

Ministry of Finance

Tax Bulletin



ISSUED: February 1987 REVISED: July 2010

Bulletin SST 080

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

Promotions and Special Offers

Social Service Tax Act

This bulletin provides specific tax information to help understand how the social service tax, also called the provincial sales tax (PST), applies to the various items you use to advertise and promote your business.

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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Promotional Goods

Promotional goods are the items you use or give away to help advertise or promote your business. Examples of promotional goods:

- samples, gifts, premiums and prizes,
- advertising flyers,
- other similar items used to encourage business, and
- items entered into the business records as a promotional expense.

Purchases

You must pay PST on all taxable items you purchase or make to promote your business. For example, you must pay PST if you buy mugs or balloons to promote your business. If a supplier does not charge you PST (this may happen when you purchase items from out-of-province suppliers) and PST is due, you must self-assess and send in PST on your total landed cost of the items. Total landed cost includes transport, handling, financing, excise and custom charges, but does not include GST. For more information, please see **Bulletin SST 043**, *Goods Purchased from Out-of-Province Suppliers*.

Inventory Items

Because you do not pay PST on items you purchase for resale, you can use inventory items for demonstration, display or promotional use as long as the items remain available for immediate sale.

If inventory items are not available for immediate sale, they are considered to be for business use. You must self-assess and pay PST on your total cost for these items. An example is items used in an offsite display advertising your business where they cannot be immediately retrieved for sale. For more information, please see **Bulletin SST 032**, *Completing the Tax Return Form*.

Giveaway Items from Resale Inventory

Because there is no purchase price to your customer, do not charge PST on giveaways. You must self-assess when items are removed from resale inventory.

Special Offers

Promotional Sales

Some sales are a type of promotion where a discount or special offer is available only if certain conditions are met. Examples of promotional sales:

- when an item is physically included with another item that you sell, e.g. a free toy inside a cereal box that is only available if the cereal is purchased, and
- when you give a free item or additional discount only if your customer buys other items or services from you, e.g. “buy one, get one free” promotions, or where your customers receive a free gift with their purchase.

Purchases

When you purchase items to give away as part of a promotional sale, the items are considered to be for resale and you do not pay PST.

If you are registered with the Ministry of Finance as a vendor, you provide your PST number to your supplier to purchase these items exempt. If you are not registered as a vendor, you can purchase these items exempt using a completed *Certificate of Exemption* form (FIN 453). For more information, please see **Bulletin SST 119**, *Bundled Sales: Taxable and Non-Taxable Goods or Services Sold Together for a Single Price*.

Discounts

If you sell items at a discounted price, for example 25% or \$15 off the regular price, you charge PST on the reduced amount of the item.

If you offer a refund or credit note for a discount after a sale has taken place, you can also refund the PST that applies to the discounted amount. If you have already remitted the PST, there are time restrictions within which you may do an internal adjustment. For more information, please see **Bulletin SST 032**, *Completing the Tax Return Form*.

Motor Vehicle Manufacturers' Rebates

The value of a manufacturer's rebate will reduce the taxable purchase price of a vehicle if the manufacturer provides the rebate to you (the dealer), as a condition of the sale. Therefore, your customer does not pay PST on the value of the rebate. For more information on motor vehicle sales, please see **Bulletin SST 042**, *Motor Vehicle Dealers and Leasing Companies*.

Discount Coupons

Retailer issued coupons

These are coupons you issue to your customers to be redeemed in your business. When your customer presents this type of coupon towards the purchase of an item, the coupon reduces the price of the item. You must charge PST on the reduced amount of the taxable item.

Third-party coupons – Retailer reimbursed

Manufacturers or distributors issue these types of coupons and reimburse you after you accept the coupon toward a sale.

The coupon reduces the amount your customer pays, but it does not reduce the price of the item. You must charge PST on the full selling price of the taxable item.

In this instance, you will receive the full price for the sale—part from your customer and part when the manufacturer or distributor reimburses you for the coupon. This is also known as an assisted purchase.

Third-party coupons – Retailer not reimbursed

Manufacturers or distributors issue these types of coupons but do not reimburse you after you accept the coupon toward a sale.

These coupons reduce the purchase price of the item. You must charge PST on the reduced amount of the taxable item.

Gift Certificates and Gift Cards

Gift certificates and gift cards are vouchers that can be exchanged for a specific value of goods and are treated the same way as cash.

Do not charge PST on the value of gift certificates or gift cards you sell to your customers.

When customers redeem gift certificates or gift cards, the value of the certificate or card should be applied to the total amount of the invoice - including taxes and any environmental levies.

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, 6, 67, 69(1) and 79(1), and Regulation 12