

Oil and Gas Industry – Producers and Processors

Provincial Sales Tax Act

This bulletin provides specific tax information to help producers and processors in the oil and gas industry understand how the provincial sales tax (PST) applies to their businesses.

You will find specific tax information for other sectors of the oil and gas industry in the following bulletins:

- [Bulletin PST 114](#), *Oil and Gas Industry – Exploration, Discovery and Development*
- [Bulletin PST 115](#), *Oil and Gas Industry – Service Providers and Contractors*

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Overview

In this bulletin:

- **goods** mean tangible personal property as defined in the *Provincial Sales Tax Act*. Tangible personal property is personal property that can be seen, weighed, measured, felt or touched, or that is in any other way perceptible to the senses, and includes:
 - natural or manufactured gas,
 - electricity,
 - heat,
 - affixed machinery, or
 - an improvement to real property or part of an improvement to real property that is removed from the site at which it is affixed or installed, while it is removed from that site.
- **obtain** means:
 - purchased or leased in BC,
 - brought or sent into BC,
 - received in BC, or
 - received as a gift.
- **oil and gas producer** means a person who extracts or processes petroleum or natural gas:
 - for sale if there is a reasonable expectation that the total value of sales of that petroleum or natural gas will exceed \$30,000 per year,
 - for the person's own business use if there is a reasonable expectation that the total cost of extracting or processing that petroleum or natural gas will exceed \$30,000 per year, or
 - for both sale and the person's own business use if there is a reasonable expectation that the total cost of extracting or processing that petroleum or natural gas will exceed \$30,000 per year.
- **qualifying petroleum or natural gas** means petroleum or natural gas extracted or processed by an oil and gas producer either for sale by the oil and gas producer, or for the oil and gas producer's own business use.
- **substantially** means more than 90%.

If you qualify for the PM&E exemption, you may obtain certain machinery and equipment (PM&E) exempt from PST.

The PM&E exemption includes replacement parts, materials and services for qualifying PM&E, and parts and materials to assemble qualifying PM&E.

The following activities qualify for the PM&E exemption and are discussed in this bulletin.

- Extraction or processing of petroleum or natural gas
- Pollution control and waste management
- Transmission or distribution of goods or software
- Transmission or distribution of electricity

The following activities also qualify for the PM&E exemption and are discussed in the referenced bulletins:

- Manufacturing, software development and local government power generation – please see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*
- Logging – please see [Bulletin PST 112](#), *Logging Industry*
- Exploration for, discovery of or development of, petroleum or natural gas – please see [Bulletin PST 114](#), *Oil and Gas Industry – Exploration, Discovery and Development*
- Exploration for minerals or development of mines, or extraction or processing of minerals – please see [Bulletin PST 111](#), *Mining Industry*
- Geophysical surveying – please see [Bulletin PST 114](#), *Oil and Gas Industry – Exploration, Discovery and Development* and [Bulletin PST 111](#), *Mining Industry*

Extraction or Processing of Qualifying Petroleum or Natural Gas

If you are an oil and gas producer, you may obtain PM&E exempt from PST if the PM&E is for use in BC:

- primarily at the well site or the qualifying part of the processing plant or refinery, and
- primarily and directly in the extraction or processing of qualifying petroleum or natural gas.

As an oil and gas producer, you may also obtain generators exempt from PST if the generator is:

- to be located primarily at a well site, and
- obtained for use in the extraction or processing of qualifying petroleum or natural gas.

Primarily means used over 50%. How you make the measurement of primarily depends on the nature of the PM&E. You may measure it in terms of time, volume, production value or some other measurement that is appropriate for that particular type of PM&E.

In some cases, you may use the PM&E seasonally or during specific production phases. When this happens, the time when the PM&E is idle or in storage is not considered use. You calculate primarily based on the actual usage.

Directly means PM&E must be a part of, or an integral component of, the process that transforms the raw material into the marketable product (see below).

Qualifying Sites

The exemption for extraction or processing of qualifying petroleum or natural gas is site specific and limited in scope, and only applies at the well site and at the qualifying part of a processing plant or refinery.

Well Site

A well site is the area identified as such in the application for approval for drilling submitted to the Oil and Gas Commission. The well site is identified by a survey map or similar description provided by the well site operator.

Qualifying Part of a Processing Plant or Refinery

The qualifying part of a processing plant or refinery is the part of the processing plant or refinery up to the point where the petroleum or natural gas becomes a **marketable product**.

Marketable product means a naturally occurring, refined or processed petroleum or natural gas that is:

- available for sale for direct consumption as a domestic, commercial or industrial fuel or as an industrial raw material, or
- delivered to a storage facility.

A **processing plant** is a plant in which petroleum or natural gas is processed and includes any of the following units (including combinations of units):

- dehydrators
- separators
- sweeteners
- treaters

Activities, such as blending, grading, combining, grouping, mixing, sorting, testing, packaging, repackaging and generating heat are excluded from the PM&E exemption unless they occur at the qualifying part of the processing plant or refinery and are one step in, or occur immediately after, processing.

The following are not processing plants.

- Machinery or equipment used to transport or distribute petroleum or natural gas:
 - from the well site,
 - to the processing plant or refinery, or
 - between processing plants.
- Machinery or equipment used to transport a marketable product.
- Stand-alone compressors on gathering lines.

Transportation or Distribution Machinery and Equipment

PM&E used to transmit or distribute qualifying petroleum or natural gas at the well site or at the qualifying part of the processing plant or refinery does not qualify for the exemption for extraction or processing of qualifying petroleum or natural gas, but may be eligible for the exemption for transmission or distribution of goods or software. For more information, please see the section below, Transmission or Distribution of Goods or Software.

Examples of Qualifying PM&E

Please see Appendix 1 for examples of PM&E that qualifies for this exemption.

Self-Manufacture for Own Use

If you are an oil and gas producer, the PM&E you obtain for use in BC primarily and directly to manufacture goods or develop software qualifies for the PM&E exemption if the goods or software are for use in BC in the extraction or processing of qualifying petroleum or natural gas.

This applies only to the PM&E used to produce the goods or develop the software that is obtained for use primarily at a well site or the qualifying part of a processing plant or refinery.

Pollution Control and Waste Management

Pollution Control

Machinery and equipment obtained for use substantially and directly in the detection, prevention, measurement, treatment, reduction or removal of pollutants in the water, soil or air qualifies for the PM&E exemption if:

- the pollutants are attributable to the manufacture of goods, or the extraction or processing of petroleum or natural gas,
- the machinery or equipment is obtained by a person eligible for the PM&E exemption (e.g. an oil and gas producer), and
- the machinery and equipment is obtained for use substantially at:
 - the qualifying part of a processing plant or refinery, or
 - a well site.

Waste Management

Machinery and equipment obtained for use in BC substantially and directly in carrying refuse or waste from, or for exhausting dust or noxious fumes from, PM&E that is exempt qualifies for the PM&E exemption if:

- the refuse, waste, dust or noxious fumes are attributable to the manufacture of goods, or the extraction or processing of petroleum or natural gas,
- the machinery or equipment is obtained by a person eligible for the PM&E exemption (e.g. an oil and gas producer), and
- the machinery and equipment is obtained for use substantially at:
 - the qualifying part of a processing plant or refinery, or
 - a well site.

Please note: Basic clean-up equipment for a well site, processing plant or refinery does not qualify.

Waste Gas Machinery and Equipment

Waste gas machinery and equipment means pipes, valves, fittings, pumps, compressors and regulators, and other related machinery or equipment used to transmit, or inject, waste gas comprised primarily of hydrogen sulphide and carbon dioxide.

Waste gas machinery and equipment qualifies for the PM&E exemption if it is obtained by an oil and gas producer solely to:

- transmit waste gas within a natural gas processing plant, or from a natural gas processing plant, to a location where it is injected into a disposal well for permanent disposal, or
- inject waste gas into a disposal well for permanent disposal.

Manufacturers and Mine Operators

Manufacturers and mine operators also qualify for the PM&E exemptions for pollution control and waste management. For more information, please see [Bulletin PST 110, Production Machinery and Equipment Exemption](#) and [Bulletin PST 111, Mining Industry](#).

Transmission or Distribution of Goods or Software

Oil and gas producers qualify for the PM&E exemption for machinery or equipment used to transmit or distribute goods, or software in an intangible format, if:

- the machinery or equipment is obtained by an oil and gas producer for use in BC primarily and directly in the transmission or distribution of goods or software at the well site or the qualifying part of the processing plant or refinery,
- the machinery or equipment is obtained for use primarily at the well site or at the qualifying part of the processing plant or refinery, and
- the goods or software to be transmitted or distributed are primarily:
 - qualifying petroleum or natural gas,
 - goods that are to be attached to or processed, fabricated, manufactured or incorporated into qualifying petroleum or natural gas, or
 - goods, or software in an intangible format, that are to be attached to or processed, fabricated, manufactured or incorporated into goods, or software in an intangible format, for use in the extraction or processing of qualifying petroleum or natural gas.

Machinery or equipment (e.g. compressors and pipelines) located at the qualifying part of a processing plant or refinery that is used to transport a marketable product from the qualifying part of a processing plant or refinery does not qualify for the PM&E exemption.

Machinery or equipment not located at a well site or at the qualifying part of a processing plant or refinery that is used to transport petroleum or natural gas from or between eligible sites also does not qualify for this exemption. For example, you pay PST on pipelines that are not located at a well site that transmit natural gas from a well site to the qualifying part of a processing plant.

Manufacturers and Mine Operators

Manufacturers and mine operators also qualify for the PM&E exemption for transmission or distribution of qualifying minerals, goods or software. For more information, please see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption* and [Bulletin PST 111](#), *Mining Industry*.

Electrical Machinery or Equipment

In this section, **electrical machinery or equipment** means transformers, and converters, inverters, regulators, breakers and switches that are designed for use with transformers.

Please note: The exemptions described below are for machinery or equipment, not electricity. Electricity is not machinery or equipment, and does not qualify for the PM&E exemption, even when used in the processes described below.

Oil and gas producers qualify for the PM&E exemption for electrical machinery or equipment if:

- the electrical machinery or equipment is obtained by an oil and gas producer for use in BC substantially in the transmission or distribution of electricity at or to the well site or the qualifying part of the processing plant or refinery,
- the electrical machinery or equipment is to be situated at the well site, processing plant or refinery, and

- the electricity is for use:
 - primarily and integrally in the extraction or processing of qualifying petroleum or natural gas, or
 - primarily to power PM&E that is exempt under the PM&E exemptions for:
 - extraction or processing of qualifying petroleum or natural gas,
 - pollution control,
 - waste management,
 - transmission or distribution of goods or software, or
 - PM&E used to operate, control or monitor exempt PM&E.

Manufacturers and Mine Operators

Manufacturers and mine operators also qualify for the PM&E exemption for electrical machinery or equipment. For more information, please see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption* and [Bulletin PST 111](#), *Mining Industry*.

Electricity Used Primarily for a Non-Qualifying Purpose

If 50% or more of the electricity is used for a purpose other than the above purposes, such as the general use of a building, the transformer or other equipment for use and used with transformers is not eligible for the PM&E exemption.

Service Providers

Businesses that use machinery and equipment to provide manufacturing services to oil and gas producers are eligible for the PM&E exemption for service providers. For more information, please see [Bulletin PST 115](#), *Oil and Gas Industry – Service Providers and Contractors*.

PM&E and Software Used to Operate, Control or Monitor Exempt PM&E

If you are eligible for the PM&E exemption, you do not pay PST on:

- PM&E and software obtained for use primarily to operate, control or monitor exempt PM&E, or
- software obtained for use to operate PM&E for use primarily to operate, control or monitor other exempt PM&E, if the PM&E is for use substantially at a well site or the qualifying part of a processing plant or refinery.

Please note: Software is not PM&E and does not qualify for the PM&E exemption unless it is obtained for use as described in this section. This includes word processing, spreadsheets, email, photo editing and anti-virus software.

However, you may be eligible for other software exemptions, such as exemptions for custom software or software incorporated into other software. For more information, please see [Bulletin PST 105](#), *Software*.

Parts, Materials and Services for PM&E

Parts for PM&E

If you are eligible for the PM&E exemption, you do not pay PST on parts you obtain for use on exempt PM&E, or to assemble exempt parts or exempt PM&E.

Materials for PM&E

If you are eligible for the PM&E exemption, you do not pay PST on materials you obtain, provided they:

- are used to repair, maintain or modify exempt PM&E, or to assemble exempt parts or exempt PM&E, and
- remain part of, or attached to, the exempt parts or exempt PM&E.

Materials eligible for exemption include sheet metal and bulk wire.

Taxable Items

The following are not exempt as parts or materials for PM&E:

- goods used to self-manufacture qualifying PM&E for own use,
- gases, liquids or consumable solids,
- substances used primarily to lubricate machinery or equipment (e.g. grease), or
- goods obtained for use primarily for repairing, maintaining, modifying or assembling:
 - scaffolding, walkways, catwalks and similar structures, unless these items are an integral part of exempt PM&E and were obtained as part of the exempt PM&E, and
 - bases and foundations that are, or become a part of, real property, for exempt PM&E.

Inventory of Parts and Materials

If you use the same parts and materials for both taxable and exempt purposes, you **must not** purchase all the parts and materials exempt from PST.

However, you may make a reasonable estimate of the portion used on exempt PM&E and obtain that portion exempt from PST. Reconcile this estimate to your actual usage. If the reconciliation shows you used more parts and/or materials for taxable purposes than estimated, you self-assess the PST owing on the portion obtained exempt, but used for taxable purposes.

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* ([FIN 405](#)) on or before the last day of the month following the month in which you used the parts and/or materials for a taxable purpose.

If the reconciliation shows you used more parts and/or materials for exempt purposes than estimated, you can claim a refund from the ministry for the PST paid on the portion used for exempt purposes. For more information on refunds, please see [Bulletin PST 400](#), *PST Refunds*.

Related Services for Exempt PM&E

If you are eligible for the PM&E exemption, you are exempt from PST when you purchase related services provided to exempt PM&E. For details on how to claim the exemption, see the section below, Claiming the PM&E Exemption.

For more information on related services, please see [Bulletin PST 301](#), *Related Services*.

Claiming the PM&E Exemption

You must, at or before the time of sale or lease, provide your supplier with a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) when claiming the following exemptions:

- purchases or leases of exempt PM&E,
- purchases or leases of exempt parts or materials for exempt PM&E, or
- purchases of related services for exempt PM&E.

This requirement applies whether or not you have a PST number (i.e. you cannot use your PST number instead of the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#))). However, you do have the option of using an alternative certification (see below in this section).

You must complete all parts of the certificate. Where a description of the items purchased or leased is required, you list each type of machinery, equipment, parts and/or materials. It is not enough to simply state “production machinery and equipment”. For example, if you are purchasing drill bits, regulators or coiled tubing, you list each as a specific item on the form.

If you are purchasing related services for PM&E, specify what PM&E the related service will be provided to. For example, state “repair services for a separator” and not just “repairs”.

When you purchase or lease a large quantity of PM&E, you may attach an itemized list or a copy of the purchase order to the completed certificate.

The purchase order must clearly describe the PM&E being purchased or leased and it must indicate which is exempt.

You are generally required to provide a completed certificate to the supplier for each purchase or lease. However, when you are making frequent purchases or leases of the same item(s) from the same supplier, you may provide one completed certificate to the supplier along with a list of item(s) that you are claiming an exemption for. You can make future exempt purchases or leases of the same item(s) from that supplier based on the one certificate, provided the information on the certificate is still correct. You must complete a new exemption certificate if the information has changed.

You only use the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) for claiming an exemption under the PM&E exemption (i.e. for PM&E and related parts, materials and related services). This certificate does not replace the *Certificate of Exemption – General* ([FIN 490](#)).

Suppliers

If you do not obtain a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) or an alternative to the exemption certificate (see below) at or before the time of the sale or lease, you are required to charge and collect the PST on that sale or lease and remit it to the ministry with your return for the reporting period. If your customer provides the required information after the sale or lease but within 180 days of the sale or lease, you may refund or credit the PST you charged. For more information on providing refunds and credits to your customers, please see [Bulletin PST 002, Charging, Collecting and Remitting PST](#).

Please note: If your customer claims this exemption with an exemption certificate, and it is later found that they did not qualify for the exemption, your customer is liable for any tax, interest and penalties associated with the purchase or lease. However, if you had reason to believe that your customer was not entitled to the exemption (e.g. the item purchased was not eligible for the PM&E exemption or your customer mentioned the equipment was actually for personal use) and you provided the exemption, you may also be subject to an assessment.

Alternative to the Exemption Certificate

As an alternative to using the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)), you may develop your own certification, provided that all the required information and the declaration statement from the exemption certificate is included.

Providing the required information and the declaration statement in an electronic format is acceptable if the format includes an electronic signature. An electronic signature may include an electronic acceptance or agreement of the declaration statement, or a statement indicating that transmitting the information and declaration electronically by the purchaser or lessee is agreement of the declaration.

Other Exemptions

Geophysical Surveying

If you engage in petroleum or natural gas exploration and development, you may be eligible for the PM&E exemptions for geophysical surveying equipment, or for exploration for, discovery of or development of petroleum or natural gas. For more information, please see [Bulletin PST 114, Oil and Gas Industry – Exploration, Discovery and Development](#).

Goods Incorporated into Other Goods for Resale

You 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. To purchase these items exempt from PST, give the supplier your PST number. If you do not have a PST number and you qualify, give the supplier a completed *Certificate of Exemption – General* ([FIN 490](#)).

Containers, Labels and Packaging Materials

You do not pay PST on containers and packaging materials (other than reusable containers) if you use them to package goods for sale or lease, or if you provide them to your customers with their purchases of goods. However, you must pay PST on containers and packaging materials if you use them for other purposes, such as storing, handling or shipping goods, or you use them to provide a service.

Generally, you are not required to charge PST on the containers and packaging materials you provide with goods and services, unless you separately charge your customers for them. However, in limited circumstances, you may be required to charge PST on the fair market value of the containers and packaging materials.

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

Chemical Substances, Catalysts and Direct Agents

Chemical substances, catalysts and direct agents are exempt from PST if obtained for use to produce or modify a reaction that is essential for the processing or manufacture of a product for sale or lease.

The reaction produced or modified by chemical substances, catalysts and direct agents may be physical or chemical. To qualify for the exemption, chemical substances, catalysts and direct agents do not need to come into direct contact with, or be temporarily incorporated into, the material being processed or manufactured.

This means that you do not pay PST on catalysts, direct agents and chemical substances provided they are for use:

- in the processing or manufacture of a product for sale or lease, and
- to produce or modify a physical or chemical reaction that is essential for that processing or manufacturing.

For a substance to qualify as a **catalyst**, the substance must produce or modify a chemical reaction and must remain unchanged at the end of the reaction. For a substance to qualify as a **direct agent**, the substance must produce or modify a chemical reaction and must be consumed in the chemical reaction to the point of destruction, dissipation or uselessness for any other purposes. Chemical substances qualify for the exemption as long as they meet the criteria listed in the bullets above.

Please note: The following chemical substances, catalysts and direct agents do not qualify for the exemption:

- substances for use to produce energy or as a source of energy, other than:
 - electricity for use in an electrolytic process
 - exothermic sleeves obtained for use in the casting of metal or metal alloys,
- substances for processing goods, unless the processing is one step in, or occurs immediately after, a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the goods,
- substances for use to transform goods from one state to another (gaseous, liquid or solid state) by applying pressure or a change in temperature, unless the transformation is one step in, or occurs immediately after, a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the goods,
- substances for use for the primary purpose of maintaining, lubricating or prolonging the life of machinery and equipment,
- substances to be added to waste removed from the production process,
- substances to be added to a tailings pond or settling pond, and
- substances for use for testing purposes.

If you have any questions, or if you need further information on whether a catalyst, direct agent or chemical substance qualifies for the exemption, please contact us.

You do not need to provide any documentation to claim this exemption. However, the supplier's records must clearly show the reason why the goods were sold exempt from PST (i.e. the supplier documented on the receipt that the items were purchased exempt as catalysts).

Materials Used to Make Prototypes

You do not pay PST on most materials used to make qualifying prototypes. For information on what qualifies as a prototype and the criteria for this exemption, please see [Bulletin PST 209, Exemption for Prototypes](#).

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, including safety goggles and steel-toed boots, and
- specifically listed general safety equipment and protective clothing.

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

Taxable Goods

Unless an exemption applies, you must pay PST when you purchase or lease machinery, equipment or other goods in BC. You pay PST on the full purchase price at the time of purchase. If the goods are leased, you pay PST on each lease payment either when the lease payment is paid or when the lease payment becomes due under the terms of the lease agreement, whichever is earlier.

What is Included in the Purchase Price

PST must be calculated on the total purchase price paid by the purchaser to receive title to goods that are subject to PST. This includes the value of services accepted by the seller on account of the purchase price and any charges for financing, interest, customs and excise, as well as any delivery or other transportation charges (including shipping and handling) incurred at or before the time that title to the goods being sold passes to the purchaser. This applies whether or not the charges are shown separately on the sales invoice.

PST does not apply to delivery or transportation charges where title to the goods passes to the purchaser at the seller's premises because the delivery charge does not form part of the purchase price of the taxable goods. If the seller charges the customer for delivery of the goods to another location, and this charge is separately stated on the sales invoice, PST applies only to the purchase price of the goods.

For more information on what is included in the purchase price, please see [Bulletin PST 302, Delivery Charges](#).

Consumables

Consumables are often called supplies. A good consumed or used up in the operation or maintenance of machinery or equipment is a consumable, even if it is necessary for that item's operation or maintenance.

The following are examples of taxable consumables.

- Cleaning solutions, rags, carpenters' chalk and masking tape
- Heating fuel
- Oils, lubricants, grease and hydraulic fluid
- Oxygen or acetylene gas

Although most consumables are taxable, there are some that qualify for exemption. Two examples of exempt consumables are water, which is exempt in all cases, and chemical substances, catalysts and direct agents used in a production process (see the section above, Chemical Substances, Catalysts and Direct Agents).

Change of Use

If you obtain PM&E, parts, materials or other goods exempt and later use them for a taxable purpose, PST applies as of the date you use the item for a taxable purpose.

You calculate and self-assess PST on the greater of the **depreciated value** or 50% of the original purchase price. This calculation must be done separately for each item.

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 (FIN 405)* on or before the last day of the month following the month in which you used the PM&E, parts, materials or other goods for a taxable purpose.

The **depreciated value** is determined on a straight-line basis as follows:

$$\text{Depreciated value} = \text{Purchase price} - [\text{purchase price} \times \text{depreciation rate}]$$

You may only calculate the depreciated value on the following types of equipment using the depreciation rates listed below. Periods of less than 30 days must be computed to the nearest 30-day period with 15 days counted as one 30-day period.

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment, and equipment mounted on a vehicle	2.5% per 30-day period (30% per year)
Aircraft	2.0833% per 30-day period (25% per year)
Vessels, and equipment mounted on a vessel	1.25% per 30-day period (15% per year)

Type of Equipment	Depreciation Rate
Railway rolling stock	0.8333% per 30-day period (10% per year)
Other equipment, furnishings and affixed machinery	1.667% per 30-day period (20% per year)

Examples of Taxable Goods

The following are taxable machinery, equipment or other goods used in the oil and gas industry.

- Boats, trains and non-turbine aircraft.
- Buildings, furnishings, camp equipment or machinery or equipment related to the use of a building as a building (other than shelters that are exempt under the PM&E exemption for PM&E obtained for use in the exploration, discovery or development of petroleum or natural gas).
- General, administrative and office machinery or equipment and supplies, such as desks, phones, computers, photocopiers and fax machines.
- Machinery or equipment obtained for use in:
 - the construction of buildings,
 - the construction or maintenance of roads, or
 - site preparation (other than machinery or equipment exempt as PM&E obtained for use in the exploration, discovery or development of petroleum or natural gas).
- Machinery or equipment used to generate heat, such as a boiler.
- Machinery or equipment used to repair, maintain or service exempt PM&E.
- Portable or mobile generators and alternators (other than specified exempt generators located at a well site). This includes stand-by and electric generators and alternators and drive motors for them.
- Scaffolding, walkways, catwalks and similar structures, unless these items are an integral part of exempt PM&E, and are sold or leased as part of exempt PM&E.
- Software, other than software used primarily to operate, control or monitor certain PM&E (see the section above, PM&E and Software Used to Operate, Control or Monitor Exempt PM&E).
- Storage tanks, including terminal or refinery storage tanks, and fuel storage tanks.
- Telecommunication equipment, such as satellite equipment, cell phones and radio antennas.
- Vehicles designed for public highway use, such as:
 - transport trucks and ATVs, and
 - automotive units on which well servicing equipment or cementing and fracturing equipment (e.g. mobile welders) is mounted, but not a truck-mounted service rig.

Please see Appendix 2 for additional examples of taxable machinery, equipment or other goods used in the oil and gas industry.

Goods 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 and 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* ([FIN 405](#)) on or before the last day of the month following the month you received the goods into BC.

Equipment Brought into BC

If you bring taxable equipment into BC for use, you pay PST on the depreciated value of each item. You calculate and self-assess PST on the greater of the depreciated value or 50% of the original purchase price. For details on how to determine depreciated value, see the section above, Change of Use.

Equipment for Temporary Use

If you bring taxable equipment into BC for temporary use only (6 days or more in a 12-month period) to perform a specific task related to the extraction or processing of petroleum or natural gas, and then take the equipment back out of the province, you pay PST using the temporary use formula (except leased equipment – see the section below, Leased Equipment). The days the goods are in BC may be consecutive or spread over a 12-month period.

The temporary use formula allows you to pay PST on 1/3 of the value of the equipment for each 12-month period that the equipment is in BC.

Please note: Certain vehicles brought into BC for temporary use in petroleum or natural gas exploration or development may qualify for the 1/36 formula. For more information, please see [Bulletin PST 115](#), *Oil and Gas Industry – Service Providers and Contractors*.

Leased Equipment

Unlike purchased equipment, you pay PST on taxable leased equipment even if it is brought into the province for less than 6 days.

For more information, please see [Bulletin PST 307](#), *Goods Brought into BC for Temporary Use*.

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

Real property contractors are required to pay PST on the goods they obtain for the purposes of fulfilling a contract for the supply and installation of affixed machinery or improvements to

real property, unless a specific exemption applies. When a contractor pays PST, they do not charge their customers PST on their contracts to improve real property.

Contractors may qualify for an exemption on goods they obtain to fulfill a written contract to supply and affix, or install, affixed machinery or improvements to real property for a person who qualifies for the PM&E exemption. For the exemption to apply, the written contract must be with a person (e.g. an oil and gas producer) who would be exempt from PST if they had obtained the goods instead of the contractor. The exemption does not include any tools or equipment that contractors use to install the qualifying PM&E.

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
- 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 the purpose of the PST, it remains a good 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.

Generally, compressors installed in a pipeline are affixed machinery.

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



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References: *Provincial Sales Tax Act*, sections 1, 25, 41, 49, 51, 80.1, 82, 82.1, 141, 145, 147, 148 and 153; *Provincial Sales Tax Exemption and Refund Regulation*, sections 1 "obtain", 32-35, 38, 39, and 90-120; *Provincial Sales Tax Regulation*, sections 10 and 16.

Appendix 1 – Examples of Exempt Items

This list is currently in development and will be available soon.

Appendix 2 – Examples of Taxable Items

This list is currently in development and will be available soon.