



## Restaurants

### *Provincial Sales Tax Act*

This bulletin provides information on how the PST applies to businesses in the restaurant and food services industry.

### Table of Contents

Registration .....	1
Sales.....	1
Containers and Packaging Materials, and Other Goods Provided to your Customers .....	3
Taxable Purchases .....	4
Exempt Purchases.....	6
Improvements to Real Property .....	7
Buying and Selling a Business .....	7

### Registration

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If you operate a restaurant, bar, pub or other eating establishment and you sell liquor or other taxable goods, you are required to register to collect PST on your taxable sales. For more information on who must be registered, please see [Bulletin PST 001](#), *Registering to Collect Provincial Sales Tax (PST)*.

If you operate a restaurant or other eating establishment that does not sell liquor or other taxable goods, you are not required to register to collect PST. However, all businesses are required to pay PST on goods and services acquired for business use unless a specific exemption applies (see the section below, Taxable Purchases).

### Sales

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#### Taxable Sales

##### Alcohol

You charge 10% PST on sales of alcoholic beverages, such as:

- beer
- wine
- spirits and liqueurs
- ciders and coolers

- mixed drinks
- any other beverage with an alcohol content of greater than 1%

You also charge 10% PST on chill charges or other extra charges included in the selling price of alcoholic beverages, except GST and bottle or can deposits.

#### *Mandatory Gratuities*

A mandatory gratuity is a tip that is added automatically to a customer's restaurant bill. Generally, a mandatory gratuity is calculated by multiplying a certain percentage (e.g. 15%) by the total pre-tax amount of all food and drinks the customer purchased from the restaurant, including liquor.

You do not charge PST on mandatory gratuities because they do not form part of the purchase price paid by the customer for the liquor. This applies even if the gratuity was calculated on a bill for liquor-only purchases.

#### *Corkage*

Some restaurants allow customers to bring their own liquor to consume during their meal, and charge opening or "corkage" fees. You do not charge PST on opening and corkage fees because these charges do not form part of the purchase price paid by the customer for the liquor.

For more information on the application of PST to sales of liquor, please see [Bulletin PST 120](#), *Liquor Sellers*.

### **Other Goods**

You charge 7% PST on the sale or lease of miscellaneous goods, such as clothing, bottle openers and souvenirs (e.g. souvenir glasses or pens with your company name on them).

## **Non-taxable Sales**

### **Food Sales**

Sales of food for human consumption are exempt from PST, including:

- meals,
- snack foods (e.g. chips, nuts and candy), and
- non-alcoholic hot or cold beverages (e.g. coffee or iced tea).

### **Catering and Event Planning Services**

You do not charge PST on catering and event planning services (e.g. planning, consulting, coordinating and organizing). For more information on the application of PST for caterers and event planners, please see [Bulletin PST 122](#), *Caterers*.

### **Gift Cards and Gift Certificates**

You do not charge PST on a purchase of gift cards or gift certificates because it is a purchase of store credit that a customer may or may not redeem later. When a customer redeems the credit, PST applies to the purchase as if the credit was cash. PST will apply if the item purchased is subject to PST.

## Bundled Sales

If you sell taxable and non-taxable goods or services together for a single price, you are making a bundled sale. The general rule for charging PST on a bundled sale is that you charge PST only on the fair market value of the taxable portion, unless a specific exemption applies. The fair market value is the price that a good or service would normally sell for in the open market.

For example, if you sell a meal package that includes a glass of wine, you charge 10% PST on the fair market value of the glass of wine.

For more information on how the PST applies to bundled sales, please see [Bulletin PST 316, Bundled Sales: Taxable and Non-taxable Goods and Services Sold Together for a Single Price](#).

## Accommodation

If you provide accommodation in BC, you may need to collect 8% PST and the up to 2% municipal and regional district tax (MRDT) on your sales of accommodation. For more information, please see the [PST and MRDT Guide for Accommodation Providers](#).

## Containers and Packaging Materials, and Other Goods Provided to your Customers

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In this section, **obtain** means:

- purchased in BC,
- brought or sent into BC, or
- received in BC.

## Containers and Packaging Materials

### Exemptions for Business

If you obtain containers and packaging materials (other than reusable containers) to package the food or drink you sell, you may purchase the containers and packaging material exempt from PST. This includes takeout containers and lids and applies whether or not you charge separately for the containers and packaging materials. To receive the exemption, you provide your PST number to your supplier or, if you are not registered, a *Certificate of Exemption – General* form ([FIN 490](#)).

If you make your own containers and packaging materials for use in packaging or delivering the food or drink you sell, you may purchase the materials exempt from PST.

For more information, please see [Bulletin PST 305, Containers and Packaging Materials](#).

### Charges to Customers

If you do not separately charge your customers for containers and packaging materials you use to package the food or drink you sell, you are not required to charge PST. In this case, the containers and packaging materials are part of the exempt food or drink sale. For example, if you sell pizzas or cakes in a box and only charge for the pizza or cake, you do not charge any PST because food for human consumption is exempt from PST.

However, if you do separately charge your customer for the containers and packaging materials, you must also charge PST. In this case, you are charging for the purchase of taxable containers and packaging materials. For example, in the situation above, if you separately charge your customers \$2 for the cake box, you must charge \$0.14 in PST on the purchase price of the box.

## **Restaurant Supplies**

### **Exemptions for Business**

If you are a restaurant or other business in the food service industry, you do not pay PST when you obtain supplies to provide to your customers as part of the purchase of food. The exemption does not apply to supplies that your customers use and return to you, such as porcelain dinnerware and metal cutlery (see the section below, Taxable Business Assets).

Exempt supplies include items such as:

- coffee cup carry trays
- disposable cutlery (e.g. wooden or plastic)
- disposable plates and bowls
- napkins, straws, stir sticks and disposable skewers
- paper and plastic bags
- toothpicks, cocktail picks, cocktail serviettes

The exemption applies whether or not you separately charge your customer for the supplies because you are obtaining the supplies for resale. To receive the exemption, you provide your PST number to your supplier or, if you are not registered, a *Certificate of Exemption – General* form ([FIN 490](#)).

### **Charges to Customers**

If you provide supplies at no additional charge to your customer, you are generally not required to charge your customer PST for the supplies. However, if you do separately charge your customer for the taxable supplies, you must charge the customer PST. For example, if you separately charge your customers \$1 for a coffee cup carry tray or for disposable plastic cutlery, you must charge \$0.07 in PST on the purchase price of the tray or cutlery.

### **Labels**

You may obtain labels exempt from PST if the labels are attached to and remain with the goods you sell or lease.

If you remove the labels from the goods at or before the time of sale or lease, you must pay PST on the labels.

## **Taxable Purchases**

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### **Taxable Business Assets**

You pay PST on the purchase or lease of new or used taxable goods that you use in your business, such as:

- stationery, furniture and office equipment
- freestanding coolers and refrigerators
- advertising materials, such as flyers and brochures

- paper towels and toilet paper
- menus, linen (e.g. napkins and placemats)
- pots and pans, dishes, cutlery, knives and coasters
- reusable glasses and cups that are not for sale
- items you purchase to give away as free promotions (see below)
- computer hardware including point-of-sale systems and other electronic devices
- energy for heat and light
- shelving and display equipment
- cleaning supplies, such as rags, soaps and cleaning solutions
- related services provided to your business assets, such as knife sharpening, and repair or maintenance services provided to your cash registers (for more information, please see [Bulletin PST 301](#), *Related Services*)

You must also pay PST on software, unless a specific exemption applies (e.g. custom software). For more information, please see [Bulletin PST 105](#), *Software*.

## Purchases from Out-of-Province Suppliers

If you purchase or lease taxable goods from an out-of-province supplier, you pay PST on the total amount that you pay to bring the goods into BC, including charges for transportation, customs, excise, and any other costs, except the goods and services tax (GST). If the supplier does not charge you PST at the time of the sale or lease, you must self-assess the PST due. If you have a PST number, you must self-assess the PST due on your next PST return.

If you do not have a PST number, you must self-assess the PST due using the *Casual Remittance Return (FIN 405)* on or before the last day of the month following the month you brought, sent or received goods into BC. For example, if you brought taxable goods into BC in June, you must file the return and pay the PST no later than July 31.

## Promotional Materials

Promotional materials are goods you use, give away or sell below cost to help advertise or promote your business. Examples of promotional material include samples, gifts, premiums and prizes and goods that are given away as part of a loyalty or rewards points program.

You must pay PST on all taxable goods you purchase or make as promotional materials. For example, you must pay PST if you buy mugs or balloons that you will give away to promote your business.

Promotional material on which you must pay PST also includes taxable goods that you obtain to sell at a price below cost. For example, you purchase a box of wine at a cost of \$40 per bottle. In an effort to promote greater sales, you offer to sell the wine to preferred customers at a below cost price of \$30 per bottle. In this case, your customer pays PST on the \$30 purchase price of the wine. In addition, on your next PST return, you need to self-assess PST based on the following formula:

$$(\text{Cost} - \text{Customer's purchase price}) \times \text{PST rate} = \text{PST to self-assess}$$

$$(\$40 - \$30) \times 10\% = \$1.00 \text{ PST to self-assess}$$

**Please note:** You do not need to self-assess PST on goods sold below cost if you are not selling the goods below cost for promotional purposes. For example, you purchased t-shirts at \$10 per item and attempted to sell them for \$20 per item. After some time, you decide to mark down the remaining items to \$5 per item before they become obsolete or because their value has decreased. In this case, your customer pays PST on the \$5 purchase price of the t-shirt but you do not need to self-assess any additional PST.

For more information on promotional material, please see [Bulletin PST 311](#), *Promotional Materials*.

## **Exempt Purchases**

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### **Goods for Resale**

You do not pay PST on the goods you purchase for resale or lease to your customers (e.g. souvenirs and clothing). You also do not pay PST when you purchase goods that will be processed, fabricated, or manufactured into, attached to, or incorporated into other goods for resale or lease (e.g. liquor used in cooking or incorporated into food for resale).

To purchase these goods exempt from PST, give the supplier your PST number or, if you have not yet received your PST number, a completed *Certificate of Exemption – General* form ([FIN 490](#)).

### **Change of Use**

If you take taxable items from your resale inventory for business or personal use, you must self-assess and remit the PST due on your cost of the goods. If you have a PST number, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using the *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you used the goods for business or personal use.

For example, if you use a taxable item in your business in June, you must file the return and pay the PST no later than July 31.

### **Safety Equipment and Protective Clothing**

The following safety equipment and protective clothing is exempt from PST:

- work-related safety equipment and protective clothing designed to be worn by, or attached to, a worker if required under specified provincial work safety legislation when purchased or leased by an employer, self-employed person or educational institution,
- specifically listed work-related safety equipment and protective clothing designed to be worn by a worker, and
- specifically listed general safety equipment and protective clothing, including first aid kits and portable fire extinguishers.

For more information, please see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*.

## Improvements to Real Property

Real property is land and anything that is attached to the land in such a way that it ceases to be personal property at common law. This would normally include buildings, structures, and things such as machinery or equipment that are attached to the land (or to buildings or structures) by some means other than their own weight. Things that are attached so that they cease to be personal property at common law are often referred to as improvements to real property.

If you hire a contractor to supply and affix, or install, affixed machinery or improvements to real property, your contractor is required to pay PST on the goods they obtain to fulfil a contract for the supply and installation of improvements to real property or affixed machinery, unless a specific exemption applies. In this case, as the customer of the contractor, you do not pay PST on the contract.

For more information on the application of PST to improvements to real property and affixed machinery, please see [Bulletin PST 104](#), *Real Property Contractors*.

## Buying and Selling a Business

If you are buying or selling a business, the seller of the business needs to apply for a clearance certificate from the ministry that shows that all amounts owing to the government under the *Provincial Sales Tax Act* by the business have been paid. The ministry will send the seller two copies of the clearance certificate confirming that the seller has paid all amounts owing. The seller must give one copy of the clearance certificate to the purchaser. The *Application for Clearance* form ([FIN 447](#)) is available on our [Forms](#) page.

**Please note:** If the purchaser of the business is buying the business assets directly (i.e. they are not purchasing the shares of a corporation being sold), they need to pay PST on all taxable business assets purchased (except goods for resale), including affixed machinery, unless a specific exemption applies.



## Need more info?

Online: [gov.bc.ca/PST](http://gov.bc.ca/PST)

Toll free in Canada: 1 877 388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

You can access our forms, publications, legislation and regulations online at [gov.bc.ca/PST](http://gov.bc.ca/PST) (go to [Forms](#) and [Publications](#)).

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

For up to date information on the return to PST, subscribe to our What's New page at [sbr.gov.bc.ca/msbr/whats\\_new/consumer\\_taxes/whatsnew.htm](http://sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm)

References: *Provincial Sales Tax Act*, sections 1, “accommodation”, “liquor”, “non-taxable component”, “promotional distribution”, “promotional material”, “reusable container”, “sale”, “taxable component”, “use”, 16, 26, 34, 37, 49, 81, 101, 119, 139 and 141; *Provincial Sales Tax Exemption and Refund Regulation*, sections 32-35 and 52.