



# Provincial Sales Tax (PST) Notice

Notice 2012-012

Issued: October 2012

## Leases of Tangible Personal Property (Goods)

*Provincial Sales Tax Act*

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

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

This notice provides a general overview of the application of the PST to leases of tangible personal property in BC. This notice does not apply to vehicles subject to the multijurisdictional vehicle tax or conveyances used interjurisdictionally.

**Please note:** Some of the rules and requirements described in this notice are subject to legislative and regulatory approval.

For information on how the PST applies to leases of tangible personal property in BC that straddle April 1, 2013, please see PST [Notice 2012-010](#), *General Transitional Rules for the Re-implementation of the Provincial Sales Tax*.

### What is Tangible Personal Property (Goods)?

Tangible personal property is personal property that you can see, weigh, measure, feel or touch, or that is in any other way perceptible to the senses—generally, all goods. Tangible personal property also includes natural or manufactured gas, heat, electricity and affixed machinery, but does not include real property. Real property is land and any items permanently attached to land (buildings and structures).

**Please note:** An improvement to real property, or a part of an improvement to real property, that is removed from the site at which it is affixed or installed (i.e. to be repaired) is tangible personal property while it is removed.

More information specific to affixed machinery and improvements to real property will be provided in the near future.

## What is a Lease?

A lease is an agreement under which a person is given a right to use goods.

A lease does not include:

- an agreement where the person supplying the goods also supplies a person to operate the goods, or
- the lease of furnishings included under an agreement to rent residential accommodation for a single rental payment (no separate price for the furnishings).

## Goods Leased in BC

Goods leased in BC for personal or business use will be subject to PST, unless a specific exemption applies.

A lease in BC is generally one in which one of the following occurs:

- the lessee enters into the lease in BC,
- the goods are located in BC at the time the lessee enters into the lease, or
- the lessee takes possession or takes delivery of the goods in BC.

If, during a rental period under the lease, the lessee takes the goods outside of BC for use outside BC, the lessee may be eligible for a refund of PST attributable to the use of the lease outside of BC during the rental period.

## Leased Goods Brought or Sent into BC

Leased goods brought or sent into BC for personal or business use will be subject to PST, unless a specific exemption applies, if the leased goods are brought or sent into BC by:

- a BC resident for their own use or the use of another person at their expense; or
- a person to use in the course of the person's business, whether or not the person's business is carried on in BC.

If leased goods are brought into BC for use only in BC, PST would be payable on the entire lease price attributable to the rental periods in which the goods are in BC.

If leased goods are brought into BC for use both in and outside of BC during a rental period, PST would be payable on the portion of the lease price attributable to the use of the goods in BC during the rental period(s).

## Tax on a Motor Vehicle Leased Outside of BC and Registered for Use in BC

If a lessee of a motor vehicle leases the vehicle for a period of more than 28 days from a person who is located outside of BC and registers the vehicle in BC, PST applies to the lease of the vehicle, unless a specific exemption applies. PST is payable on the fair market value of the vehicle at the time of registration at the applicable rate (see below).

If tax is paid and the person who registered the vehicle subsequently removes the vehicle from BC for use outside of BC, and registers the vehicle in another jurisdiction, the person may be eligible for a refund of a portion of the tax paid.

## Tax Rates

The general rate of tax payable on leased goods will be 7% of the lease price. However, leased passenger vehicles will be taxed as follows:

- 7% for vehicles valued at less than \$55,000
- 8% for vehicles valued at \$55,000 or more but less than \$56,000
- 9% for vehicles valued at \$56,000 or more but less than \$57,000
- 10% for vehicles valued at \$57,000 or more

## Taxable Goods

Here are some examples of taxable goods that are commonly leased:

- Boats (other than self-propelled vessels of more than 500 tons gross)
- Construction equipment
- Furniture
- Vehicles, including off-road vehicles and snowmobiles

## Exemptions

Permanent exemptions under the previous PST will be re-implemented (time-limited exemptions will not be re-implemented<sup>1</sup>) including, but not limited to, exemptions from tax on certain goods:

- Lease of non-motorized bicycles and non-motorized tricycles (where the diameter of each wheel is at least 350 mm)
- Goods leased for re-lease
- Goods sold to the lessor by the lessee under a sale and immediate leaseback arrangement where the lessee had paid tax on the goods prior to the sale and leaseback
- Eligible machinery and equipment leased for use in manufacturing, logging, mining, mineral exploration, and oil and gas production
- Specified goods leased for use by qualifying farmers for a farm use
- Specified goods leased for use by qualifying fishers or aquaculturists (includes shellfish growers) for use in their trade
- Specified manufactured machinery and equipment leased for use as part of a penstock system for a hydroelectric power plant

More information on other exemptions will be provided in future bulletins and notices.

## Passenger Vehicle Rental Tax

In addition to the PST applicable to leases of goods, the *Provincial Sales Tax Act* imposes the passenger vehicle rental tax (PVRT). The PVRT is a tax of \$1.50 per day on the rental of passenger vehicles leased in BC for more than 8 consecutive hours and less than 28 consecutive days.

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<sup>1</sup> Time-limited exemptions were those exemptions under the *Social Service Tax Act* that had a specified expiry date included in the exemption; for example, qualifying energy efficient natural gas or propane commercial boilers purchased before April 1, 2011, and auxiliary power units, cabin heaters and engine heaters for certain commercial trucks purchased before April 1, 2012.

## Paying and Collecting Tax

In most cases, a lessor who is a collector under the *Provincial Sales Tax Act* will charge and collect the PST.

However, for leased goods brought or sent into the province by the lessee, the lessee will be required to self-assess the PST.

Lessees who bring motor vehicles that are leased for more than 28 days into BC from out of province and register the vehicle in BC will be required to pay tax on the vehicle to the Insurance Corporation of British Columbia at the time of registration.

## Further Information

If you have any questions, please call us toll free at 1 877 388-4440 or email your questions to [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

You can also find information on our website at [gov.bc.ca/pst](http://gov.bc.ca/pst)

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

You can access *Bill 54-Provincial Sales Tax Act* on the Legislative Assembly of British Columbia website at [leg.bc.ca/39th4th/3rd\\_read/gov54-3.htm](http://leg.bc.ca/39th4th/3rd_read/gov54-3.htm)

The *Provincial Sales Tax Act* Regulations will be posted to our website as soon as they are available.

For up to date information on the return to PST, subscribe to our What's New page at [sbr.gov.bc.ca/msbr/whats\\_new/consumer\\_taxes/whatsnew.htm](http://sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm)