

# Ministry of Finance

## Tax Notice



ISSUED: October 2010 REVISED: June 2011

Notice 2010-012

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

## Notice to Social Service Tax Vendors

### *Social Service Tax Act*

For the purpose of transitioning to the harmonized sales tax (HST), on July 1, 2010, the province amended the *Social Service Tax Act*. As part of these amendments, the province added new provisions that require vendors to refund social service tax, also called the provincial sales tax (PST), to their customers in certain situations.

This notice clarifies the situations in which you may recover PST you remitted to the Ministry of Finance but later returned to your customer.

**Please note:** Depending on the situation, you can only refund PST to your customers up to specific dates, as outlined below. If you refund the PST after these dates, you **cannot** claim a refund of PST from the ministry.

Effective July 1, 2010, the following rules govern when, and how, you can recover PST returned to your customer.

### Returned Goods

You **cannot** make an internal adjustment on a supplemental tax return to recover the PST returned to your customer regardless of when the goods were returned.

#### Before July 1, 2010

If your customer returned goods before July 1, 2010, and you refunded all or part of the purchase price and the corresponding PST paid by your customer, you may apply to the ministry for a refund of the tax by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). The ministry must receive your refund application within four years of the date the PST was paid by your customer.

#### July 1, 2010 to October 31, 2010

If your customer returns goods on, or after, July 1, 2010, but before November 1, 2010, and you refund all or part of the purchase price, you **must** return to your customer the PST attributable to the purchase price refunded. To recover the PST returned to your customer, you may apply to the ministry for a refund by submitting an *Application for*

*Refund (Vendors, Operators, and Lessors)* form ([FIN 408](#)). The ministry must receive your refund application before January 1, 2011. No refund is available for applications received on, or after, January 1, 2011.

#### **After October 31, 2010**

If your customer returns goods on, or after, November 1, 2010, your customer may apply to the ministry for a refund of the PST paid by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). The ministry must receive the refund application within four years of the date the PST was paid. If you return PST to your customer in relation to goods returned on, or after, November 1, 2010, you **cannot** claim a refund of the PST from the ministry.

### **Cancelled Services**

You **cannot** make an internal adjustment on a supplemental tax return to recover PST returned to your customer regardless of when your customer cancels the service.

#### **Before July 1, 2010**

If your customer cancelled a taxable service, telecommunication service or legal service before July 1, 2010, and you returned the PST paid by your customer, you may apply to the ministry for a refund of the tax by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). The ministry must receive your refund application within four years of the date the PST was paid by your customer.

#### **July 1, 2010 to December 31, 2010**

If your customer cancels a taxable service, telecommunication service or legal service on, or after, July 1, 2010, but before January 1, 2011, and you refund all or part of the purchase price, you **must** return to your customer the PST attributable to the purchase price refunded. To recover the PST returned to your customer, you may apply to the ministry for a refund by submitting an *Application for Refund (Vendors, Operators, and Lessors)* form ([FIN 408](#)). The ministry must receive your refund application before March 1, 2011. No refund is available for applications received on, or after, March 1, 2011.

#### **After December 31, 2010**

If your customer cancels a taxable service, telecommunication service or legal service on, or after, January 1, 2011, your customer may apply to the ministry for a refund of the PST paid by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). The ministry must receive the refund application within four years of the date the PST was paid. If you return PST to your customer in relation to a taxable service, telecommunication service or legal service cancelled on, or after, January 1, 2011, you **cannot** claim a refund of the PST from the ministry.

## Price Reductions

You **cannot** make an internal adjustment on a supplemental tax return to recover PST returned to your customer regardless of when you make the price reduction.

### Before July 1, 2010

If, before July 1, 2010, you reduced the purchase price of goods after the initial transaction and returned the PST attributable to the reduction amount, you may apply to the ministry for a refund of the tax by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). The ministry must receive your refund application within four years of the date the PST was paid by your customer.

### July 1, 2010 to December 31, 2010

If, on, or after, July 1, 2010, but before January 1, 2011, you reduce the purchase price of goods after the initial transaction, you **must** return to your customer the PST attributable to the reduction amount. You may apply to the ministry for a refund of the tax by submitting an *Application for Refund (Vendors, Operators, and Lessors)* form ([FIN 408](#)). The ministry must receive your refund application before March 1, 2011. No refund is available for applications received on, or after, March 1, 2011.

### After December 31, 2010

If, on, or after, January 1, 2011, you reduce the purchase price of goods after the initial transaction, your customer may apply to the ministry for a refund of the PST attributable to the reduction amount by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). The ministry must receive the refund application within four years of the date the PST was paid. If you return PST to your customer, you **cannot** claim a refund of the PST from the ministry.

## PST Charged on Exempt Goods or Non-taxable Services

If you incorrectly charged PST on an exempt good or non-taxable service (e.g. you charged PST on food) before July 1, 2010, your customer may apply to the ministry for a refund of the PST by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). The ministry must receive the refund application within four years of the date the PST was paid. If you return the PST to your customer, you **cannot** claim a refund of the PST or make an adjustment on a supplemental tax return.

## PST Charged to Exempt Purchasers

If you collected and remitted PST on a transaction, but your customer later supplies evidence of an exemption (e.g. your customer provides a vendor registration number), your customer may apply to the ministry for a refund of the PST paid by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form ([FIN 413](#)). If you

return the PST paid to your customer, you **cannot** claim a refund of the PST or make an adjustment on a supplemental tax return.

If you remitted PST to the ministry and you **did not** collect PST from your customer because your customer later supplied evidence of an exemption, you may apply to the ministry for a refund. You may apply to the ministry for a refund of the tax by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form (**FIN 413**). You **cannot** make an adjustment on a supplemental tax return.

**Please note:** Refund claims must be received by the ministry within four years of the date the PST was paid.

### **PST Not Collected or Required to be Collected**

If you remit an amount as PST that you neither collected nor were required to collect, you may apply to the ministry for a refund of that amount. For example, if you made \$1,000 in taxable sales and collected \$70 in PST from your customers but, due to a mathematical error, you mistakenly remit \$100 in PST, you may apply for a refund of the \$30 you did not collect and were not required to collect.

You may apply for a refund by submitting an *Application for Refund of Social Service Tax or Hotel Room Tax* form (**FIN 413**). The ministry must receive your refund application within four years of the date the PST was paid.

**Please note:** The ministry cannot issue a refund of less than \$10.

### **Further Information**

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

You can also find information on our website 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)

The information in this notice is for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/legislation.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/legislation.htm)