

## Equipment Brought into British Columbia for Temporary Use (1/3rd Formula)

*Social Service Tax Act*

**Do you bring equipment (which includes vehicles) into British Columbia for temporary use?**

**Do you need to know how PST applies to your equipment?**

This bulletin provides specific tax information to help individuals and businesses understand how the social service tax, also called the provincial sales tax (PST), applies to equipment brought into British Columbia.

The information in this bulletin applies to vehicles if they do not qualify as multi-jurisdictional vehicles (MJVs). To determine if your vehicle qualifies as an MJV, please see [Bulletin SST 073, Multi-Jurisdictional Vehicles](#).

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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This bulletin has been completely rewritten and replaces the previous version dated February 2007.

## Overview

PST applies to equipment you bring into British Columbia for temporary use. If you bring equipment into British Columbia to perform a specific task and the equipment will be removed after completing that task, you may be required to pay the PST using the temporary use formula.

The temporary use formula, also known as the 1/3rd formula, requires you to pay PST on one-third of the value of your equipment for each 12-month period the equipment is used in British Columbia for **six days or more**. Once the third and final PST payment is made, the maximum amount of PST payable has been paid. No further PST is due on future entries of that **same** equipment into British Columbia, provided ownership of the equipment does not change.

**Please note:** The days the equipment is in the province may be consecutive or spread out over the 12-month period. Equipment brought into the province for 5 days or less during each 12-month period is not taxable.

Under specific conditions, equipment and supplies used for petroleum or natural gas exploration or development may qualify for payment of tax on the 1/36th formula. For more information on how and when to apply the 1/36th formula, please see [Bulletin SST 127, Oil and Gas Industry – Exploration, Discovery and Development](#).

## When to Use the Temporary Use Formula

You use the temporary use formula to calculate the PST on equipment you bring into British Columbia to perform a specific job or contract if one of the following conditions is met:

- the contract states a completion date within two years and five days from the first day the equipment enters British Columbia,
- the total contract is for more than two years and five days, but you bring the equipment in to perform a specific part of the contract which, under the terms of the contract, will be completed in under two years and five days, or
- there is no contract, but it is obvious from the nature of the job that you will remove the equipment from British Columbia within two years and five days.

You do not use the temporary use formula on equipment that will remain in British Columbia for more than two years and five days or for an indefinite period of time. You pay PST on the full taxable value of the equipment at the time it enters

British Columbia. In this case, if you remove the equipment within two years and five days, you **are not eligible** for a refund because the equipment did not qualify for the temporary use formula when it first entered British Columbia.

## Calculating the Temporary Use Formula

### Temporary Use Formula

The temporary use formula is as follows:

$$(\text{Taxable Value} \times \text{Tax Rate}) \div 3 = \text{PST Due}$$

You make a maximum of three payments (one for each 12-month period) under the temporary use formula. The maximum amount of PST due is the taxable value of the equipment less any sales tax you previously paid to another Canadian province (referred to as Other Sales Tax in the following formula).

$$(\text{Taxable Value} \times \text{Tax Rate}) - \text{Other Sales Tax} = \text{Maximum PST Due}$$

**Please note:** You cannot use tax paid to a jurisdiction outside Canada to reduce the maximum PST due.

### First Entry

First entry is the first calendar day, or a portion of a day, that you bring the equipment into British Columbia.

### Taxable Value

The taxable value of **new** equipment you bring into British Columbia for temporary use is the total purchase price. The purchase price includes charges for transportation, customs, excise and any other costs that you pay before you use the equipment in British Columbia, except the goods and services tax (GST). However, you do not include freight and transportation costs for additional entries of the same equipment into British Columbia.

The taxable value also includes any additions made to the equipment. When you make additions to your equipment outside the province and bring the equipment back into British Columbia, you do not include your cost of transporting the equipment and additions in the taxable value.

The taxable value of **used** equipment you bring into British Columbia is the greater of the depreciated value or 50% of the purchase price. You calculate the depreciated value on a straight-line basis using the table below. Depreciation is calculated from the day

you acquire the equipment, regardless of how old it is when you acquire it. You depreciate the value of the equipment each time you pay PST under the temporary use formula.

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment	2.5% per month (30% per year)
Aircraft	2.0833% per month (25% per year)
Vessels	1.25% per month (15% per year)
Railway rolling stock	0.8333% per month (10% per year)
Other equipment, furniture and fixtures	1.667% per month (20% per year)

## Tax Rate

You pay PST at the tax rate in effect on the day you first bring the equipment into British Columbia. This rate applies to each additional payment for the **same** equipment, even if the tax rate changes. The current tax rate is 7%.

## 12-Month Period

### First 12-month Period

The first 12-month period starts the first day that you bring the equipment into British Columbia and ends the day before the anniversary of that day, for example, May 1, 2007 to April 30, 2008.

### Second 12-Month Period

If the equipment remains in British Columbia for a continuous period of more than 12 months, the second 12-month period starts the day after the first 12-month period ends and ends the day before the anniversary of that day. For example, the first 12-month period is May 1, 2007 to April 30, 2008, and the second 12-month period is May 1, 2008 to April 30, 2009.

If you remove the equipment from British Columbia during the first 12-month period and bring it back into British Columbia after that 12-month period expires, the second 12-month period starts the day of the second entry. For example, you bring the

equipment into British Columbia on May 1, 2007 and remove it on July 15, 2007. The first 12-month period is from May 1, 2007 to April 30, 2008. You bring the same equipment back into British Columbia on June 1, 2008. The second 12-month period is from June 1, 2008 to May 30, 2009.

## Due Dates

If you bring equipment that qualifies for the temporary use formula into British Columbia for 6 **consecutive** days or more in a 12-month period, the PST is due within 23 days of the first day the equipment enters the province.

If you bring equipment into British Columbia more than once in a 12-month period, and you do not know at the time of entry if the equipment will be in the province for 6 days or more, the PST is due within 23 days from the sixth day the equipment enters the province.

**Please note:** You calculate the value of the equipment based on its first entry into British Columbia.

If you bring equipment that does not qualify for the temporary use formula into British Columbia, the PST is due within 23 days of the first day the equipment enters the province.

If you do not have a British Columbia PST registration number, you self-assess the PST due using the *Payment of Tax Due on Equipment, Vehicles and Materials Brought Into British Columbia* form (**FIN 435**). This form is available from the ministry or any Service BC Centre. You will also find it on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/forms.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/forms.htm)

If you have a PST registration number, you self-assess and record the PST due at Step 3 of your tax return. If the date that your tax return is due differs from the date that the PST is due under the temporary use formula, please **contact us**. You may need to submit additional returns to ensure you meet your filing deadlines.

## Barge-Mounted Cranes

You use the temporary use formula to calculate the PST on heavy lifting barge-mounted cranes you bring into British Columbia for temporary use. However, the number of days before PST applies on barge-mounted cranes with a lifting capacity of more than 100 metric tonnes is 41 days **if** the cranes are relieved from federal customs duties under the *Vessel Duties Reduction or Removal Regulations (Canada)*, SOR/90-304.

## Examples of Calculating the Temporary Use Formula

### One Entry into British Columbia

You bring new equipment (taxable value of \$100,000) into British Columbia on May 1, 2007 to fulfil the terms of an 18-month contract. The equipment is in the province for the full 18 months and then it is removed. The following PST payments are due for the two 12-month periods.

First 12-month period: May 1, 2007 to April 30, 2008

- Tax due:  $(\$100,000 \times 7\%) \div 3 = \$2,333.33$
- The PST is due May 24, 2007 (23 days from the first day that the equipment enters British Columbia).

Second 12-month period: May 1, 2008 to April 30, 2009

- Tax due:  $(\$100,000 \times 7\%) \div 3 = \$2,333.33$
- The PST is due May 24, 2008 (23 days from the first day of the second 12-month period that the equipment is in British Columbia).

### Multiple Entries into British Columbia

You bring **new** equipment (taxable value of \$100,000) into British Columbia on November 1, 2005 to fulfil the terms of a contract.

First 12-month period: November 1, 2005 to October 31, 2006

- The **new** equipment first enters British Columbia on November 1, 2005 and is removed December 16, 2005; it re-enters August 1, 2006 to October 17, 2006.
- PST due:  $(\$100,000 \times 7\%) \div 3 = \$2,333.33$
- The PST is due November 24, 2005 (23 days from the first day the equipment enters British Columbia). PST does not apply on the August 1, 2006 re-entry because it occurs within the same 12-month period.

Second 12-month period: December 5, 2006 to December 4, 2007

- The **same** equipment enters British Columbia December 5, 2006 to December 6, 2006 (2 days); it re-enters April 1, 2007 to April 4, 2007 (4 days).
- Use the **depreciated value** of the equipment as of the first day of the second 12-month period (December 5, 2006) to calculate the PST.
- The depreciation rate for equipment is 1.667% per month (see the table on page 4). It has been 13 months since the equipment originally entered the province.
- Depreciation rate:  $(13 \text{ months} \times 1.667\%) = 21.671\%$
- Amount of depreciation:  $(\$100,000 \times 21.671\%) = \$21,671$

- Depreciated value:  $(\$100,000 - \$21,671) = \$78,329$
- PST due:  $(\$78,329 \times 7\%) \div 3 = \$1,827.68$
- The PST is due April 27, 2007 (23 days from the **sixth** day [April 4th] that the equipment is in British Columbia).

Third 12-month period: January 12, 2009 to January 11, 2010

- The **same** equipment enters British Columbia January 12, 2009 to January 16, 2009 (5 days); it re-enters September 12, 2009 to September 14, 2009 (3 days).
- The value of the equipment is \$50,000 (50% of the purchase price because it is more than the depreciated value).
- Since the second 12-month period, you have paid \$395.02 in sales tax on the equipment to another Canadian province.
- PST due:  $[(\$50,000 \times 7\%) \div 3] - \$395.02 = \$771.65$
- The PST is due October 5, 2009 (23 days from the **sixth** day [September 12th] that the equipment is in British Columbia).

Once the third and final PST payment is made on or before October 5, 2009, the maximum amount of PST payable has been paid. No further PST is due on future entries of that **same** equipment into British Columbia, provided ownership of the equipment does not change. However, any subsequent additions to the equipment are taxable as outlined in the section above, Taxable Value.

## Temporary Use Formula for Leased Equipment

The temporary use formula also applies to leased equipment, but using a different calculation. The five-day exemption does not apply to leased equipment. You use the following formula to calculate the PST on leased equipment you bring into British Columbia:

$$\text{Lease Price} \times \text{Tax Rate} \times (\text{British Columbia Time} \div \text{Total Time}) = \text{PST Due}$$

The lease price is the full amount of the lease payment for the lease period, or a portion of the lease period, that the equipment is in British Columbia. The tax rate is the rate in effect at the time the lease payment is made.

British Columbia time is the number of hours in the lease period that the equipment is in British Columbia. Total time is the total number of hours in the lease period.

For example, you lease a crane for \$10,000 per month (a 30-day period) and bring the crane into British Columbia for 3 days. There are 720 hours in the lease period (30 days x 24 hours) and the crane is in the province for 72 hours (3 days x 24 hours).

$$\text{PST Due: } \$10,000 \times 7\% \times (72 \div 720) = \$70$$

The PST is due to the ministry either when the lease payment is paid or when the lease payment becomes due under the terms of the lease agreement, whichever is earlier. To pay the PST, use the *Payment of Tax Due on Equipment, Vehicles and Materials Brought Into British Columbia* form ([FIN 435](#)).

## Services and Replacement Parts

### Taxable Services

PST applies to purchases of taxable services in British Columbia. You pay PST on services to install, assemble, dismantle, repair, adjust, restore, recondition, refinish, or maintain tangible personal property, including when these services are performed on equipment that qualifies for the temporary use formula.

However, some services are non-taxable, such as services provided by an employee to their employer. For example, you do not pay PST when your employee provides the labour to repair a company truck, even if your employee bills your company for accounting purposes. For more information, please see [Bulletin SST 018](#), *Taxable Services*.

### Replacement Parts

If you capitalize major repairs on equipment that qualifies for the temporary use formula, you add the value of the capitalized repairs to the value of the equipment and use the temporary use formula to calculate the PST.

If you have already made three PST payments on the equipment, you treat the capitalized repairs as a separate unit and calculate the PST on the value of the repairs using the temporary use formula.

You cannot use the temporary use formula to calculate the PST on parts that you bring into British Columbia. You pay PST on the full purchase price of repair parts for equipment you use in the province.

However, you do not pay PST on repair parts for equipment you use solely outside of British Columbia.



## Production Machinery and Equipment Exemption

If you bring equipment into British Columbia for manufacturing, logging, mining or producing and processing oil and natural gas, you may qualify for the production machinery and equipment exemption. You may also qualify if you regularly engage in geophysical surveying for the purpose of discovering petroleum, natural gas and mineral deposits.

If you qualify, you may bring eligible equipment into British Columbia without paying PST. Also, you do not pay PST on taxable services provided to exempt production machinery and equipment, or on replacement parts. For more information on the production machinery and equipment exemption, please see the following bulletins.

**Bulletin SST 054**, *Manufacturers*

**Bulletin SST 055**, *Oil and Gas Industry – Producers and Processors*

**Bulletin SST 126**, *Oil and Gas Industry – Service Providers and Contractors*

**Bulletin SST 127**, *Oil and Gas Industry – Exploration, Discovery and Development*

**Bulletin SST 072**, *Real Property Contractors*

**Bulletin SST 081**, *Mining Industry*

**Bulletin SST 112**, *Logging Industry*



### Need more info?

Telephone (Vancouver): 604 660-4524

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E-mail: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

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 on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/legislation.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/legislation.htm)

References: *Social Service Tax Act*, Sections 1, 6, 12, 14, 19, 21 and 76(1)(k), and Regulations 2.38, 2.39, 2.46, 2.47, 3.29 and 13