



## Real Property Contractors

### Provincial Sales Tax Act

This bulletin provides information for contractors on how the provincial sales tax (PST) applies to goods they obtain to fulfil contracts for the supply and installation of affixed machinery and improvements to real property.

This bulletin does not provide information related to owners of real property who obtain goods for their own use, including when they hire a contractor to install those goods. For information on goods purchased in BC, see [Notice 2012-011](#), *Purchases of Tangible Personal Property (Goods) in British Columbia*, and for information on goods brought, sent or received in BC, see [Notice 2012-013](#), *Tangible Personal Property (Goods) Brought Into British Columbia*.

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### Definitions

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#### 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. However, for the purpose of the PST, improvements to real property exclude affixed machinery (see section below).

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The revision bar ( | ) identifies changes to the previous version of this bulletin dated May 2013.

Improvements to real property include integral components of buildings or land, such as windows, doors, plumbing, electrical and heating systems, and structures permanently affixed to land, including concrete driveways and sidewalks.

Improvements to real property may also include very large machinery or equipment that is constructed on site, such as machinery used in sawmills, pulp mills or other industrial locations, unless the machinery or equipment is affixed machinery (see below).

## **Affixed Machinery**

For the purpose of the PST, affixed machinery is machinery, equipment or apparatus that is used directly in the manufacture, production, processing, storage, handling, packaging, display, transportation, transmission or distribution of goods, or in the provision of software or a service, and is affixed to, or installed in, a building, a structure or land so that it ceases to be personal property at common law.

Although affixed machinery ceases to be personal property at common law upon installation (i.e. it would normally be considered to be an improvement to real property), for purpose of the PST, it remains tangible personal property (goods) upon installation. Therefore, if real property in which affixed machinery is installed is sold or leased, the purchaser or lessee of the real property is purchasing or leasing goods (the affixed machinery) and is required to pay PST on the purchase or lease of those goods.

Examples of goods that cease to be personal property at common law once they are installed and are affixed machinery are listed in Appendix 2 at the back of this bulletin.

The following are specifically excluded from the definition of affixed machinery and as such are improvements to real property. Therefore, if real property in which the following are installed is sold or leased, the purchaser or lessee is purchasing or leasing real property and there is no PST payable on the purchase or lease (see the section below, General Rule).

- Machinery, equipment or apparatus that is affixed to, or installed in, a building, structure or land for the purpose of heating, air conditioning or lighting a building or structure, sewage disposal for a building or structure, or lifting persons or freight within a building or structure by elevator or escalator; or
- Machinery, equipment or apparatus that is:
  - of such a size that it must be constructed on the site where it is to be used,
  - by its nature or design, would normally be expected to remain, for its useful life, on the site at which it is constructed,
  - does not run on rails or tracks, or does not otherwise move around on or from the site at which it is constructed, and
  - cannot be moved from the site at which it is constructed without
    - dismantling the machinery, equipment or apparatus, or
    - dismantling or causing substantial damage to the building or structure to which it is affixed or in which it is installed.

## **Real Property Contractors**

You are a real property contractor (contractor) if, under a contract, you supply and affix, or install, affixed machinery or improvements to real property. This includes:

- contractors and subcontractors in the construction industry,

- businesses that supply goods with installation services where the goods will become an improvement to real property (e.g. flooring, built-in dishwashers) or affixed machinery upon installation,
- businesses that provide services to real property in which goods may be installed or incorporated into real property as part of that service (e.g. painters, landscapers), and
- businesses that sell goods at retail and also supply and install goods to fulfil contracts to supply and install affixed machinery and improvements to real property (see the section below, Contractors who Sell Goods at Retail).

The following are examples of contractors:

- |                                 |                           |
|---------------------------------|---------------------------|
| ▪ Bricklayers                   | ▪ Kitchen installers      |
| ▪ Cabinet installers            | ▪ Landscapers             |
| ▪ Carpenters                    | ▪ Masonry contractors     |
| ▪ Carpet layers                 | ▪ Mechanical contractors  |
| ▪ Drywallers                    | ▪ Painters                |
| ▪ Excavators                    | ▪ Pavers                  |
| ▪ Electricians                  | ▪ Plumbers                |
| ▪ Fence builders                | ▪ Roofers                 |
| ▪ Foundation contractors        | ▪ Sheet metal contractors |
| ▪ Framing contractors           | ▪ Siding contractors      |
| ▪ Glass and glazing contractors | ▪ Sundeck builders        |
| ▪ Heating system installers     | ▪ Window installers       |
| ▪ Home builders                 |                           |

## **Determining Whether Goods Remain, or Cease to be, Personal Property at Common Law**

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Whether goods become affixed machinery or improvements to real property upon affixation or installation depends on whether the affixed or installed goods cease to be personal property at common law. This determination is based on common-law principles.

Generally, goods which are attached to real property, even minimally (other than simply being plugged in), cease to be personal property at common law.

However, it is also important to consider the purpose of the attachment and the degree of attachment. If it is apparent that the purpose of the attachment is for the better use of the good itself (e.g. bolting a free-standing bookshelf to the wall for stability), a minimal degree of attachment would generally not cause the good to cease to be personal property at common law. However, a more substantial attachment (e.g. an attachment that would cause significant damage to the real property if the good were removed) would generally result in the good ceasing to be personal property at common law, even if the good might have been attached for the better use of the good as a good.

Examples of items that cease to be personal property at common law once they are installed that are improvements to real property are listed in Appendix 1 at the back of this bulletin.

Examples of items that cease to be personal property at common law once they are installed that are affixed machinery are listed in Appendix 2 at the back of this bulletin.

## **Contractors and PST**

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In this bulletin:

- **contract** means a contract to supply and affix, or install, affixed machinery or improvements to real property
- **obtain** means:
  - purchased or leased in BC,
  - brought or sent into BC,
  - received in BC, or
  - received as a gift.

### **General Rule**

If you are a contractor, you are required to pay PST on the goods you obtain to fulfil a contract, unless a specific exemption applies.

As a contractor, you must pay PST because you are the user of the goods used to fulfil the contract. For the purpose of the PST, supplying and installing goods under a contract is **not** a sale of those goods to your customer. Therefore, you are not eligible for the exemption for goods acquired for resale.

You must pay PST regardless of whether your contract is a time and materials contract or a lump sum contract, unless a specific exemption applies.

### **Installing Goods that Remain Personal Property at Common Law**

If the goods you supply and install do not become affixed machinery or an improvement to real property upon installation (i.e. they remain as personal property), you are required to charge your customer PST on their purchase of the goods and on the installation services. For example, services to install or maintain ornamental plants in portable containers is a related service and PST applies to the charges. For more information on related services, please see [Bulletin PST 301](#), *Related Services*.

### **Contracts to Supply and Install Both Improvements to Real Property and Goods that Remain Personal Property at Common Law**

If, under a contract, you provide and install both goods that will remain personal property **and** goods that will become affixed machinery or an improvement to real property, you must:

- charge PST on the goods that remain personal property and on the related services you provide to those goods, such as installation services, and
- pay PST on the goods you use to fulfil the portion of the contract that is for the supply and installation of affixed machinery or an improvement to real property.

### **Removing Goods from Inventory**

If you are a business that sells goods at retail and you remove goods from your resale inventory to fulfil a contract, you are required to self-assess PST on the goods when you remove them from your resale inventory.

## Contractors Who Sell Goods at Retail

If you obtain goods for the sole purpose of resale (i.e. in retail operations), you are generally exempt from PST on those goods. If you are a contractor who also operates a retail or wholesale facility selling goods, you may obtain goods for your resale inventory exempt from PST even if you may remove those goods from the resale inventory to use them to fulfil a contract in the future. However, if you obtain specific goods to fulfil a contract or keep separate inventories of resale goods and goods for use in contracts, you are not eligible to obtain the goods for use to fulfil a contract exempt from PST, unless another specific exemption applies.

If you obtain goods for resale and then later use the goods for another purpose, you are required to self-assess PST on the goods, unless a specific exemption applies.

This requirement to self-assess PST applies when you:

- remove goods from your resale inventory to fulfil a contract – you are required to self-assess PST on your cost of these goods, or
- provide goods to your customers with installation services, where those goods will cease to be personal property at common-law upon installation. You are required to self-assess PST because by providing those goods with installation services, you are entering into a contract to supply and affix, or install, affixed machinery or improvements to real property.

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 a *Casual Remittance Return* form ([FIN 405](#)) on or before the last day of the month following the month in which the goods are removed from your resale inventory.

## Exemptions for Contractors

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### Agreements that Specifically Require the Customer to Pay PST

As a contractor, you are exempt from the PST on goods you obtain to fulfil a contract if:

- you and your customer enter into an agreement that specifically states that the customer is liable for the PST on the goods, and
- the agreement sets out the purchase price of the goods.

There must be written evidence of the agreement that specifically states that the customer is liable for the PST on the goods. The customer must pay PST on the greater of your purchase price of the goods (i.e. the contractor's cost) and the purchase price set out in the agreement. It is not sufficient to have a contract that simply states the purchase price, "plus applicable taxes".

If you enter into agreements that specifically state that your customers are liable for the PST, you must be registered as a PST collector before the goods are supplied. As a PST collector, you must collect and remit PST to the government that your customers are required to pay, whether or not the PST has actually been collected from the customer (e.g. sales on credit).

For more information on PST registration, please see [Bulletin PST 001](#), *Registering to Collect Provincial Sales Tax (PST)*. For more information on the requirement to charge and collect PST, please see [Bulletin PST 002](#), *Charging, Collecting and Remitting PST*.

## Contracts with Persons Exempt from PST

As a contractor, you are exempt from the PST on goods you obtain to fulfil a **written** contract if the contract is with:

- the Government of Canada (unless the Government of Canada has agreed to pay PST), or
- a person who would be exempt from PST if they had obtained the goods instead of the contractor under:
  - the *Provincial Sales Tax Act* (e.g. manufacturers, farmers etc.), or
  - section 87 of the *Indian Act* (Canada).

## Documenting Exemptions for Contractors

Where you are exempt from the PST on goods in the above circumstances, you may purchase the goods exempt at the time of sale if you provide the required information to your supplier at or before the time of sale.

Where you have a specific agreement transferring liability for the PST to your customer, you must provide your PST number or, if you have not yet received a PST number, you must provide a completed *Certificate of Exemption – Contractor* ([FIN 491](#)).

Where you have entered into a written agreement with a person who is exempt from PST (as noted above), you must provide a *Certificate of Exemption – Contractor* ([FIN 491](#)) that has been completed by both you **and** your customer, even if you have a PST number.

## Subcontractors

If you are a subcontractor performing work for a general contractor who is exempt from the PST for the above reason, you must provide both of the following documents to your supplier, even if you have a PST number:

- A *Certificate of Exemption – Subcontractor* ([FIN 493](#)) that you have completed, **and**
- A copy of the *Certificate of Exemption – Contractor* ([FIN 491](#)) that has been completed by the general contractor that you are working for and their customer who is exempt from PST.

## Transitional Rules

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The following outlines the general transitional rules for contractors. For additional information on transitional rules, please see [Notice 2012-010](#), *General Transitional Rules for the Re-implementation of the Provincial Sales Tax*.

## PST Payable on Goods Used by a Contractor to Fulfil a Contract On or After April 1, 2013

As a contractor, you must pay PST on goods obtained prior to April 1, 2013 that are used to fulfil a contract on or after April 1, 2013, unless a specific exemption applies.

PST is payable by you on the goods regardless of whether the contract under which the goods are installed is a time and materials or lump sum contract, and regardless of if and when title to the goods is transferred to the person with whom you entered into the contract.

The amount of PST payable is calculated on the purchase price (regardless of when the consideration was paid or payable) of the goods and is reduced by the amount of the following

taxes, provided that you have not received and are not eligible to receive a refund, rebate or credit of the tax, including input tax credits:

- PST otherwise paid under the *Provincial Sales Tax Act*,
- PST paid under the *Social Service Tax Act* (i.e. PST paid before July 1, 2010), and
- the BC portion of the HST.

### **Self-Assessing the PST Due**

The PST becomes payable when you use the goods so that they cease to be personal property at common law (i.e. they became affixed or installed).

After this happens, you must self-assess the PST as follows:

- 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 a *Casual Remittance Return* form (**FIN 405**) on or before the last day of the month following the month in which the goods were used so that they ceased to be personal property at common law

### **Contracts With Persons Exempt from PST**

As a contractor, you are exempt from having to pay or self-assess the PST on goods used on or after April 1, 2013 to fulfil a **written** contract if the contract is with:

- the Government of Canada (unless the Government of Canada has agreed to pay PST), or
- a person who would be exempt from PST if they had obtained the goods instead of the contractor under:
  - the *Provincial Sales Tax Act* (e.g. manufacturer, farmers etc), or
  - section 87 of the *Indian Act* (Canada).

### **PST Payable by Customers**

As a contractor, you are exempt from PST on goods used to fulfil a contract on or after April 1, 2013 if you have a specific agreement transferring liability for the PST on those goods to your customer as set out above (see the section above, Agreements that Specifically Require the Customer to Pay PST).

As set out above, there must be written evidence of the agreement transferring liability for the PST to your customer. The PST payable by the customer is the greater of your purchase price of the goods (i.e. the contractor's cost) and the purchase price set out in the agreement. The PST will be reduced as noted above (see the section above, PST Payable on Goods Used by a Contractor to Fulfil a Contract On or After April 1, 2013).

The PST payable by the customer must be paid on or before the last day of the month after the month in which you use the goods so that they cease to be personal property at common law (i.e. they became affixed or installed), regardless of when the customer is required to pay you under the terms of the contract.

If you enter into agreements that specifically state that your customers are liable for the PST, you must be registered as PST collector before the goods are supplied. As a PST collector, you must collect and remit PST to the government that your customers are required to pay, whether or not the PST has actually been collected from the customer (e.g. sales on credit).



For more information on PST registration, please see [Bulletin PST 001](#), *Registering to Collect Provincial Sales Tax (PST)*. For more information on the requirement to charge and collect PST, please see [Bulletin PST 002](#), *Charging, Collecting and Remitting PST*.

## **PST Payable on Goods Incorporated into Certain Residential Homes that are Subject to Tax under the *New Housing Transition and Rebate Act***

If you are a person who obtained goods that are incorporated, on or after April 1, 2013, into property that could be the subject of a taxable sale or taxable self-supply under the *New Housing Transition Tax and Rebate Act*, you must pay PST on the purchase price of the goods, unless a specific exemption applies.

The amount of PST payable is calculated on the purchase price (regardless of when the consideration was paid or payable) of the goods and is reduced by the amount of the following taxes, provided that you or the contractor has not received and is not eligible to receive a refund, rebate or credit of the tax, including input tax credits:

- PST otherwise paid under the *Provincial Sales Tax Act*,
- PST paid under the *Social Service Tax Act* (i.e. PST paid before July 1, 2010), and
- the BC portion of the HST.

### **Self-Assessing the PST Due**

The PST becomes payable when the goods are incorporated into the property (i.e. they became affixed or installed).

After this happens, you must self-assess the PST as follows:

- 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 a *Casual Remittance Return* form ([FIN 405](#)) on or before the last day of the month following the month in which the goods were incorporated into the property

The PST on these goods will be eliminated on April 1, 2015 with the repeal of the *New Housing Transition Tax and Rebate Act*.

## **PST Payable on Mobile Homes Affixed to Real Property On or After April 1, 2013**

Unless a specific exemption applies, you must pay PST on the purchase price of a mobile home if:

- you acquired or manufactured a mobile home as defined in the *Excise Tax Act* (Canada) before April 1, 2013, and
- the mobile home is affixed to land in BC for the purpose of use and enjoyment of the mobile home as a place of residence for an individual within the meaning of Part IX of the *Excise Tax Act* (Canada).

The amount of PST payable is calculated on the purchase price (regardless of when the consideration was paid or payable) of the goods and is reduced by the amount of the following



taxes, provided that you or the contractor has not received and is not eligible to receive a refund, rebate or credit of the tax, including input tax credits:

- PST otherwise paid under the *Provincial Sales Tax Act*,
- PST paid under the *Social Service Tax Act* (i.e. PST paid before July 1, 2010), and
- the BC portion of the HST.

### **Self-Assessing the PST Due**

The PST becomes payable when the mobile home is affixed to land in BC.

After this happens, you must self-assess the PST as follows:

- 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 a *Casual Remittance Return* form (**FIN 405**) on or before the last day of the month following the month in which the mobile home is affixed to land in BC

The PST on these mobile homes will be eliminated on April 1, 2015 with the repeal of the *New Housing Transition Tax and Rebate Act*.



### **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)

If you have questions about the *New Housing Transition Tax and Rebate Act*, please call the Canada Revenue Agency at 1 800 959-5525 (English) and 1 800 959-7775 (French) or see [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca) for more information.

You can access our forms, publications, legislation and regulations online at [gov.bc.ca/PST](http://gov.bc.ca/PST) (go to **Forms** or **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 [www.sbr.gov.bc.ca/msbr/whats\\_new/consumer\\_taxes/whatsnew.htm](http://www.sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm)

## Appendix 1 – Examples of Improvements to Real Property

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For the purpose of the PST, the following items are examples of improvements to real property if they cease to be personal property at common-law upon installation (see the section above, Determining Whether Goods Remain, or Cease to be, Personal Property at Common Law). This is not an all-inclusive list. If any of the items are sold without installation, they are personal property and are subject to PST as discussed in the section above, Installing Goods that Remain Personal Property at Common Law.

If you are unsure how PST applies, please contact us.

- Aircraft hangar doors
- Air conditioning systems – does not include portable or units
- Air ventilation systems
- Alarm systems – attached to real property
- Altar railings – built-in
- Asphalt roads
- Awnings
- Bins – built-in
- Bleachers – attached to gym walls
- Blinds – venetian
- Bridges
- Boilers – used to service a building for heat, electricity or lighting only
- Booths – built-in
- Cabinets and counters – built-in
- TV cables, cable connectors, wall plates – permanently attached (e.g. embedded in the wall)
- Carpeting – wall-to-wall and attached to the floor
- Ceilings
- Church pews, pew fronts, altar rails, organ and chancel screens – built-in
- Closet organizers – built-in
- Construction materials – once installed that are used to construct a building or other permanent structure (e.g. lumber, concrete, windows and vapour barrier material)
- Conveyors – attached
- Dishwashers – built-in
- Docks – attached to pilings that are sunk into the seabed; includes floating docks and floating breakwaters
- Doors, door frames and door locks
- Drapery tracks and rails – does not include the drapes
- Driveways (e.g. asphalt or concrete)
- Elevators and escalators
- Eaves troughs
- Fences – attached; does not include temporary steel fences used to secure a construction site or fences that rest upon the ground on their own weight

## Appendix 1 – Examples of Improvements to Real Property

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- Fibre-optic telecommunications systems – includes buried fibre optic cable and access points to install or maintain the cable, and above-ground wire and poles to connect users; does not include computers to manage the system
- Fire alarm and detection devices – built-in
- Fire hydrants
- Fireplaces – does not include electric fireplaces that plug in to electrical outlets
- Flooring (e.g. tile, linoleum, laminate, wall-to-wall carpeting and hardwood)
- Foundations
- Furnaces and duct work
- Garage doors
- Gas fireplaces, stoves and heaters – attached to the gas line, including a system which vents to the outside
- Glass – installed in buildings
- Greenhouses – does not include portable types
- Hand rails
- Hardwood floors
- Heating systems
- Heat pumps
- Hot water heaters
- Hot tubs – attached to the land or buildings; does not include hot tubs that are minimally attached or that rest on their own weight
- Houseboats and other portable floating structures if:
  - the houseboat or other floating structure is not designed as a means of transportation or to be self-propelled, and
  - the building is sold as a unit consisting of a building and a platform or barge, the primary purpose of which is the floatation of the building, and the building covers most of the surface of the platform or barge
- Irrigation systems
- Island units (e.g. kitchen islands, supermarket islands) – installed
- Kitchen countertops
- Landscaping materials (e.g. plants, trees, shrubs, underground sprinklers, irrigation lines, retaining walls) – does not include potted plants or plants in freestanding containers
- Lighting systems and light fixtures – attached; does not include freestanding lamps, such as desktop, tabletop or floor lamps and other plug-in lights
- Mirrors – does not include mirrors that hang on hooks or that are minimally attached
- Moldings and baseboards
- Partition walls
- Plumbing fixtures and pipes
- Pools and spas – plumbed into the water supply; above ground must be enclosed by a permanent deck; does not include above ground pools or spas that are minimally attached or that rest on their own weight
- Rail sidings and rail spurs
- Range hoods

## Appendix 1 – Examples of Improvements to Real Property

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- Restaurant booths and stools – attached to the floor
- Retaining walls
- Roads (e.g. asphalt or concrete)
- Roofs
- Scatter antennae
- Security systems – attached
- Sewage disposal equipment
- Shelves – built into walls
- Signs – attached, including
  - signs directly bolted to concrete bases embedded in the ground, or affixed to poles or pylons which are bolted to concrete bases embedded in the ground (e.g. canopy, cube, twin pole and flag mount pylon signs)
  - signs mounted on walls (e.g. fascia or neon signs)
- Sinks and sink counters – attached
- Sprinkler systems – attached, including embedded in the ground or affixed to a building
- Stairs
- Stools – attached (e.g. restaurant stools attached to the floor)
- Swimming pools – in-ground
- Telecommunications towers
- Trash compactors – built-in
- Vacuum cleaner systems – built-in; does not include plug-in hoses and attachments
- Venetian blinds
- Water meters
- Water treatment systems – built-in
- Windows – includes screens
- Wiring – built into walls

## Appendix 2 – Examples of Affixed Machinery

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For the purpose of the PST, the following items are examples of goods that if they cease to be personal property at common law upon installation (see the section above, Determining Whether Goods Remain, or Cease to be, Personal Property at Common Law), would be affixed machinery. This is not an all-inclusive list. If any of the items are sold without installation, they are personal property at common law and are subject to PST as discussed in the section above, Installing Goods that Remain Personal Property at Common Law.

If you are unsure how PST applies, please contact us.

- Automatic teller machines built into the wall of a bank building or shopping mall
- Ovens and barbeque chicken machines used in supermarkets or restaurants, provided they are bolted to the floor, walls or countertops
- Pizza ovens bolted into place as permanent additions to buildings
- Liquor/draught beer dispensers that are permanently affixed to a cabinet or counter in a bar