



## Charging, Collecting and Remitting PST

### *Provincial Sales Tax Act*

During the summer of 2011, British Columbians had the opportunity to participate in a province-wide referendum on the harmonized sales tax (HST). On August 26, 2011, Elections BC announced that British Columbians had voted in favour of eliminating the HST and returning to the provincial sales tax (PST) plus federal goods and services tax (GST) system.

Following the referendum results, government committed to make the transition back to the PST/GST system as quickly as responsibly possible. The *Provincial Sales Tax Act* received royal assent on May 31, 2012 and the PST will be re-implemented on April 1, 2013.

This bulletin provides information to help businesses understand their obligation to charge, collect and remit provincial sales tax (PST).

The rules and requirements explained in this bulletin come into effect with the re-implementation of the PST on April 1, 2013. Some of the rules and requirements described in this bulletin are subject to legislative and regulatory approval.

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### Overview

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If you are registered to collect PST, you are a collector under the Act.

If you are not registered but should be, you are still considered to be a collector and have all the same obligations as a collector who is registered.

**Effective April 1, 2013**, all collectors, including out of province collectors, must charge, collect and remit PST on sales or leases of taxable goods, sales of software and sales of taxable services (i.e. related services, accommodation, legal services and telecommunication services) in BC.

**Please note:** Passenger-carrying commercial vessels, such as cruise ships, that make regular scheduled sailings to or from a port outside of BC may receive a written exemption from the ministry from charging, collecting and remitting PST.

For more information about collectors and who must be registered, please see [Bulletin PST 001](#), *Registering to Collect Provincial Sales Tax (PST)*.

## **Charging and Collecting PST**

You must charge and collect PST at the time the tax is payable, unless a specific exemption applies to the sale or lease (see the section below, Exemptions Requiring Supporting Documentation).

PST is generally payable at the same time that the purchase or lease price, or any portion of the purchase or lease price, is paid or becomes due, whichever is earlier. A purchase or lease price, or any portion of the purchase or lease price, generally becomes due the **earliest** of:

- the day you first issue an invoice for the sale or lease,
- the date of the invoice,
- the day you would have, but for undue delay, issued the invoice, and
- the day your customer must pay the purchase or lease price under a written agreement.

For example, on April 15, 2013, you sell a television for \$1,000 and invoice your customer on April 15 for \$700 and invoice your customer on May 15 for the remaining \$300. The \$700 portion of the purchase price becomes due on April 15 and the remaining \$300 portion becomes due on May 15. Therefore, the PST you are required to charge and collect on April 15 is 7% of \$700. On May 15, you would be required to charge and collect 7% of the remaining \$300.

In the case of goods, software or services sold or provided by way of lease, licence or similar arrangement under a written agreement, the purchase or lease price becomes due on the day the purchaser of the good or service is required to pay the purchase or lease price under that agreement.

For example, on May 1, 2013, you lease a piece of equipment to your customer under a written agreement in which they are required to make lease payments of \$500 on the first of each month for a 12-month period. A \$500 portion of the lease price becomes due on the first of each month. Therefore, the PST you are required to charge and collect on the first of each month is 7% of \$500.

In certain circumstances PST may become payable before the purchase price for the goods becomes due or is paid. For example, this would be the case if all or any portion of the purchase price has not been paid or has not become due on or before the last day of the month immediately following the first month in which:

- In relation to a purchase of goods by way of sale, the ownership or possession of the goods is transferred to the purchaser; or
- In relation to a purchase of goods by way of sale under which the seller delivers the goods to the purchaser on approval, consignment, sale-and-return basis or similar terms, the purchaser acquires ownership of the goods or makes the goods available to any other person, other than the seller.

In these cases, the PST on any portion of the purchase price that had not yet become due or been paid would become payable on the last day of the month immediately following the first month in which ownership or possession of the goods is transferred to the purchaser or the purchaser acquires ownership of the goods or makes the goods available to any other person, other than the seller.

For example, if, in July 2013, a person purchases a couch and takes possession of the couch but the full purchase price for the couch does not become due until July 2014 (i.e. no invoice will be issued until July 2014), the PST on the full purchase price of the couch would be payable on the last day of August 2013—the last day of the month following July (the month in which the purchaser took possession of the couch).

In the above example, if the person was required to make monthly payments for the couch from July 2013 until July 2014 and invoices for the monthly payments were issued on a monthly basis (a portion of the purchase price becomes due each month), PST on the remainder of the purchase price that had not yet become due or been paid by the last day of August—the last day of the month following July (the month in which the purchaser took possession of the couch)—would be payable on the last day of August 2013.

## **Municipal and Regional District Tax**

If you provide four or more units of accommodation, in addition to charging and collecting the PST on accommodation, you must also charge and collect the municipal and regional district tax (MRDT) in participating municipalities and regional districts.

The MRDT is a tax of up to 2% charged on sales of taxable accommodation. The MRDT is collected on behalf of municipalities, regional districts and other eligible entities to raise revenue for local tourism, marketing, programs and projects.

The MRDT is administered by the ministry for municipalities, regional districts and other eligible entities and has its own tax return form.

For more information for accommodation providers, please see [Notice 2012-023](#), *Municipal and Regional District Tax*.

## **Reporting and Remitting PST**

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You must report and remit (pay) to the government any PST you charge, whether or not you have actually collected it from your customer. You must remit all PST charged within a reporting period no later than the last day of the month following the reporting period. For example, if you are reporting for a period ending June 30, you must file your return and remit the PST charged in that period no later than July 31. If you fail to remit PST on or before the due date, you will not be able to claim the commission (see below) and may be subject to a penalty and interest.

Your reporting frequency will be determined at the time of registration based on how much PST you are estimated to collect per reporting period on sales and leases in BC. Reporting periods may be monthly, quarterly, semi-annual or annual.

The following chart shows the reporting frequency options.

Tax Collected Per Year	Filing Frequency Options
More than \$12,000	Monthly only
More than \$6,000 up to \$12,000	Monthly or Quarterly
More than \$3,000 up to \$6,000	Quarterly or Semi-Annual
\$3,000 or less	Quarterly, Semi-Annual or Annual

If the amount of PST you regularly collect changes, we may adjust your reporting frequency. We will notify you by letter if this happens. You can also ask us to change your reporting period; however, we will base our approval on the amount of PST you regularly collect.

If you have accounting periods that do not correspond to calendar months (i.e. 13 accounting periods within a fiscal year), once you are registered for PST you may request reporting periods that match your accounting periods. Please contact us for more information.

Information on completing the tax returns (PST and MRDT) will be provided in future bulletin(s).

In addition to the above, any person who collects PST, or collects an amount as if it were PST, is required to remit that amount to the ministry. For example, if you charged and collected PST at an incorrect rate on general goods (e.g. 10% instead of 7%) or you charged and collected PST on a non-taxable good or service, you would still have to remit the amount collected to the ministry (in this case, your customer may be entitled to a refund).

## Filing and Payment Options

You may file your tax returns and make payments using any of the following options:

- **Online:** Starting April 1, 2013, you will be able to file your PST and MRDT returns (including Nil returns), make payments, manage your accounts and more online. The new online system, called **eTaxBC**, is intended to streamline business processes around reporting and remitting PST and MRDT.
- **Internet Banking:** Check with your financial institution to see if you can file your tax returns and make payments online through their website (online banking) or through their payment and filing service.
- **Electronic Funds Transfer** through your financial institution.
- **Mail:** Send the remittance coupon, your payment and any required documentation to: The Director, Provincial Sales Tax, PO Box 9443 Stn Prov Govt, Victoria BC V8W 9W7
- **In person:** You can file and pay PST in person at most financial institutions, your local **Service BC Centre** or at 1802 Douglas Street in Victoria.

Most financial institutions and **Service BC Centres** will accept tax returns and payments by cash, cheque or debit.

At the 1802 Douglas Street location in Victoria, payment may be made **only** by cheque, money order or bank draft. Cash, debit or credit card payments are **not** accepted at this location.

## Electronic filing and payment

Similar to the requirements for GST/HST, businesses with at least \$1.5 million in total Canadian sales and leases per year will be required to file tax returns and remit PST electronically.

You may use any of the following options to **remit tax** electronically:

- Online at the [eTaxBC](#) site
- Through your financial institution's payment and filing service
- Through your financial institution's online banking service or electronic funds transfer

To **file returns** electronically, you must use either eTaxBC or your financial institution's payment and filing service.

If you fail to remit or file electronically, you may be subject to a penalty.

## Commissions

Collectors who are registered as required are entitled to a commission for each reporting period in which they remit PST as required and on time. Collectors with more than one PST account may only claim commission on one of those accounts. Commission is not payable for the collection of the MRDT, which must be reported separately from the PST.

The amount of the commission is as follows:

Tax Collectable	Commission
\$22.00 or less	The tax collectable
\$22.01 - \$333.33	\$22.00
More than \$333.33	6.6% of tax collectable, to a maximum of \$198.00

## Exemptions Requiring Supporting Documentation

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There are a number of PST exemptions you can only provide to your customers if they provide you with the required information or document. For these exemptions, including purchases of goods, software or taxable services for resale, if your customer does not provide the required information or document, you are required to charge and collect the PST from your customer and they are required to pay it.

For example, if your customer is a PST registrant and claims they are making a purchase for resale, they must provide you with their PST registration number. If they are a wholesaler or a vendor who has not yet received a PST registration number, they must provide you with an exemption certificate.

If they do provide their PST registration number and you issue a bill, invoice or receipt, you must record that registration number on the bill, invoice or receipt to substantiate the non-collection of tax. Alternatively, you may record your customer's PST number on a written agreement that you have entered into related to that sale. In those cases where an exemption certificate is provided, you must keep a copy of the certificate in your records to substantiate the non-collection of tax. Failure to substantiate the non-collection of tax may result in an assessment, penalty and interest.

If, after paying the PST, your customer returns with the required information or document to substantiate the exemption, you may refund the PST in certain circumstances (see the section below, Refunding PST to Your Customers).

More information of the use of exemption certificates and the information and documents required to substantiate other exemptions will be provided in the near future.

## **Refunding PST to Your Customers**

As a collector, you may refund or credit your customers PST you charged and/or collected from them in the following circumstances.

### **Customer Does Not Provide Required Information or Document at the Time of Sale or Lease**

If your customer has paid PST and would not have been required to pay PST if they had provided the required information or document to support an exemption at the time of the sale or lease, you may refund or credit your customer the PST paid if they provide the required information or document within 180 days of the date the tax was paid.

### **Customer Was Not Required to Pay the Tax**

If your customer has paid PST and was not required to pay the tax (i.e. on an exempt item that did not require any information or document to substantiate the exemption), you may refund or credit your customer the PST paid within 180 days of the date the tax was paid.

### **Refund or Credit of Purchase Price or Lease Price**

If you provide a full or partial refund or credit of the purchase or lease price to your customer for taxable goods (other than a motor vehicle), software or taxable services within four years of the purchase or lease, you may also refund or credit the applicable PST. For example, if you refund or credit 50% of the purchase price of a good to your customer, you may also refund or credit 50% of the PST to your customer. In order for you to be eligible for a refund of the PST you refund or credit to your customer, you **must** provide the tax refund or credit to your customer at the same time that you provide the full or partial refund or credit of the purchase or lease price.

### **Motor Vehicles Returned Within One Year**

When a customer returns a vehicle to you within one year of the purchase or lease and you provide a full or partial refund or credit of the purchase or lease price, you must also refund or credit the applicable PST. In order for you to be eligible for a refund of the PST you refund or credit to your customer, you **must** provide the tax refund or credit to your customer at the same time that you provide the full or partial refund or credit of the purchase or lease price.

### **Claiming a Refund of PST You Refund or Credit to Your Customer**

If you refund or credit PST to your customer in any of the above circumstances, you may claim a refund of the PST you remitted on the sale or lease by taking an adjustment on your tax return (deducting the amount of your refund from the amount of tax owing) if you are registered as required or by applying directly to the ministry for a refund. If you choose to take an adjustment on your return, you must take the adjustment in the reporting period in which you provided the refund or credit.

More information will be provided on refunds and how to take adjustments on your tax return in future bulletin(s).

## **Retaining Books and Records**

You must keep sufficient books and records to provide details of all of the following:

- all sales and leases (taxable and non-taxable),
- all tax charged, collected, remitted and commission taken,
- all purchases and leases for inventory and for your own use, and
- all applicable supporting documentation to show why tax was not collected on taxable goods, software and services.

You must keep books, records and any documentation relating to your business for five years. You may destroy records older than five years at your discretion. If you wish to destroy any of these records before five years, you need written permission from the ministry.

**Please note:** In some cases, you may wish to keep your records for longer periods of time to prove your entitlement to an exemption. For example, to qualify for an exemption on assets transferred between related companies, you need records to show that tax was paid on the assets. You need to provide these records even if the records are older than five years.



### **Need more info?**

Toll free in Canada: 1 877 388-4440

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.

You can access the draft consolidation of the provincial sales tax statute and related FAQs on our [Forms and Publications](#) page.

Draft regulations will be posted to our website as soon as they are available.

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)