

## Transported Goods

### *Social Service Tax Act*

This bulletin provides specific tax information to help taxpayers understand how the social service tax, also called the provincial sales tax (PST), applies to transported goods.

This bulletin outlines the application of PST to transportation or delivery charges on goods for sale, the delivery of replacement parts, and for packing, loading, delivery and shipping services.

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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### Transportation or Delivery Charges

#### Application of PST

PST must be calculated on the total amount paid by the purchaser to receive title to the goods. This includes any charges for service, financing, interest, customs and excise, as well as any transportation or delivery charges incurred at or before the time ownership passes to the purchaser.

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## Delivery Charges and Sold Goods

PST applies to **all** transportation or delivery charges in the following circumstances.

- As a condition of the sale, delivery to the purchaser occurs at a location other than the seller's premises and title to the goods does not pass to the purchaser until the goods are actually received at the specified location.
- Merchandise is purchased from an out-of province vendor and shipped to a purchaser in the province.
- The seller incurs costs related to receiving goods prior to their delivery to the purchaser. This includes instances where a seller must arrange to have goods forwarded or transferred from another branch, warehouse, out-of-town or other off-site location before the purchaser takes possession of, and responsibility for, the goods (e.g. merchandise not held in stock by the vendor, but which must be specially ordered and delivered). The **seller** does not have to pay PST on these charges as they are incurred in acquiring a good for resale. The PST is paid by the final consumer.

In these cases, PST applies to the transportation charge even if it is separately stated on the customer's invoice. This is because such charges form part of the total price the customer must pay before taking possession of the goods. Sellers must ensure that their records accurately reflect this PST application.

PST does **not** apply to delivery or transportation charges when ownership and responsibility for goods passes to the purchaser at the seller's premises. If the seller charges the customer for delivery of the goods to another location as a separate transaction, and if this charge is separately stated on the sales invoice, PST applies only to the purchase price of the goods. The delivery service is not part of the purchase price.

## Delivery Charges and Leased Goods

PST applies to delivery/transportation charges in the following circumstances, even if the delivery charges are separately stated on the invoice. This is because the charges form part of the lease price.

- A mandatory condition of the lease agreement requires the lessor to deliver the leased goods at the start of the lease period, and to remove the goods upon termination of the leasing agreement.
- Delivery occurs **during** the term of the lease, even if the delivery charges are optional.
- Merchandise is leased from an out-of province lessor and shipped to a purchaser in the province.

PST does not apply to delivery/transportation charges in the following circumstance.

- The delivery or removal is optional, occurs outside of the taxable lease period, and the transportation charge is not included in the lease price but is separately stated on the invoice.

### **Delivery Without a Sale or Lease of Goods**

Transportation charges are included for the purpose of calculating the PST due when goods are brought into British Columbia for use from any out-of-province location (e.g. machinery that is brought into the province for temporary use).

PST does not apply to transportation or delivery charges that are not related to the sale or lease of taxable goods, provided the items are transported **between locations within British Columbia, or from a location in British Columbia to another jurisdiction**. For example, transporting a customer's furniture from one location to another is not subject to PST.

PST does **not** apply to the transportation of goods brought into the province as settler's effects.

For more information, please see [Bulletin SST 075](#), *Items Brought Into British Columbia by New Residents*.

### **Delivery Charges and Taxable Services**

A taxable service is any service provided to install, assemble, dismantle, repair, adjust, restore, recondition, refinish or maintain tangible personal property.

Delivery or shipping charges for a customer's goods to which a taxable service has been provided is not subject to PST, provided such charges are separately stated on the sales invoice.

For more information, please see [Bulletin SST 018](#), *Taxable Services*.

### **Delivery Charges on Repair Parts and Replacement Parts**

The application of PST to delivery or shipping charges related to repair or replacement parts is as follows.

- Delivery or shipping charges related to the purchase of repair and replacement parts are subject to PST, as the charge is part of the total cost to obtain the parts.
- Where a repair job is undertaken by a mechanic at the location of the customer's equipment, and repair or replacement parts are delivered directly to that location, PST applies to the full amount charged for the repair parts, including charges for freight to the location of repair, as this is the point of sale.

## Delivery Charges and Exempt Goods

Tangible personal property and services exempted from PST by the Act are, likewise, exempt from PST on transportation or delivery costs, regardless of the structure of the contract.

## Goods Destroyed, Lost in Transit or Damaged

### Application of PST to Replacement Goods

The application of PST to merchandise destroyed or lost in transit depends on whether the seller or purchaser is responsible for replacement of the goods. Responsibility for replacement depends on whether the seller or purchaser had title to, and responsibility for, the goods at the time they were damaged.

- In most instances, if the goods are damaged before title passes to the purchaser, the seller is responsible for replacing the goods at no additional charge to the purchaser. In this case, no PST applies to the replacement goods provided PST was paid on the original purchase. This process is considered to be the replacement of PST exempt inventory that has not yet been transferred to the purchaser.
- If the goods are damaged after the transfer of title, the purchaser is normally responsible for replacing the goods, either through his carrier or on his own behalf. In this case, PST applies to the cost of the replacement goods, as title has been transferred from the seller. PST paid on the original purchase is **not** refundable.

### Damaged Goods - Subsequent Sales

When merchandise is sold in a damaged condition, PST applies to the selling price of the damaged merchandise at the time the sale takes place in the province.

## Packers, Loaders, Shippers

### Purchases of Shipping Materials

Firms engaged in moving industrial or household goods or freight are considered to be consumers and must pay PST on their purchase of dunnage, crating and shipping materials used in providing this service.

For more information, please see [Bulletin SST 020](#), *Containers, Labels and Packing Materials*.



## Need more info?

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References: *Social Service Tax Act*, Sections 1, 5, 6, 11, 40 and 70-79