

Building and Home Improvement Stores

Social Service Tax Act

Do you sell hardware, building and home improvement supplies?

Do you supply and install kitchen cabinets, flooring or other home improvement items?

This bulletin provides specific tax information to help retailers of building and home improvement supplies understand how the social service tax, also called the provincial sales tax (PST), applies to their businesses.

For general PST information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

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Sales

When to Charge PST

You charge PST on the sale or lease of most hardware, building and home improvement supplies, such as:

The revision bar (|) identifies changes to the previous version of this bulletin dated February 2008.

- windows, doors and skylights that do not have the ENERGY STAR®¹ designation,
- lumber, piping, bricks, cement and concrete blocks,
- hand and power tools, nails and screws,
- cabinet hardware, paint and paint brushes, and
- tiles, laminate and other floor covering materials.

In certain circumstances, you may need to charge PST on delivery charges. For more information, please see [Bulletin SST 083](#), *Transported Goods*.

If you are located outside British Columbia and make taxable sales in British Columbia, you may be required to have a PST registration number. For more information, please see [Bulletin SST 074](#), *Out-of-Province Sellers*.

When Not to Charge PST

You do not charge PST on the sale or lease of goods, such as:

- certain energy conservation or ENERGY STAR® qualified products, such as caulking designed to prevent heat loss from a building or ENERGY STAR® qualified windows, doors and skylights (for more information, please see [Bulletin SST 011](#), *Exemption for Materials and Equipment Used to Conserve Energy*), and
- certain safety equipment, such as safety goggles (for more information, please see [Bulletin SST 002](#), *Safety Equipment and Protective Clothing*).

For detailed lists of taxable and non-taxable items sold by building and home improvement stores, please see our website at www.sbr.gov.bc.ca/industry_specific/building_improvement/building.htm

Sales to Out-of-Province Customers

If you sell to out-of-province customers and ship goods to an out-of-province location, you do not charge PST. To show why you did not charge PST, your records must show that the goods were shipped out of the province. For more information, please see [Bulletin SST 030](#), *Purchases by Non-Residents of British Columbia*.

Sales to Other Retailers

You do not charge PST on goods sold to other retailers if they provide their PST registration number. When you sell to other retailers, you record their PST registration number on each invoice and keep it in your records to show why you did not charge PST.

¹ The ENERGY STAR® mark is administered and promoted in Canada by Natural Resources Canada and is registered in Canada by the United States Environmental Protection Agency.

Bundled Goods and Services

Generally, if a non-taxable good or service, such as a cookbook, is bundled together with a taxable good or service, such as barbecue utensils, and sold together for a single price, you charge PST only on the fair market value of the taxable good or service. However, there are exceptions to this general rule. For more information, please see [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-Taxable Goods or Services Sold Together for a Single Price*.

Eco or Enviro Fees

Some industries impose ecological (eco) or environmental (enviro) fees on certain products. The eco or enviro fees form part of the purchase price because the fees must be paid to acquire the product. Therefore, if the product is taxable, you also charge PST on the eco or enviro fee.

Environmental Levy on Batteries

You charge a \$5 environmental levy on each new lead-acid battery that weighs 2 kg or more. You do not charge PST on the battery levy, and you must identify the levy on the invoice separately from the PST. For more information, please see [Bulletin SST 015](#), *Environmental Levy on Batteries*.

Equipment Rentals and Leases

You charge PST on all equipment rentals and leases, unless your customer provides their PST registration number or you provide an operator with the equipment rental. If you purchase equipment solely for renting or leasing to your customers, you purchase the equipment without paying PST by giving your registration number to your supplier.

If you use this equipment in your business, such as using an air compressor while conducting workshops, in addition to using it for rentals and leases, the item is taxable to you the moment the use changes. You calculate and self-assess PST on the greater of the depreciated value or 50% of the original purchase price. You self-assess and record the PST due at Step 3 of your next tax return. For more information on rentals and leases, please see [Bulletin SST 082](#), *Rentals and Leases of Tangible Personal Property*.

Purchases

When to Pay PST

You pay PST on the purchase or lease of new or used goods that you use in your business, such as:

- stationery, furniture and office equipment,

- advertising materials, such as flyers and brochures,
- certain goods you purchase to give away as free promotions (please see the section below, Promotional or Giveaway Items),
- computer hardware and software (unless custom software),
- equipment used to perform your services, such as table saws, ceramic tile cutters, hammers, nail guns and hand tools,
- services to repair your equipment,
- tools you use to provide home improvement workshops at your store,
- barrels, drums, pallets and carboys that are reusable and returnable to you or require a deposit from the customer,
- containers, labels or packaging materials that are used for handling goods prior to resale, (e.g. strapping tape for bundling lumber to transport from your warehouse to your retail site),
- compressed gas cylinders where the customer is not charged for the use of the cylinder,
- building materials you use in your business, and
- shelving, storage racks, counters, display cases, computerized cash registers and pallet jacks.

If the supplier does not charge you PST on the above items, you self-assess and record the PST due at Step 3 of your next tax return.

Goods Sold from Your Supply Stock

If you purchased a product to provide a service and paid PST on the product, but you later sell the product to a customer, you charge the customer PST. If you did not use the product before you sold it, you may qualify for a refund from the ministry. For more information, please see [Bulletin GEN 008](#), *Refunds of Overpayments of Tax*.

When Not to Pay PST

You do not pay PST on the following:

- goods you purchase for resale or lease to your customers,
- containers, labels or packaging materials that are included with your sales at no extra charge to your customers (for more information, please see [Bulletin SST 020](#), *Containers, Labels and Packing Materials*),
- packaging material, such as bubble wrap, that is used in the delivery of goods, where there is an extra charge to your customers,
- compressed gas cylinders where the customer is charged a fee for the use of a cylinder (not a refundable deposit), and

- certain materials and equipment used for energy conservation purposes (for more information, please see [Bulletin SST 011](#), *Exemption for Materials and Equipment Used to Conserve Energy*).

To purchase the above items without paying PST, give the supplier your PST registration number.

If you take taxable goods from your resale inventory for business or personal use, you self-assess PST on your cost of the goods.

Purchases from Out-of-Province Suppliers

If you purchase taxable goods from an out-of-province supplier, you pay PST on the total amount that you pay to bring the goods into British Columbia, 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, you self-assess and record the PST due at Step 3 of your next tax return. For more information, please see [Bulletin SST 043](#), *Goods Purchased from Out-of-Province Suppliers*.

Promotional or Giveaway Items

You pay PST on promotional or giveaway items, such as calendars and paint samples, that you use or give away to help advertise or promote your business.

However, you do not pay PST on promotional or giveaway items with the purchase of another good or service. For example, you may give your customer an item, such as a paint roller, with the purchase of paint. These types of giveaway items are part of the sale and you can purchase them without paying PST if the giveaway item meets *one* of the following conditions:

- it is physically included with the purchased good or service,
- your customer receives it as a condition of purchasing another good or service, or
- you advertise that you only give it away with the purchase of another good or service.

You charge PST on any taxable good or service your customer purchases to receive the giveaway item. However, you do not charge PST if the good or service your customer purchases is non-taxable.

For more information, please see [Bulletin SST 080](#), *Promotions and Special Offers*.

Services

When to Charge PST

You charge PST on services, such as:

- sharpening saw blades, knives and tools,
- repairing tools, equipment and machinery, and
- applying protective treatments to maintain taxable goods, such as fabric protection, rust-proofing and painting.

You charge PST on the full charge for your services, including charges for parts, labour and travel time. For more information, please see [Bulletin SST 018](#), *Taxable Services*.

When Not to Charge PST

You do not charge PST on services, such as:

- services provided to non-taxable goods,
- seminars, training or workshop courses, including course materials,
- cutting customer owned materials, such as lumber and piping, and
- services to the following goods when designed for household use: refrigerators, stoves, ovens (including microwave ovens and convection ovens), clothes washers, clothes dryers, dishwashers, freezers, vacuums, rug cleaners, sewing machines, rugs and carpets, draperies and curtains.

Improvements to Real Property

Real property is land and any items permanently attached to land (e.g. buildings and structures). Materials and equipment that become permanently attached to the land or buildings are called improvements to real property.

When you supply and install improvements to real property, such as kitchen cabinets, flooring, windows or heating systems, you are considered to be a contractor. This applies whether you do the installations yourself or sub-contract the work to another business.

For contracts that you **enter into before October 1, 2008**, the way you structure your contract determines whether you pay PST or you charge your customer PST on the materials and equipment you supply and install to complete the contract. For contracts that you **enter into on, or after, October 1, 2008**, generally, you are required to pay PST. However, under certain circumstances, you charge your customer PST.

If you take taxable goods from your resale inventory and install them under contracts where you are responsible for paying the PST, you self-assess PST on your cost of the goods.

If you are involved in real property contracts, it is important that you read [Bulletin SST 072](#), *Real Property Contractors*, for detailed information.

Tax on Multi-Jurisdictional Vehicles

If your store has its own fleet of vehicles to transport goods across more than one province or state, you may have to pay annual multi-jurisdictional vehicle (MJV) tax on your vehicles and trailers. For more information, please see [Bulletin SST 073](#), *Multi-Jurisdictional Vehicles*.

Production Machinery and Equipment Exemption

If you manufacture a product, such as doors or cabinets, you may qualify as a manufacturer. If you qualify as a manufacturer, you may purchase equipment used to produce your product without paying PST. For more information, and to see if you qualify for the production machinery and equipment exemption, please see [Bulletin SST 054](#), *Manufacturers*.



Need more info?

Building and Home Improvement Stores website: www.sbr.gov.bc.ca/industry_specific/building_improvement/building.htm

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin 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

References: *Social Service Tax Act*, Sections 1, 66, 67, 71(j)-(k), 73(1)(a.1), 73(1)(b), 73(2), 74(b)-(c), 74(e), 77(b) and 138(1)(j) - (j.2), and Regulations 2.21, 2.27, 3.20 and 3.26