

## Home-Based Businesses

### *Social Service Tax Act*

**Do you operate a business from your home?**

**Do you need to know how PST applies to your business?**

This bulletin provides tax information to help home-based business owners 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 \(PST\)](#).

For more PST information on specific types of home-based businesses, please see the section below, Other Bulletins.

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

## Registration

### When to Register

If you regularly sell taxable goods, such as pets, beauty products, or arts and crafts, you need to register with the ministry. You also need to register if you lease taxable goods or provide taxable services, such as computer hardware repairs or knife sharpening services.

Home-based business owners occasionally confuse the PST with the federal goods and services tax (GST). PST and GST are collected separately and have different rules and regulations. For example, unlike GST, there are no input tax credits for PST.

As a registered vendor in British Columbia, you collect PST on all taxable sales and services and send in the PST due with your tax return.

### When Not to Register

You do not need to register with the ministry if you only sell non-taxable goods, such as food for human consumption and books, or if you only provide non-taxable services, such as beauty or health services. For more information, please see [Bulletin SST 044, Registering to Collect Provincial Sales Tax \(PST\)](#).

If you do not need to register with the ministry and you make sales of taxable goods (e.g. computers or furniture), you will still need to collect and send in the PST. You send in the PST due by completing a *Casual Remittance Return for Provincial Sales Tax (PST) Due on Taxable Tangible Personal Property by a Seller Not Registered Under the Social Service Tax Act* form ([FIN 428S](#)). You can do this at any Service BC Centre, or you can download the form from our website and mail us your payment.

### Optional Registration and Collection

You may qualify for optional registration and collection, and choose not to register and collect PST if:

- your gross annual sales of qualifying goods and services is \$10,000 or less,
- you do not regularly sell goods or services, or regularly make leases from an established commercial premises, and
- you do not maintain an established business premises.

**Please note:** The requirements for persons eligible for optional registration and collection who choose not to register differ from the requirements for businesses that are not required to register because they only sell non-taxable goods or services. For more information, please see the notice, [New Registration and Collection Threshold](#).

## Sales

### When to Charge PST

You charge PST on the sale or lease of goods, such as:

- clothing, jewellery and accessories,
- art and art supplies,
- greeting cards and giftware,
- furniture,
- printed photographs and video recordings,
- brochures, posters and pamphlets,
- flowers and plants,
- cleaning solutions and products,
- pets, pet food and supplies,
- packaged or prewritten software,
- musical instruments, and
- cosmetics, grooming aids and skincare products.

### When Not to Charge PST

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

- water and non-alcoholic beverages,
- books and magazines,
- children's clothing,
- vitamins and dietary supplements,
- specified health-related equipment and supplies,
- fabric cut from a bolt or roll that is suitable for making clothing,
- seeds and edible plants,
- food products (for human consumption), such as canned or baked goods, and
- custom software.

### Sales to Out-of-Province Customers

If you sell to out-of-province customers and ship the 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.

## Bundled Goods and Services

Generally, if a non-taxable good or service, such as ear piercing, is bundled together with a taxable good or service, such as jewelry, 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*.

## Purchases

### When to Pay PST

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

- motor vehicles and trailers,
- tools,
- stationery, furniture and office equipment,
- advertising materials, such as flyers and brochures,
- goods you purchase to give away as free promotions, such as items included in a gift basket for your customers,
- computer hardware and software (unless custom software),
- supplies that do not become part of the goods you are servicing, such as oils, lubricants, cleaning cloths, paper towels and cleaning supplies,
- equipment used to perform your services, such as wrenches and saw blades, and
- services to repair your equipment.

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.

If you bring equipment, vehicles or other personal assets into British Columbia for business use, you may need to pay PST. For more information, please see [Bulletin SST 075](#), *Items Brought Into British Columbia by New Residents*.

## 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* and [Bulletin SST 068](#), *Personal Services*.

## When Not to Pay PST

You do not pay PST on the following:

- goods you purchase for resale or lease to your customers, and
- containers, labels or packaging materials that are included with your sales at no extra charge to your customers.

To purchase the above items without paying PST, give the supplier your PST registration number. If you do not have a PST registration number, you use a *Certificate of Exemption* ([FIN 453](#)) to purchase these goods without paying PST. You can leave this form on file with the suppliers to make repeat purchases of the same goods.

If you purchase both non-taxable goods for resale and taxable goods for use in your business as a single sale, you need to tell the supplier which goods are non-taxable and which goods are taxable.

If you take taxable goods from your resale inventory and use them for your business or for 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.

If you do not have a PST registration number and the supplier does not charge PST at the time of the sale, you self-assess the PST due using the *Casual Remittance Return for Provincial Sales Tax (PST) Due on Taxable Tangible Personal Property by a Purchaser Not Registered Under the Social Service Tax Act* form ([FIN 428P](#)). Do this at the time you bring or ship the goods into British Columbia. For more information, please see [Bulletin SST 043](#), *Purchases from Out-of-Province Suppliers*.

## Electricity, Natural Gas or Fuel Oil Used For Your Business

PST does not apply to **residential** use of electricity, natural gas or fuel oil (which includes propane), but it does apply to business use. As a home-based business, you need to pay PST on the portion of electricity, natural gas or fuel oil used for your business. You need to calculate the PST due, even if you are not a registered vendor.

**Please note:** Effective February 20, 2008, biodiesel fuel used for commercial use is exempt from tax. This exemption includes the biodiesel portion of any blend of biodiesel fuel and fuel oil.

If PST is not already shown on your electricity or fuel bills, calculate the amount of tax due and send it to the ministry. Please follow the steps below to calculate the PST due.

1. Calculate a reasonable percentage of the total square footage of your home that is used for your business (just like you would for income tax purposes).
2. Add up the amounts for each electricity or fuel bill (excluding GST).
3. Multiply the amount from Step 2 by the percentage of your home used for your business.
4. Multiply the amount from Step 3 by the current PST rate (7%). This is the PST due.

### Example:

1. Percentage of home used for business: 40%
2. Hydro                      \$110  
    Natural Gas        \$ 70 (include only if the business portion uses it)  
                                 \$180
3.  $\$180 \times .40$  (40% business use) = \$72
4.  $\$72 \times .07$  (7% PST) = **\$5.04**

In this example, \$5.04 is due on the electricity and fuel used for this home-based business.

If you paid PST on the full amount of your electricity, natural gas or fuel oil bills, you may apply for a refund of the PST paid on the residential portion. For more information, please see [Bulletin GEN 008](#), *Refunds of Overpayments of Tax*.

**Please note:** Effective September 1, 2007, a provincial Innovative Clean Energy (ICE) Fund levy of 0.4% applies to purchases of electricity, natural gas, fuel oil and propane sold on a grid system.

The PST exemption for residential use of electricity, natural gas, fuel oil and propane (including propane sold on a grid system) does not apply to the ICE Fund Levy. This means you pay the levy on these products whether you use them for business or residential purposes. For more information, please see our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Provincial\\_Sales\\_Tax/ICE\\_Fund\\_Levy.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/ICE_Fund_Levy.htm)

## Services

### When to Charge PST

You charge PST on the sale of taxable services, such as:

- installing or repairing televisions, stereos, musical instruments and computers,
- assembling or maintaining taxable goods,
- repairing business equipment or furniture, and
- restoring or refinishing furniture.

You charge PST on the full price of your services, including charges for parts, labour and travel time.

### When Not to Charge PST

You do not charge PST on the sale of non-taxable services, such as:

- cleaning services,
- beauty services,
- hairstyling,
- therapeutic massage treatments,
- consulting services, such as accounting, secretarial, financial, realty or property management,
- certain internet services, such as web hosting, web design or domain registration,
- services to software, and
- services to animals.

For more information, please see [Bulletin SST 018](#), *Taxable Services*.

### Goods Provided with Non-Taxable Services

You do not charge PST on goods that you provide with your service when the sale meets the following criteria:

- the main purpose of the sale is to provide a service to your customer and not to produce a good,

- you do not charge for the good, and
- the price for the service is the same as, or only slightly different from, the price that your customer would have paid without the good.

For example, if you are an interior designer and you provide your customer with a custom colour swatch created specifically for that customer's home as part of your service, you do not charge PST on the custom colour swatch. However, you pay PST on your cost of the goods used to create the custom colour swatch.

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

## Production Machinery and Equipment Exemption

If you manufacture a product, such as 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*.



## Other Bulletins

The following are additional bulletins that you may find relevant to your business.

**Bulletin SST 009**, *Children's Clothing* – information on how PST applies to children's clothing and footwear

**Bulletin SST 018**, *Taxable Services* – information on taxable and non-taxable services and maintenance agreements

**Bulletin SST 040**, *Computer Hardware and Software* – information on how PST applies to sales and services to computer hardware and software

**Bulletin SST 053**, *Photographers and Photofinishers* – information on how PST applies to printed photographs and photography services

**Bulletin SST 069**, *Taxidermists* – information on how PST applies to taxidermy sales and services

**Bulletin SST 076**, *Film and Television Production* – information on how PST applies to purchases of film equipment and post-production services

**Bulletin SST 086**, *Pet Industry* – information on how PST applies to animals, pet supplies and services to animals

**Bulletin SST 089**, *Fabric and Craft Stores* – information on how PST applies to fabric, sewing and craft supplies, and sewing and craft classes

**Bulletin SST 090**, *Design Consultants* – information on how PST applies to services provided by design consultants, such as architectural, engineering, industrial, interior or landscape design

**Bulletin SST 122**, *Automotive Services and Parts* – information on how PST applies to auto repair services and replacement parts

**Bulletin SST 124**, *Beauty Industry* – information on how PST applies to beauty products and services

**Bulletin SST 128**, *Graphic Designers* – information on how PST applies to graphic design services, graphic artwork and digital materials



## Need more info?

Home-Based Businesses website: [www.sbr.gov.bc.ca/industry\\_specific/home\\_business/home\\_business.htm](http://www.sbr.gov.bc.ca/industry_specific/home_business/home_business.htm)

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: [CTBTaxQuestions@gov.bc.ca](mailto: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](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/legislation.htm)

References: *Social Service Tax Act*, Sections 1, 5, 6, 9, 11, 14, 20, 40, 42, 69.1, 70, 71(a), 74(a.1), 74(b), 74(c), 76(1)(k), 77(a), 77(b), 78(1), 79(1), 92, 92.2 and 93, and Regulations 2.4, 2.31, 2.45, 2.46, 2.47, 3.4, 3.22, 3.24, 4.1–4.8, 5.6, 5.7, 5.11, 12, 12.1, 13.1, 13.2, 17.1 and 17.2; *Finance Statutes (Innovative Clean Energy Fund) Amendment Act*, 2007