

# Ministry of Finance

## Tax Information Notice



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HST Notice # 8

[www.fin.gov.bc.ca/rev.htm](http://www.fin.gov.bc.ca/rev.htm)

## General PST Transitional Rules for Transitioning to British Columbia HST

On July 23, 2009, B.C. announced its plans to eliminate the Provincial Sales Tax (PST) and the Hotel Room Tax, and implement a Harmonized Sales Tax (HST) for B.C., effective July 1, 2010.

The following information provides the circumstances in which the PST is payable during the transition period. It does not include comprehensive information on the specific tax application. To fully understand the application of the transitional rules, it is important to understand the general application of the PST. Information on the general application can be found at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/pst.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/pst.htm). This notice also includes information on transitional refunds of PST.

### Table of Contents

<b>Overview.....</b>	<b>2</b>	<b>Taxable Services, Legal Services and Telecommunication Services .....</b>	<b>9</b>
<b>Tangible Personal Property (Goods)....</b>	<b>2</b>	Taxable Services Provided to a BC Resident Outside of BC .....	9
Sales of Tangible Personal Property (TPP) - General .....	2	<b>Tax on Tangible Personal Property Used in Real Property Contracts .....</b>	<b>10</b>
Subscriptions to Newspapers, Magazines or Other Periodical Publications.....	3	<b>Timing of Payments .....</b>	<b>11</b>
Software and Software Licences .....	3	<b>Special Circumstances.....</b>	<b>11</b>
Propane.....	5	Continuous Supplies .....	11
Special Occasion Licences .....	6	Progress Payments.....	12
Private Sales of Vehicles, Boats and Aircraft.....	7	Budget Payment Arrangements.....	12
Tangible Personal Property Brought into BC .....	7	Combined Supplies.....	13
<b>Multijurisdictional Vehicle Tax.....</b>	<b>8</b>	Deposits .....	13
<b>Leases of Tangible Personal Property..</b>	<b>8</b>	Delivery .....	14
Leases of Tangible Personal Property Supplied With an Operator .....	8	Returns and Exchanges of Tangible Personal Property.....	14
		Cancellation of Services .....	15
		Price Reductions.....	15

Refunds to Vendors and Lessors ....16

**Exemptions .....16**

**Refunds .....16**

    Transitional Inventory Refunds for  
    Construction Materials.....17

    Transitional Refunds for Eligible  
    Business Purchases .....17

**Final PST Returns .....23**

    Extensions .....24

Commissions.....26

**Other Taxes and Levies under the  
Social Service Tax Act .....26**

    Battery Levy .....26

    Innovative Clean Energy Fund .....26

    Passenger Vehicle Rental Tax.....26

    TransLink Parking Tax.....27

## OVERVIEW

The following is an overview of the general transitional rules related to the elimination of the provincial sales tax (PST). The PST is eliminated to coincide with the implementation of the harmonized sales tax (HST). The PST transitional rules are provided to avoid the imposition of PST on payments for goods and services on which the HST applies. For information on the transitional rules for the HST, please see [www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html](http://www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html)

Taken together, the HST and PST transitional rules are complementary and are intended to provide for a smooth transition to the HST.

## TANGIBLE PERSONAL PROPERTY (GOODS)

### Sales of Tangible Personal Property (TPP) – General

The following transitional rules apply to sales of most TPP.

- When the TPP is delivered or ownership is transferred to the purchaser **before July 1, 2010**, PST applies to the full purchase price.
- When the TPP is delivered and ownership is transferred to the purchaser **on or after July 1, 2010**, PST applies to any amount of the purchase price that becomes due, or is paid without having become due, before May 1, 2010.

For information on delivery, see the section on Delivery.

Different rules apply to sales of specific types of TPP, such as subscriptions to periodicals, sales of software and software licences, and sales of propane. These rules are described below.

Effective July 1, 2010, a transitional refund of the PST paid after October 14, 2009 and before May 1, 2010 for TPP, is available to certain purchasers in specific circumstances (see section on Refunds).

## **Subscriptions to Newspapers, Magazines or Other Periodical Publications**

In the case of a subscription for a newspaper, magazine or other periodical publication paid for **before July 1, 2010**, PST applies to the subscription if the newspaper, magazine or other periodical publication does not qualify for the PST exemption (e.g. catalogues, recreation calendars and theatre programmes).

For information on publications that qualify for the exemption, please see [Bulletin SST 036, Publications: Books, Magazines, Periodicals and Newspapers](#).

## **Software and Software Licences**

The transitional rules for the HST on software and software licences are dependent on whether the software or the software licence is considered to be tangible personal property or intangible personal property under the *Excise Tax Act* (Canada) and whether the licence has a fixed term or perpetual term. To ensure that PST does not apply to payments for software and software licences on which the HST applies, specific PST transitional rules for software and software licences are required.

For information on what is considered taxable software under the *Social Service Tax Act*, please see [Bulletin SST 040, Computer Hardware and Software](#).

## **Software Provided on a Tangible Medium**

The transitional rules for purchases of software that is delivered on a tangible medium (i.e. disk) are as follows:

- When the software is delivered or ownership is transferred to the purchaser **before July 1, 2010**, PST applies to the full purchase price.
- When the software is delivered and ownership is transferred to the purchaser **on or after July 1, 2010**, PST applies to any amount of the purchase price that becomes due, or is paid without having become due, before May 1, 2010.

For information on delivery, see the section on Delivery.

### **Fixed-Term Licences for Software Provided on a Tangible Medium**

The transitional rules for fixed-term licences for software that is delivered on a tangible medium (i.e. disk), and provided separately from the purchase of software are as follows:

- When the period of use under the licence begins **before July 1, 2010 and ends before July 31, 2010**, PST applies to the full price for the period of use under the licence.
- When the period of use under the licence begins **on or after July 1, 2010**, PST applies to any amount of the price for the period of use under the licence that becomes due, or is paid without becoming due, before May 1, 2010.
- When the period of use under the licence begins **before July 1, 2010 and ends on or after July 31 2010**:
  - PST applies to any amount of the price for the period of use under the licence that becomes due, or is paid without having become due, before May 1, 2010, **and**
  - When an amount of the price for the period of use under the licence becomes due, or is paid without having become due, on or after May 1, 2010, PST applies to the part of that amount that is attributable to the period of use that occurs before July 1, 2010.

### **Perpetual Licences for Software Provided on a Tangible Medium**

In the case of a perpetual licence for software that is delivered on a tangible medium (i.e. disk), and provided separately from the purchase of software, PST applies to any amount that becomes due, or is paid without having become due, **before July 1, 2010**.

### **Software Delivered by Electronic Means**

In the case of software delivered by electronic means and payments for licences for such software that do not vary with the amount of use or profit arising from the use of the software, PST applies to any amount that becomes due, or is paid without having become due, **before July 1, 2010**.

### **Fixed-term Licences for Software Delivered by Electronic Means Where the Payments for the Licence Vary With Use or Profit**

The transitional rules for fixed-term licences for software delivered by electronic means where the payment for the licence varies with the use or profit arising from the software, are as follows:

- When the period of use under the licence begins **before July 1, 2010 and ends before July 31, 2010**, PST applies to the full price for the period of use under the licence.
- When the period of use under the licence begins **on or after July 1, 2010**, PST applies to any amount of the price for the period of use under the licence that becomes due, or is paid without becoming due, before May 1, 2010.

- When the period of use under the licence begins **before July 1, 2010 and ends on or after July 31 2010**:
  - PST applies to any amount of the price for the period of use under the licence that becomes due, or is paid without having become due, before May 1, 2010, **and**
  - When an amount of the price for the period of use under the licence becomes due, or is paid without having become due, on or after May 1, 2010, PST applies to the part of that amount that is attributable to the period of use that occurs before July 1, 2010.

### **Perpetual Licences for Software Delivered by Electronic Means Where the Payments for the Licence Vary With Use or Profit**

In the case of perpetual licences for software delivered by electronic means where the payments for the licence vary with the amount of use or profit arising from the use of the software, PST applies to any amount that becomes due, or is paid without having become due, **before July 1, 2010**.

### **Propane**

Propane used as fuel for a motor vehicle is taxed under the *Motor Fuel Tax Act*, while propane used for all other purposes is subject to PST under the *Social Service Tax Act*. However, the rate of tax under both Acts is 2.7 cents per litre and retailers of propane remit both taxes as part of their PST returns.

As announced in Budget 2009 Update, propane when used as a motor fuel will be exempt from motor fuel tax with the implementation of HST.

The following transitional rules apply to sales of propane.

- When the propane is delivered **or** ownership is transferred to the purchaser **before July 1, 2010**, the tax of 2.7 cents per litre applies.
- When the propane is delivered **and** ownership is transferred to the purchaser **on or after July 1, 2010**, and the **full purchase price** becomes due, or is paid without having become due, **before May 1, 2010**, the tax of 2.7 cents per litre applies.

For information on delivery, see the section on Delivery.

When the propane is delivered **and** ownership is transferred to the purchaser **on or after July 1, 2010**, and only a **portion of the purchase price** becomes due, or is paid without having become due, **before May 1, 2010**, the tax of 2.7 cents per litre is payable on a volume of propane based on the following formula:

$$volume = total\ volume \times \left( \frac{portion\ of\ purchase\ price}{purchase\ price} \right)$$

where

total volume = the total volume of the propane;

portion of purchase price = the purchase price of the propane less that portion of the purchase price of the propane that is not paid before May 1, 2010 and becomes due on or after May 1, 2010;

purchase price = the purchase price of the propane.

### Special Occasion Licences

In addition to the PST payable on the purchase price of liquor, purchasers of liquor under a special occasion licence are required to prepay the PST on the amount by which the liquor will be marked up for sale at the event covered by the licence. For more information on Special Occasion Licences, please see [Bulletin SST 097](#), *Special Occasion Liquor Licences*.

The PST payable on the purchase price of the liquor is subject to the transitional rules for tangible personal property (see Sales of Tangible Personal Property (TPP) – General).

The following transitional rules apply to the prepayment of PST at the time the special occasion licence is purchased.

- When the licence is purchased **before May 1, 2010**, the purchaser of the licence must prepay the PST on the amount by which the liquor will be marked up for sale, regardless of when the event occurs.
- When the licence is purchased **on or after May 1, 2010** and is for an event that begins **before July 1, 2010**, whether or not the event ends on or after July 1, 2010, the purchaser of the licence must prepay the PST on the amount by which the liquor will be marked up for sale.

Effective July 1, 2010, a transitional refund of the additional amount of PST will be provided where all of the following conditions are met:

- The applicant is a GST/HST registrant;

- The applicant was issued a special occasion licence before May 1, 2010 **or** the special occasion licence was in effect for a period that began before July 1, 2010 and ended on or after July 1, 2010;
- The applicant sold some or all of the liquor on or after July 1, 2010; **and**
- The sale of the liquor under the licence was subject to HST.

Where the special occasion licence was in effect for a period that began before July 1, 2010 and ended on or after July 1, 2010, the refund will be equal to the amount of the prepayment of the PST that is attributable to the liquor sold on or after July 1, 2010.

To apply, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* (**FIN 413**). Refund claims must be received by the British Columbia Ministry of Finance (the Ministry) on or before **December 31, 2010**.

### **Private Sales of Vehicles, Boats and Aircraft**

Effective July 1, 2010, private sales of vehicles, boats and aircraft in British Columbia are subject to a 12 per cent provincial tax (tax on designated property). This tax will also apply to vehicles brought into British Columbia from another province on or after July 1, 2010. While boats and aircraft purchased at a private sale in another province and then brought into British Columbia will not be subject to the tax on designated property, they may be subject to the provincial component of the HST. In addition, vehicles, boats and aircraft imported into British Columbia from outside of Canada may be subject to both the federal and the provincial components of the HST. For more information on the tax on designated property, please see **Bulletin CTR 001**, *Tax on Designated Property (Vehicles, Boats and Aircraft)*.

### **Tangible Personal Property Brought into BC**

PST applied to tangible personal property (TPP) brought into B.C. before July 1, 2010 in accordance with the PST rules in effect before July 1, 2010.

For information regarding TPP brought into the province for personal use, see **Bulletin SST 118**, *Out-of-Province Purchases: Goods for Personal Use*.

For information regarding equipment brought into the province for temporary use, see **Bulletin SST 098**, *Equipment Brought into British Columbia for Temporary Use (1/3rd Formula)*.

Effective July 1, 2010, TPP brought into B.C. will not be subject to PST. However, the provincial component of the HST may apply to the TPP or, in the case of specified motor vehicles which are not subject to HST and are brought into B.C. from another province, the provincial tax on designated property may apply. For more information on the tax on designated property, please see **Bulletin CTR 001**, *Tax on Designated Property (Vehicles, Boats and Aircraft)*.

## MULTIJURISDICTIONAL VEHICLE TAX

The multijurisdictional vehicle (MJV) tax applied to multijurisdictional vehicles that are registered under the International Registration Plan (IRP) and have a vehicle licence year that began before July 1, 2010. The tax is payable for the full licence year even when a part of that year is on or after July 1, 2010.

Vehicles will not be subject to the MJV tax on registrations and renewals of licences that occur on or after July 1, 2010, nor will vehicles that cease to be registered under the IRP on or after July 1, 2010, be subject to the PST (i.e. there will be no exit tax).

For more information on the application of MJV tax during the period prior to July 1, 2010, please see [HST Notice #11](#), *Multijurisdictional Vehicle (MJV) Tax - Notice for Commercial Motor Carriers/Owner-Operators*.

## LEASES OF TANGIBLE PERSONAL PROPERTY

The following transitional rules apply to leases of tangible personal property (TPP).

- When the lease interval (rental period) begins **before July 1, 2010 and ends before July 31, 2010**, PST applies to the full lease price for the rental period.
- When the rental period begins **on or after July 1, 2010**, PST applies to any amount of the lease price that becomes due, or is paid without becoming due, **before May 1, 2010**.
- When the rental period begins **before July 1, 2010 and ends on or after July 31 2010**:
  - PST applies to any amount of the lease price that becomes due, or is paid without having become due, before May 1, 2010, and
  - When an amount of a lease price becomes due, or is paid without having become due, on or after May 1, 2010, PST applies to the part of that amount that is attributable to the rental period that occurs before July 1, 2010.

Effective July 1, 2010, a transitional refund of the PST paid on a lease of TPP after October 14, 2009 and before May 2010, is available to certain purchasers in specific circumstances (see section on Refunds).

### Leases of Tangible Personal Property Supplied With an Operator

In certain circumstances, lessors who occasionally lease tangible personal property (TPP) with an operator are required to pay PST on the price at which the TPP would have been leased had it been supplied without an operator. For information on the general application of the PST payable by lessors and the circumstances in which this requirement applies, please see [Bulletin SST 082](#), *Rentals and Leases of Tangible Personal Property*.



Where a lessor is required to pay PST on TPP that they lease with an operator, the following transitional rules apply.

- When **90% or more** of the supply of the TPP is provided before July 1, 2010, PST is payable on the price at which the TPP would have been leased for the **full lease period** had it been supplied without an operator.
- When **less than 90%** of the supply of the TPP is provided before July 1, 2010, PST is payable on the price at which the TPP would have been leased for the **portion of the lease period before July 1, 2010** had it been supplied without an operator.

## **TAXABLE SERVICES, LEGAL SERVICES AND TELECOMMUNICATION SERVICES**

The following transitional rules apply to the purchase of taxable services, legal services and telecommunication services.

- When **90% or more** of the service is performed before July 1, 2010, PST applies to the full purchase price of the service.
- When **less than 90%** of the service is performed before July 1, 2010:
  - PST applies to any amount of the purchase price that becomes due, or is paid without having become due, before May 2010, and
  - When an amount of the purchase price becomes due, or is paid without having become due, on or after May 1, 2010, PST applies to the part of that amount that relates to the portion of the service that is performed before July 2010.

Effective July 1, 2010, a transitional refund of the PST paid on services after October 14, 2009 and before May 2010, is available to certain purchasers in specific circumstances (see section on Refunds).

### **Taxable Services Provided to a British Columbia Resident Outside of British Columbia**

If a person who resides or carries on business in British Columbia sends tangible personal property (TPP) out of the province primarily for the purpose of receiving a taxable service, PST is payable on the charge for the service. The purchaser must self-assess the PST payable and remit it at the time the TPP returns to British Columbia. For information on the general application of the PST to taxable services provided out of province, please see [Bulletin SST 018](#), *Taxable Services*.

The following transitional rules apply to the purchase of taxable services provided outside of British Columbia.

- When **90% or more** of the service is performed before July 1, 2010, PST applies to the full purchase price of the service.
- When **less than 90%** of the service is performed before July 1, 2010, PST is payable on the portion of the purchase price attributable to the service performed before July 1, 2010.

## TAX ON TANGIBLE PERSONAL PROPERTY USED IN REAL PROPERTY CONTRACTS

For contracts for the improvement of real property entered into on or after October 1, 2008, the contractor is required to pay PST on the tangible personal property (TPP) that is, or will be, supplied and installed to complete the contract unless the contractor's customer has agreed in writing that they will pay the PST. **Note:** the contract has to specifically state the value of the TPP and that the customer is responsible for paying the PST on this amount. For information on the general application of PST to real property contracts, see [Bulletin SST 072, Real Property Contractors](#).

The following transitional rules apply to the payment of PST by the contractor.

- On TPP acquired at a sale in British Columbia:
  - When the TPP is delivered **or** ownership is transferred to the contractor **before July 1, 2010**, PST applies to the full purchase price.
  - When the TPP is delivered **and** ownership is transferred to the contractor **on or after July 1, 2010**, PST applies to any amount of the purchase price that becomes due, or is paid without having become due, **before May 1, 2010**.
- On TPP that the contractor acquires out of province:
  - When the TPP is brought or sent into British Columbia by the contractor or for which delivery is received by the contractor **before July 1, 2010**, PST applies to the purchase price.

For information on delivery, see the section on Delivery.

The following transitional rules apply to the payment of PST by the customer where the customer has agreed in writing to pay the PST.

- When the TPP is delivered **or** ownership is transferred to the customer **before July 1, 2010**, PST applies to the purchase price payable by the customer for the TPP.

- When the TPP is delivered **and** ownership is transferred to the customer **on or after July 1, 2010**, PST applies to any amount of the purchase price payable by the customer that becomes due, or is paid without having become due, **before May 1, 2010**.

Effective July 1, 2010, a refund of PST is available to HST registered contractors for PST they paid on construction materials held in inventory at the end of the day on June 30, 2010, and used by them on or after July 1, 2010 and on or before December 31, 2010, to repair or improve residential real property under a contract to which the HST applies (see section on Refunds).

## TIMING OF PAYMENTS

The transitional rules generally operate on the basis of the earlier of when consideration, purchase price or lease price for TPP, a taxable service, legal services or a telecommunication service becomes due or is paid without having become due. Under the *Social Service Tax Act*, the consideration, purchase price or lease price for TPP, a taxable service, legal services or a telecommunication service (other than where the TPP or services are supplied by way of lease, licence or similar arrangement under a written agreement), becomes due on the earliest of:

- the day the supplier first issues an invoice in respect of the supply;
- the date of the invoice;
- the day the supplier would have, but for undue delay, issued an invoice in respect of the supply; and
- the day the recipient of the property or service is required to pay the consideration pursuant to a written agreement.

Where TPP, a taxable service, legal services or a telecommunication service is supplied by way of lease, licence or similar arrangement under a written agreement, the consideration, purchase price or lease price becomes due on the day the purchaser or lessee is required to pay that consideration, purchase price or lease price under the written agreement.

## SPECIAL CIRCUMSTANCES

### Continuous Supplies

The PST generally applies to the payment for a supply of TPP or services delivered, performed or made available on a continuous basis, by means of a wire, pipeline or similar conduit (e.g. natural gas, electricity), or satellites or other telecommunications facility (e.g. cable television, satellite television or cellular telephone services) to the extent that the payment is for TPP or services delivered, performed or made available to the recipient of the TPP or services before July 1, 2010.

If the vendor cannot reasonably determine when the TPP or services are delivered, performed or made available, the payment would be prorated in equal parts based on the number of days in the period to which the payment is attributable.

However, PST applies to payments due before May 1, 2010, or paid before May 1, 2010 without becoming due, regardless of when the TPP or service is delivered, performed or made available.

## **Progress Payments**

Persons that have paid PST on progress payments made after October 14, 2009 and before July 1, 2010 for TPP, leased property, or a service provided on or after July 1, 2010 under an agreement for the construction, renovation, alteration or repair of a ship or other vessel, may be eligible for a refund of the PST. For more information, please contact the Ministry.

## **Budget Payment Arrangements**

### **Purchases**

Where TPP, a taxable service, legal services or a telecommunication service is delivered to a person over a period that began before July 1, 2010 and ends on or after July 1, 2010, and the consideration is paid under a budget payment arrangement with a reconciliation of the payments at the end of the period but before July 1, 2011, a vendor must refund to the purchaser the amount paid as PST that exceeds the PST payable on the consideration that is attributable to the portion of TPP or services delivered before July 1, 2010.

### **Leases**

Where TPP is leased to a person under a lease with a term that began before July 1, 2010 and ends on or after July 1, 2010, and the consideration is paid under a budget payment arrangement with a reconciliation of the payments at the end of the period but before July 1, 2011, a lessor must refund to the lessee the amount paid as PST that exceeds the PST payable on consideration that is attributable to the term of the lease that is before July 1, 2010.

### **Refunds to Vendors and Lessors**

Where a vendor or lessor provides a refund in relation to the reconciliation of payments under a budget payment arrangement described above, the vendor or lessor may apply to the Ministry for a refund equal to the amount of tax refunded to their customers.

To apply for a refund, please use the form, *Application for Refund (Vendors, Operators and Lessors) of Social Service Tax and Hotel Room Tax* ([FIN 408](#)).

To receive a refund, applications by vendors and lessors must be received by the Ministry on or before **August 31, 2011**.

## Combined Supplies

A special rule applies if any combination of TPP, intangible personal property and/or services is provided together for a single price, and all the following circumstances are met:

- one of the items provided is TPP;
  - some or all of that TPP is delivered or ownership transferred to the purchaser **before July 1, 2010**; or
  - the rental period under a lease of that TPP begins **before July 1, 2010**; AND
- some or all of the property or services in the combination would be subject to HST if they were supplied separately (see *General Transitional Rules for British Columbia HST*).

The rule in these circumstances is that each item in the combination is deemed to be provided separately and the relevant transitional rules apply (e.g. the rules for services would apply to the service component of the combination).

For the purposes of determining the PST payable on the items in the combination, the purchase price or lease price is deemed to be the amount of the single price attributable to each item in the combination. For example, if a combination includes TPP and a service for a single price of \$100 and the amount that would be attributable to the TPP if it were supplied separately, is \$75, the purchase price of the TPP for determining the PST payable under the transitional rules would be \$75.

This special rule does not apply in any of the following situations:

- all of the consideration for the single price becomes due, or is paid without having become due, **before May 1, 2010**;
- a budget payment arrangement is in place with a reconciliation to take place at or after the period to which the arrangement applies;
- the TPP is merely incidental to a contract for the provision of a service which is not subject to PST;
- none of the property or services in the combination would be subject to HST if they were supplied separately.

## Deposits

Deposits, including refundable and non-refundable deposits, are not considered part of the purchase price of TPP or services or part of the lease price of TPP unless and until the vendor applies the deposit against the purchase or the lease.

For example, if a vendor accepts a deposit in April 2010 for the purchase of TPP that is to be delivered in July 2010, that deposit would not be considered part of the purchase price of the TPP until the vendor applies that amount in its books and records against the purchase of the TPP. If the deposit is not applied to the purchase until June 2010, the PST would not apply to this amount but the HST would.

## Delivery

TPP is considered to be delivered to a person if the vendor delivers the TPP to a carrier in accordance with the terms of the purchase. As a result, TPP that is shipped/mailed to a person before July 1, 2010, is considered to have been delivered before July 1, 2010 on the date that the TPP is delivered to the shipping company or post office and would, therefore, be subject to PST even if the TPP is not received by the purchaser until on or after July 1, 2010.

## Returns and Exchanges of Tangible Personal Property

The following rules apply where a person purchases TPP before July 2010 that is subject to PST, but returns it on or after July 1, 2010 and before November 1, 2010.

- If the TPP is returned for a refund, the vendor must refund the PST attributable to the amount of the refund.
- If an exchange is made resulting in neither a refund, nor an additional payment, there would be no PST refund.
- If an exchange is made resulting in an additional payment, no PST would apply but the HST may apply to the additional payment.

**Please note:** Where the vendor provides a refund, they **must not make an adjustment** against PST remitted on a supplemental return. Instead, they may apply to the Ministry for a refund of the amount of tax refunded to the purchaser (see Refunds to Vendors and Lessors).

For returns of TPP made on or after November 1, 2010, purchasers are required to apply directly to the Ministry for any refund of PST. To apply, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

If the PST did not apply to TPP that was purchased before July 1, 2010, and an exchange is made on or after July 1, 2010, the B.C. component of the HST would apply to the full consideration for the replacement TPP.

## Cancellation of Services

The following rule applies where, on or after July 1, 2010 but before January 1, 2011, a person cancels a taxable service, legal services or a telecommunication service on which PST was paid:

- If the vendor provides a refund to the purchaser of the purchase price of the service, the vendor must refund to the purchaser the PST attributable to the amount of the refund.

**Please note:** Vendors **must not make an adjustment** against PST remitted on a supplemental return. Instead, they may apply to the Ministry for a refund of the amount of tax refunded to the purchaser (see Refunds to Vendors and Lessors).

For cancellations made on or after January 1, 2011, purchasers are required to apply directly to the Ministry for any refund of PST. To apply, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

## Price Reductions

### Purchases

The following rule applies where, on or after July 1, 2010 but before January 1, 2011, the purchase price of TPP, a taxable service, legal services or a telecommunication service on which PST was paid, is reduced:

- If the vendor provides a refund to the purchaser equal to the amount of the reduction in the purchase price, the vendor must refund to the purchaser the PST attributable to the amount of the refund.

**Please note:** Vendors **must not make an adjustment** against PST remitted on a supplemental return. Instead, they may apply to the Ministry for a refund of the amount of tax refunded to the purchaser (see Refunds to Vendors and Lessors).

### Leases

The following rule applies where, on or after July 1, 2010 but before January 1, 2011, the lease price of TPP on which PST was paid, is reduced:

- If the lessor provides a refund to a lessee equal to the amount of the reduction in the lease price, the lessor must refund to the lessee the PST attributable to the amount of the refund.

**Please note:** Lessors **must not make an adjustment** against PST remitted on a supplemental return. Instead, they may apply to the Ministry for a refund of the amount of tax refunded to the lessee (see Refunds to Vendors and Lessors).

For price reductions that occur on or after January 1, 2011, purchasers and lessees are required to apply directly to the Ministry for any refund of PST. To apply, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

## **Refunds to Vendors and Lessors**

Where a vendor or lessor provides a refund in relation to the return or exchange of TPP, cancellation of services or a price reduction, the vendor or lessor may apply to the Ministry for a refund equal to the amount of tax refunded to their customers.

To apply for a refund, please use the form, *Application for Refund (Vendors, Operators and Lessors) of Social Service Tax and Hotel Room Tax* ([FIN 408](#)).

For claims by vendors in respect of the return and exchange of TPP, refund applications must be received by the Ministry on or before **December 31, 2010**.

For claims by vendors or lessors in respect of cancellation of services and price reductions, refund applications must be received by the Ministry on or before **February 28, 2011**.

## **EXEMPTIONS**

If PST is payable under the transitional rules outlined above, any applicable exemptions under the *Social Service Tax Act* will continue to provide relief from the PST payable.

Exemptions under the *Social Service Tax Act* will not apply if the HST is payable under the HST transitional rules. However, purchasers will not be required to pay HST on goods and services that are exempt or zero rated under the *Excise Tax Act* (Canada), nor will they be required to pay the provincial component (the 7 per cent) of the HST on motor fuels and the other items designated for the point-of-sale rebates. In addition, the provincially administered credit on residential energy will provide targeted relief from the 7 per cent provincial component of the HST on purchases of residential energy, similar to the current PST exemption on residential energy.

## **REFUNDS**

Refund provisions under the *Social Service Tax Act* will generally remain in effect and will allow refunds of PST to be claimed up to four years following the payment of the PST.

In limited circumstances, such as the transitional refunds described below, applications for refunds must be made **earlier than four years** following the payment of the PST. For application dates, see the specific section below.



## Transitional Inventory Refunds for Construction Materials

Effective July 1, 2010, a refund of PST is available to GST/HST registered contractors for PST they paid on construction materials held in inventory at the end of the day on June 30, 2010 and used by them on or after July 1, 2010 and on or before December 31, 2010, to repair or improve residential real property under a contract to which the HST applies.

To qualify for the refund, construction materials cannot be the capital property of the contractor **and** must be incorporated into the real property being repaired or improved in such a way that the materials cease to be tangible personal property and become part of the real property.

A transitional inventory refund is not available to a contractor in respect of PST paid on construction materials if under the contract for the repair or improvement of the real property, PST on the construction materials is payable by a person other than the contractor.

**Please note:** Improvement of residential real property does not include new construction or substantial renovation of residential housing. However, new construction or substantial renovation<sup>1</sup> of residential housing may qualify for a PST Transitional New Housing Rebate and/or a New Housing Rebate. For more information on these rebates, see the notice, [Residential Housing - New Housing Rebates and Transitional Rules for British Columbia HST](#).

To apply, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)). Refund claims must be received by the Ministry on or before **February 28, 2011**.

Refund claims must include all of the following:

- Applicant's GST/HST registration number;
- Proof that PST was paid on construction materials (bill of sale or self-assessment documentation); and
- Documentation supporting that the construction materials were in the applicant's inventory at the end of day June 30, 2010 **and** that the construction materials were used on or after July 1, 2010 and on or before December 31, 2010 under a contract to repair or improve residential real property.

## Transitional Refunds for Eligible Business Purchases

Applications for the following transitional refunds must be received by the Ministry on or before **December 31, 2010**.

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<sup>1</sup> For information on the definition of substantial renovation, see: [www.cra-arc.gc.ca/E/pub/gm/b-092/README.html](http://www.cra-arc.gc.ca/E/pub/gm/b-092/README.html)

## Commercial Activities Refund

Under the *General Transitional Rules for British Columbia HST*, payments prior to May 1, 2010 were not generally subject to the HST even though the payment may have been related to the purchase or lease of TPP, or to the purchase of a taxable service, legal services or telecommunication service delivered or performed on or after July 1, 2010. Instead, these payments were generally subject to PST.

Because input tax credits cannot be claimed in respect of PST paid, effective July 1, 2010, PST refunds are available to GST/HST registrants who paid PST **after October 14, 2009 and before May 1, 2010**, for purchases of TPP, taxable services, legal services or telecommunication services delivered or performed on or after July 1, 2010, and for leases of TPP on or after July 1, 2010.

In addition, PST refunds are available to GST/HST registrants who paid PST **after October 14, 2009 and before July 1, 2010**, on TPP that is a subscription for a publication or certain software and software licences.

The TPP and services must be for use exclusively in the registrant's commercial activities to qualify for the refund.

Refunds are generally only available in respect of PST paid on purchases and leases that, under the PST transitional rules, would not have not been payable had the payment for the purchase or lease been made on or after May 1, 2010. Therefore, in some circumstances a full refund will be provided, while in others only a partial refund or no refund will be provided.

### *Full Refunds*

A full refund of the PST is only available in the following circumstances:

- **Purchase of TPP (general)** – where ownership is transferred and delivery is received on or after July 1, 2010;
- **Purchase of subscription** – where the first publication under the subscription is delivered on or after July 1, 2010;
- **Purchase of software on a tangible medium and related software licences**
  - **Software** – where ownership is transferred and delivery is received on or after July 1, 2010;
  - **Perpetual licence** – where the licence provided separately from the software and ownership of the licence is transferred and delivery is received on or after July 1, 2010;
  - **Fixed-term licences** – where the period of use under the licence begins on or after July 1, 2010;

- **Purchase of software delivered by electronic means and related software licences**
  - **Software** – where ownership of the software is transferred and delivery is received on or after July 1, 2010;
  - **Perpetual licences** – where ownership of the licence is transferred and delivery is received on or after July 1, 2010;
  - **Fixed-term licence where the payments for the licence vary with profit or use** – where the period of use under the licence begins on or after July 1, 2010;
  - **Fixed-term licence where the payments for the licence do not vary with profit or use** – where ownership of the licence is transferred and delivery is received on or after July 1, 2010;
- **Lease of TPP** – where the rental period begins on or after July 1, 2010;
- **Purchase of a taxable service, legal services or a telecommunication service** – where the service begins on or after July 1, 2010.

### *Partial Refunds*

A partial refund of the PST is available in the following circumstances:

- **Purchase of software on a tangible medium and related software licences**
  - **Fixed-term licences** – where the period of use under the licence begins before July 1, 2010 and ends on or after July 31, 2010 - the refund will be for the PST attributable to the portion of the period of use under the licence that is on or after July 1, 2010;
- **Purchase of software delivered by electronic means and related software licences**
  - **Fixed-term licence where the payments for the licence vary with profit or use** – where the period of use under the licence begins before July 1, 2010 and ends on or after July 31, 2010 – the refund will be for the PST attributable to the portion of the period of use under the licence that is on or after July 1, 2010;
  - **Fixed-term licence where the payments for the licence do not vary with profit or use** – where ownership of the licence is transferred or delivery is received before July 1, 2010 - the refund will be for the PST attributable to the portion of the period of use under the licence that is on or after July 1, 2010;
- **Lease of TPP** – where the rental period begins before July 1, 2010 and ends on or after July 31, 2010 – the refund will be for the PST attributable to the portion of the rental period that occurs on or after July 1, 2010;

- **Purchase of a taxable service, legal services or a telecommunication service** – where the service is less than 90% complete before July 1, 2010 - the refund will be for the PST attributable to the portion of the service provided on or after July 1, 2010.

### *No Refunds*

Refunds are **not** available in the following circumstances:

- Where any portion of the purchase price or lease price was due, or paid without having become due, **before October 15, 2009**;
- **Purchase of software on a tangible medium and related software licences**
  - **Fixed-term licences** – where the period of use under the licence begins before July 1, 2010 and ends before July 31, 2010;
- **Purchase of software delivered by electronic means and related software licences**
  - **Fixed-term licence where the payments for the licence vary with profit or use** – where the period of use under the licence begins before July 1, 2010 and ends before July 31, 2010;
- **Lease of TPP** – where the rental period begins before July 1, 2010 and ends before July 31, 2010;
- **Purchase of a taxable service, legal services or a telecommunication service** – where 90% or more of the services were completed before July 1, 2010.

To apply for a commercial activities refund, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

Refund claims must be received by the Ministry on or before **December 31, 2010**.

Refund claims must include all of the following:

- Applicant's GST/HST registration number;
- Proof that PST was paid on the goods or services (i.e. a bill of sale or documentation showing self-assessment);
- For purchases, documentation relating to the date of purchase of the goods or services, the time at which ownership and delivery of the goods or services were received and the timing of the payments for the goods or services;
- For leases, documentation relating to the rental periods on which PST was paid and the timing of the payments for those rental periods;

- For software and software licences, specific information on the type of software or licence (i.e. delivery method, length of term); and
- Documentation supporting the calculation of the refund amount.

### **Non-Consumers – Transitional Refunds**

Under the *General Transitional Rules for British Columbia HST*, non-consumers (certain businesses and selected listed financial institutions )<sup>2</sup> are required to self-assess HST on consideration that became due, or was paid without having become due, **after October 14, 2009 and before May 1, 2010** for the purchase of TPP, a taxable service, legal services or a telecommunication service delivered or performed on or after July 1, 2010, and for leases of TPP on or after July 1, 2010. In addition, this consideration was generally subject to PST.

To prevent both PST and HST being payable on consideration for the same goods and services, effective July 1, 2010, refunds are available to the non-consumers who paid PST **after October 14, 2009 and before May 1, 2010**, for purchases of TPP (other than certain software and software licences), taxable services, legal services or telecommunication services delivered or performed on or after July 1, 2010, and for leases of TPP on or after July 1, 2010, on which they are required to self-assess the HST.

Refunds are only available in respect of PST paid on consideration for purchases and leases on which, under the HST transitional rules, a non-consumer would be required to self-assess the HST. Therefore, in some circumstances a full refund will be provided, while in others only a partial refund or no refund will be provided.

### **Full Refunds**

A full refund of the PST is only available in the following circumstances:

- **Purchase of TPP (general)** – where ownership is transferred and delivery is received on or after July 1, 2010;
- **Purchase of subscription** – where the first publication under the subscription is delivered on or after July 1, 2010;
- **Purchase of software on a tangible medium and related software licences**
  - **Software** – where ownership is transferred and delivery is received on or after July 1, 2010;
  - **Fixed-term licences** – where the period of use under the licence begins on or after July 1, 2010;

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<sup>2</sup> For information on the businesses and selected listed financial institutions that are required to self-assess the HST, please see [www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/trnstnl/prsnl/nncnsmr-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/trnstnl/prsnl/nncnsmr-eng.html)

- **Purchase of software delivered by electronic means and related software licences**
  - **Fixed-term licence where the payments for the licence vary with profit or use** – where the period of use under the licence begins on or after July 1, 2010;
- **Lease of TPP** – where the rental period begins on or after July 1, 2010;
- **Purchase of a taxable service, legal services or a telecommunication service** – where the service begins on or after July 1, 2010.

### *Partial Refunds*

A partial refund of the PST is available in the following circumstances:

- **Purchase of software on a tangible medium and related software licences**
  - **Fixed –term licences** – where the period of use under the licence begins before July 1, 2010 and ends on or after July 31, 2010 - the refund will be for the PST attributable to the portion of the period of use under the licence that is on or after July 1, 2010;
- **Purchase of software delivered by electronic means and related software licences**
  - **Fixed-term licence where the payments for the licence vary with profit or use** - where the period of use under the licence begins before July 1, 2010 and ends on or after July 31, 2010 - the refund will be for the PST attributable to the portion of the period of use under the licence that is on or after July 1, 2010;
- **Lease of TPP** – where the rental period begins before July 1, 2010 and ends on or after July 31, 2010 - the refund will be for the PST attributable to the portion of the rental period that is on or after July 1, 2010;
- **Purchase of a taxable service, legal services or a telecommunication service** – where the service is less than 90% complete before July 1, 2010 - the refund will be for the PST attributable to the portion of the service provided on or after July 1, 2010.

### *No Refunds*

Refunds are **not** available in the following circumstances:

- Where any portion of the purchase price or lease price was due, or paid without having become due, **before October 15, 2009**;
- **Purchase of software on a tangible medium and related software licences** –
  - **Fixed–term licences** – where the period of use under the licence begins before July 1, 2010 and ends before July 31, 2010;
  - **Perpetual licence** – where the licence is provided separately from the software;

- **Purchases of software delivered by electronic means and related software licences -**
  - **Software delivered by electronic means;**
  - **Fixed-term licence where the payments for the licence vary with profit or use** – where the period of use under the licence begins before July 1, 2010 and ends before July 31, 2010;
  - **Fixed-term licence and perpetual licence where the payments for the licence do not vary with profit or use;**
- **Lease of TPP** – where the rental period begins before July 1, 2010 and ends before July 31, 2010;
- **Purchase of a taxable service, legal services or a telecommunication service** – where 90% or more of the services were completed before July 1, 2010.

To apply for a non-consumer transitional refund, please use the form, *Application for Refund of Social Service Tax or Hotel Room Tax* ([FIN 413](#)).

Refund claims must be received by the Ministry on or before **December 31, 2010**.

Refund claims must include all of the following:

- Applicant's GST/HST registration number (if applicable);
- Information on the type of non-consumer of the applicant;
- Proof that PST was paid on the goods or services (i.e. a bill of sale or documentation showing self-assessment);
- For purchases, documentation relating to the date of purchase of the goods or services, the time at which ownership and delivery of the goods or services were received and the timing of the payments for the goods or services;
- For leases, documentation relating to the rental periods on which PST was paid and the timing of the payments for those rental periods;
- For software and software licences, specific information on the type of software or licence (i.e. delivery method, length of term); and
- Documentation supporting the calculation of the refund amount.

## FINAL PST RETURNS

Final PST returns for taxes and levies under the *Social Service Tax Act* (the Act) collected before July 1, 2010 are required to be filed with the Ministry of Finance on or before July 23, 2010. This applies **regardless of a person's remittance frequency**. Where an amount is collected or becomes

payable as, or on account of, PST after June 2010, the vendor is required to account for that amount in a supplemental PST return to be filed on or before the 23<sup>rd</sup> day of the following month.

All PST, not otherwise payable on an earlier date under the Act, is payable and must be collected by **December 31, 2010**. Therefore, supplemental returns will be required to be filed on or before January 23, 2011. However, in limited circumstances, an extension is provided (see Extensions).

A person who has entered into an agreement for a special registration number and who makes a purchase or lease of TPP under that agreement, must pay tax on that purchase or lease on the earlier of the following:

- 23 days after the last day of the month in which the TPP is used for a taxable purpose;
- if the TPP has not been used before or in the month that is 12 months from the date of the purchase or lease, 23 days after the last day of that month; and
- if the TPP is not used on or before December 31, 2010, on or before January 24, 2011.

## **Extensions**

### **Interjurisdictional conveyances**

An extension is provided in respect of the additional PST payable on conveyances used interjurisdictionally where tax is payable on a proportional basis. In these circumstances, the additional tax is payable within 23 days of the date the additional tax is determined.

### **Legal Services**

An extension is provided in respect of PST payable on legal services if the services are provided under a contingent fee arrangement that is entered into before July 1, 2010 and the event triggering payment of the fee has not occurred on or before December 31, 2010.

In these circumstances, PST is payable on the earlier of the date that the purchase price of the legal services is paid or payable. This tax must be remitted on or before the 23<sup>rd</sup> day of the following month. Where the person providing the legal services is not required to collect PST (i.e. the provider of the service is located outside of B.C.), tax is payable on the 23<sup>rd</sup> day of the month following the month in which the purchase price of the legal services is paid or payable, whichever comes first.



A vendor providing legal services under a contingent fee arrangement described above must report to the Ministry the number of these arrangements that the vendor has. This information must be provided in writing to the Ministry on or before **January 31, 2011, by mail or fax to:**

**Consumer Taxation Programs Branch  
Ministry of Finance  
PO Box 9442 Stn Prov Gov't  
Victoria, BC V8W 9V4**

**Fax: 250 356-2195**

### **Telecommunication Services**

An extension is provided in respect of PST payable on telecommunication services provided to a purchaser outside British Columbia (i.e. roaming) if the service is provided at least in part by another telecommunication provider under an agreement with the vendor.

In these circumstances, the PST is payable on the earlier of the date that the purchase price of the telecommunication service is paid or payable or on June 30, 2011. This tax must be remitted on or before the 23<sup>rd</sup> day of the following month.

### **Budget Payment Arrangements**

An extension is provided in respect of PST payable on the purchase of TPP, a taxable service, legal services or a telecommunication service that is delivered to a person over a period that began before July 1, 2010 and ends on or after July 1, 2010, and the consideration for the TPP or service is payable under a budget payment arrangement with a reconciliation of the payments at the end of the period but before July 1, 2011.

An extension is provided in respect of PST payable on a lease of TPP where the TPP is leased to a person under a lease with a term that began before July 1, 2010 and ends on or after July 1, 2010, and the consideration for the leased property is payable under a budget payment arrangement with a reconciliation of the payments at the end of the period but before July 1, 2011.

PST is payable in these circumstances on the date that the vendor or lessor issues the invoice for the reconciliation of payments. This tax must be remitted on or before the 23<sup>rd</sup> day of the following month.

### **Other**

An extension may be provided in respect of PST payable on the purchase of TPP, a taxable service, legal services or a telecommunication service, or on the lease of TPP if, due to **extraordinary circumstances**, the vendor or lessor is not able to determine the purchase price or lease price before **January 1, 2011**.

In these circumstances, the vendor or lessor must give notice in writing to the Ministry before January 1, 2011 of the extraordinary circumstances. PST would then be payable on the earlier of the date the vendor or lessor determines the purchase price or lease price, or ought to have reasonably been able to determine the purchase price or lease price. This tax must be remitted on or before the 23<sup>rd</sup> day of the following month.

## **Commissions**

Vendors will be eligible for a commission on their final PST returns and on any supplemental returns filed on or before January 23, 2011. A commission will not be available where an extension has been provided.

## **OTHER TAXES AND LEVIES UNDER THE *SOCIAL SERVICE TAX ACT***

### **Battery Levy**

The \$5.00 battery levy applies to purchases of new lead acid batteries made **prior to July 1, 2010**.

### **Innovative Clean Energy Fund**

The 0.4% Innovative Clean Energy (ICE) Fund levy imposed on residential and commercial energy purchases applies to purchases of energy delivered before July 2010, including energy delivered before July 2010 on which the purchase price is paid, or payable, on or after July 1, 2010.

With respect to purchases of electricity, natural gas and propane where the vendor cannot reasonably determine whether the energy is delivered before July 2010, the purchase price for the energy would be prorated in equal parts according to the number of days in the period to which the purchase price applies. The ICE Fund levy applies to the purchase price attributable to the days in the period prior to July 1, 2010.

### **Passenger Vehicle Rental Tax**

Where a passenger vehicle is leased for more than eight consecutive hours, and less than 29 consecutive days, the passenger vehicle rental tax of \$1.50 per day applies to each day under the lease before July 2010.

The passenger vehicle rental tax is not payable for any day under a lease after June 30, 2010 even if the PST applies to the lease (i.e. where the rental period begins before July 1, 2010 and ends before July 31, 2010).

## **TransLink Parking Tax**

Effective July 1, 2010, the imposition of the TransLink parking tax, currently administered by the province on behalf of TransLink, is transferred to the *South Coast British Columbia Transportation Authority Act* and administration of the tax is transferred to TransLink.

For more information on the transition of the administration of the tax to Translink, please see [Notice 2010-002](#), *Notice to Parking Sellers in the South Coast British Columbia Transportation Service Area*.

## **Further Information**

For questions about the PST or hotel room tax, including the transitional rules, please contact the Ministry of Finance toll-free at 1 877 388-4440 or e-mail your questions to [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

For information on the application of the HST, including the HST transitional rules, please visit the Canada Revenue Agency website at [www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html](http://www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html)

For questions about the HST general transitional rules, or if you wish to make a technical enquiry on the GST/HST by telephone, please contact the Canada Revenue Agency at 1 800 959-5525.