



## Goods for Resale

### Provincial Sales Tax Act

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Latest Revision: The revision bar ( | ) identifies changes to the previous version of this bulletin dated January 2016. For a summary of the changes, see *Latest Revision* at the end of this document.

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This bulletin explains the PST exemptions for goods for resale. The information in this bulletin does not apply to small sellers (see [Bulletin PST 003](#), *Small Sellers*).

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## Exemptions for Goods for Resale

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### Goods for Resale or Lease

You are exempt from PST on goods you obtain solely for resale or lease to your customers. To purchase these goods exempt from PST, give the supplier your PST number or, if you do not have a PST number, a completed *Certificate of Exemption – General* ([FIN 490](#)).

If your supplier charges PST on your purchase of goods for resale, you may apply to us for a refund of the PST you paid. We cannot issue a refund of less than \$10. For more information, see [Bulletin PST 400](#), *PST Refunds*.

### Example

You operate a convenience store that sells food and household products. Because you were running low on inventory, you purchased some household products from a local supermarket to refill your stock until your next order arrives. The supermarket charged you PST on the household products and would not provide you with an exemption. You may apply to us for a refund of the PST you paid as the household products were purchased solely for resale.

## Goods Incorporated into Other Goods for Resale

You are exempt from PST on goods you obtain solely for processing, fabricating, manufacturing, attaching, or incorporating 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](#)).

### Example

You make stained glass lampshades for sale. You may purchase the following items exempt from PST because they will be incorporated into the lampshades for resale:

- stained glass
- copper foil
- solder

If you qualify as a manufacturer, you may also be eligible to purchase your tools exempt from PST (e.g. glass cutters, grinders, pliers, as well as graph paper, pencils and rulers you use to make your designs). For more information, including other exemptions that may apply, see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*.

## Containers and Packaging Materials

You are exempt from PST on containers and packaging materials (except reusable containers) you obtain solely for packaging 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, see [Bulletin PST 305](#), *Containers and Packaging Materials*.

## Importing Goods for Resale from Outside Canada

Generally, if you import goods for resale or commercial goods into BC from outside Canada, Canada Border Services Agency (CBSA) and Canada Post will not charge you PST. However, if CBSA or Canada Post charges you PST on goods for resale or other exempt goods you imported from outside Canada, you can apply for a refund from CBSA by completing a *Canada Customs – Adjustment Request* ([B2](#)). This form is available at [cbsa-asfc.gc.ca/publications/forms-formulaires](https://cbsa-asfc.gc.ca/publications/forms-formulaires)

For information regarding PST paid to CBSA, call 1 800 461-9999.

## Change in Use

If you take taxable goods from your resale or lease inventory for business or personal use, you must self-assess (pay directly to us) the PST on your cost of the goods. You cannot use depreciation to pay PST on an amount that is less than your cost for those goods.

### Example

You are a furniture retailer and you take a floor model out of inventory to use as office furniture in your business. You must self-assess PST on your cost of the furniture taken out of inventory.

**Note:** There are some exceptions for vehicles used by dealers and manufacturers. For more information, see [Bulletin PST 117](#), *Motor Vehicle Dealer-Use and Manufacturer-Use Formulas*.

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 you used the goods for a taxable purpose.

If you make a purchase that includes both exempt goods for resale and taxable goods you will use in your business, you need to tell your supplier which goods are exempt and which goods are taxable. If they do not charge you PST on the taxable goods, you must self-assess the PST due.

### Example

You own a toy store and you contact your supplier to purchase toys for resale and stationery for your own business use. Your supplier has your PST number on file from past inventory purchases. You must let your supplier know that you are only claiming a PST exemption on the toys for resale.

If your supplier does not charge you PST on the stationery, you must self-assess the PST due.

## Demonstration and Display

### Goods Remain Available for Sale – Exempt

If you use goods in your resale inventory for demonstration or display purposes, you do not have to self-assess PST based on the change in use rules described above if the goods remain available for sale.

#### Example 1

You are a clothing retailer with an inventory of sweaters at your retail store. Most of the sweaters are found on display racks; however, some of the sweaters are on mannequins for display to potential customers. As a matter of convenience, customers normally try on and purchase sweaters from the display racks. However, customers looking for specific sizes may purchase one of the sweaters worn by the mannequins. The sweaters on the mannequins are available for sale and remain exempt from PST as goods for resale.

#### Example 2

You are an electronics retailer with a showroom inventory of television models that are turned on for demonstration purposes. Customers may purchase a television in an unopened box or they may purchase the display model. The floor models are available for sale and remain exempt from PST as goods for resale.

### Example 3

You sell books and furniture at your retail store, and display the books on the furniture. The books and the furniture are available for sale as separate items. If a customer purchases a bookshelf, you may request a day or two to remove the books from the bookshelf for relocation. Although the bookshelf cannot be immediately removed from the store, it is available for sale and remains exempt from PST as a good for resale.

### Goods do not Remain Available for Sale – Taxable

If the goods being used for demonstration or display purposes do not remain available for sale, you must:

- pay PST when you purchase these goods, or
- self-assess the PST due based on the change in use rules (if you are removing these goods from your exempt resale inventory).

### Example 4

You are a retailer who sells specialized knife sets. You use a set of knives to demonstrate the knives to potential customers. Customers who wish to purchase a set receive an unused set; the demonstration set is not available for sale because you need them for further demonstrations to potential customers. You must pay PST on your cost of the set used for demonstration purposes.

### Example 5

You are a clothing retailer who displays clothing on mannequins, but will not sell the display clothing. Once the store runs out of inventory, customers are either referred to another store, or they may make a special order for the item. You must pay PST on the articles of clothing used for display on the mannequins as they are not available for sale.

### Example 6

You are a custom furniture maker who maintains a showroom to display products to potential customers, but will not sell the display models. Instead, you take orders to manufacture identical units. You must pay PST on the materials you used to manufacture the display models as they are not available for sale.

### Example 7

You are an appliance retailer who maintains a showroom to display products to potential customers. Once your customer selects a specific model, an identical unit is ordered from your warehouse or from the manufacturer for delivery to the customer. The display models are not available for sale if you refuse to sell these display models until the specific product line is discontinued. You must pay PST on your cost of these display models.

### Samples

You pay PST on samples (e.g. carpet sample books and pieces, drapery sample books and swatches) you use to sell other merchandise (e.g. carpets and drapes) because the samples themselves are not for resale.



## Need more info?

Online: [gov.bc.ca/pst](http://gov.bc.ca/pst)

Toll free in Canada: 1 877 388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

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### Latest Revision

February 2016

- Clarified that, effective April 1, 2013 (subject to Bill 14, *Finance Statutes Amendment Act, 2016* receiving royal assent), you are exempt from PST on:
    - goods you obtain **solely** for processing, fabricating, manufacturing, attaching, or incorporating into other goods for resale or lease
    - containers and packaging materials (except reusable containers) you obtain **solely** for packaging goods for sale or lease, or if you provide them to your customers with their purchases of goods.
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References: *Provincial Sales Tax Act*, sections 1 “fair market value”, “purchaser”, “reusable container”, “use”, 37, 81, 101, 141, 142, 145-147, 152, 153 and 166; *Provincial Sales Tax Exemption and Refund Regulation*, sections 90 and 92; *Provincial Sales Tax Regulation*, sections 25-27 and 47.