

On July 1, 2010, the provincial sales tax (PST) was replaced with the harmonized sales tax (HST). However, the information in this notice 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

Notice to Businesses – PST on Administrative Materials

Social Service Tax Act

If you operate a business and send administrative materials into or out of British Columbia, you need to be aware of the following clarification in how social service tax, also called the provincial sales tax (PST), applies to administrative materials.

The ministry has clarified how PST applies to administrative materials to ensure that the application is in accordance with the *Social Service Tax Act*. This clarification applies to transactions that occurred in the past and to future transactions. This mainly affects businesses that send large volumes of documents into or out of the province, such as financial institutions and other national organizations.

Administrative materials include documents you send to individual customers to provide them with information, as well as documents you send in bulk to representatives of your business for their use or for distribution to customers. Examples include account statements, invoices, purchase orders, business forms, financial reports, prospectuses and annual reports.

The correct tax application to administrative materials is outlined below.

Non-Taxable – Materials Sent Out of the Province

Generally, refunds are available for PST paid on goods that are purchased in British Columbia and sent outside of the province for use, as long as no use of the goods occurs in British Columbia.

Historically, refunds were only available for PST paid on administrative materials that were shipped **in bulk to an out-of-province representative or branch** of your business.

The revision bar (|) identifies changes to the previous version of this notice dated March 2009.

This notice clarifies that refunds are also available for PST paid on administrative materials shipped to **individual customers** for use outside the province.

This means you are eligible for a refund of the PST paid on all administrative materials that you purchase and take delivery of in British Columbia and then send out of the province for use outside the province. The refund applies whether the materials are shipped **in bulk to an out-of-province representative or branch of your business, or sent to individual customers**. The refund is available as long as no use, other than storage, of the materials occurs in British Columbia.

The ministry must receive your refund claim within four years from the date you paid the tax. To claim a refund, you need to submit an *Application for Refund of Social Service Tax or Hotel Room Tax* form (**FIN 413**), as well as the following documentation to support the refund claim.

- A detailed schedule for each shipment of administrative materials providing:
 - the refund claim amount,
 - the type of materials shipped, e.g. financial reports,
 - the method by which you shipped the materials, and
 - the date you shipped the materials out of the province.
- A copy of the purchase invoices.
- A copy of the documents that support the administrative materials have been shipped out of the province, such as shipping invoices, accounting records or lists of mailing addresses and corresponding receipts for the shipping costs.

Please note: You may be requested to provide additional documentation, such as copies of the materials shipped out of the province or documentation to show the amount of PST paid.

There are different tax rules for promotional materials, which are items you use to help advertise or promote your business, such as samples, gifts, brochures and advertising flyers. PST refunds are only available for promotional materials if they are sent **in bulk to an out-of-province representative or branch** of your business. Promotional materials that are sent out of the province to **individual customers** are taxable and there is no refund available.

This means, if you send promotional materials out of the province to **individual customers** together with administrative materials, you are only eligible for a refund of the PST paid on the administrative materials and the envelopes used for shipping.

However, if you send promotional materials **in bulk to an out-of-province representative or branch** of your business together with administrative materials, you are eligible for a full refund of the PST paid.

Taxable – Materials Sent Into the Province

Generally, PST applies to taxable goods that are sent into British Columbia for business use either to individual customers or to a representative or branch of your business.

Historically, PST was applied to the purchase price of administrative materials that were sent from outside British Columbia **to a representative or branch** of your business in the province. This notice clarifies that PST is also payable on administrative materials sent from outside British Columbia to **individual customers** in the province.

This means you need to pay PST on all administrative materials that you send into British Columbia from outside the province. You pay PST whether the materials are shipped to a **representative or branch of your business, or sent to individual customers** in the province. PST applies to the cost of the supplies (e.g., paper and envelopes) used to produce the administrative materials and other charges, including shipping and customs costs incurred prior to the use of the materials in the province.

Promotional materials are also taxable. Therefore, if you send promotional materials into the province together with administrative materials, PST applies to the purchase price of both the promotional materials and the administrative materials.

What the Clarification Means to Your Business

If you are eligible for a refund, your claim must be received by the ministry within four years from the date you paid the tax. For more information, please see **Bulletin GEN 008, Refunds of Overpayments of Tax**.

If you have not been paying PST as outlined above, you need to self-assess and remit PST on administrative materials previously sent into the province and on administrative materials sent into the province on an ongoing basis. The ministry may conduct an audit to review your records up to a four year period.

If you remit the PST on administrative materials previously sent into the province by **June 23, 2009**, the ministry will waive any interest and penalties on the PST payable. The waiver applies only to administrative materials that you have sent directly to individual customers in British Columbia from outside the province.

If you have a PST registration number, you self-assess and record the PST due at Step 3 of your next tax return. If you do not have a PST registration number, you self-assess the PST due using 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**. You will also find it on our website.

Further Information

If you have any questions, please call us toll-free at 1 877 388-4440, or e-mail your questions to **CTBTaxQuestions@gov.bc.ca**. You can also find information on our website.

The information in this notice 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.