbia for Temporary Use (1/3rd Formula)*.

Goods for Lease

Unlike purchased goods, you pay PST on taxable leased goods even if they are brought into the province for less than six days. For leased goods, you pay PST based on the time you have the goods in British Columbia and your lease term, e.g. weekly or monthly. For more details, please see **Bulletin SST 098**, *Equipment Brought into British Columbia for Temporary Use (1/3rd Formula)*.

 **Need more info?**

Toll free in Canada: 1 877 388-4440

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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 available on our website.

References: *Social Service Tax Act*, Sections 1, 5, 9, 11, 13, 14, 15, 20, 21, 40, 75, 77 and 92, and Regulations 2.45, 3.12.2 and 5.6