



# Provincial Sales Tax (PST) Notice

Notice 2012-014

Issued: November 2012

## Legal Services

### *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 purchases of legal services.

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

For information on how PST applies to purchases of legal services that straddle April 1, 2013, please see PST [Notice 2012-10](#), *General Transitional Rules for the Re-implementation of the Provincial Sales Tax*.

## What are Legal Services?

Legal services are services that come within the meaning of the practice of law under the *Legal Profession Act*, and services described in section 18 of the *Notaries Act*.

Examples of legal services include, but are not limited to, the following services provided by a lawyer or notary.

- Legal counselling (providing legal advice)
- Acting as legal counsel in negotiations, including settling terms of a purchase of a business in BC
- Legal services provided via a 1-900 number
- Tax or estate planning that includes the provision of legal advice
- Providing legal advice or acting as counsel or advocate to a party in a court proceeding, or in a legally mandated arbitration or mediation
- Preparing documents, including conveyance documents and documents to maintain a company's registered and records office (i.e. minutes, resolutions, bylaws, annual reports and returns)

Services provided by a person to that person's employer in the course of employment are not legal services for PST purposes.

## **Legal Services Provided in BC**

Legal services provided in BC to a person who resides, ordinarily resides or carries on business in BC will be subject to PST, unless a specific exemption applies.

Legal services provided in BC to a non-resident of BC will be subject to PST, unless a specific exemption applies, if the legal services relate to:

- Real property situated in BC
- Tangible personal property that is ordinarily situated or delivered in BC
- The ownership, possession, use or right to use any other property in BC
- A court or administrative proceeding in BC
- The incorporation of a company under the *Business Corporations Act* or *Society Act*
- The registration of a corporation as an extra-provincial company or society under the *Business Corporations Act* or *Society Act*
- Any other prescribed matter that relates to BC

## **Legal Services Provided Outside of BC**

Legal services provided outside of BC to a person who resides, ordinarily resides or carries on business in BC will be subject to PST, unless a specific exemption applies, if the legal services relate to:

- Real property situated in BC
- Tangible personal property that is ordinarily situated or delivered in BC
- The ownership, possession, use or right to use any other property in BC
- A court or administrative proceeding in BC
- The incorporation of a company under the *Business Corporations Act* or *Society Act*
- The registration of a corporation as an extra-provincial company or society under the *Business Corporations Act* or *Society Act*
- The interpretation or application of an enactment as defined in the *Interpretation Act*, or a former or proposed such enactment
- The interpretation or application of any enactment, or a former or proposed enactment of any jurisdiction, or the analysis and application of any law, if it relates to:
  - A physical or legal presence in BC
  - Any activity or transaction in BC
  - The contemplation of a presence, activity or transaction in BC
- A contract or covenant (or the contemplation of a contract or covenant) related to a physical or legal presence, activity or transaction in BC, or the contemplation of a presence, activity or transaction in BC
- Any other prescribed matter that relates to BC

## **Application of PST**

PST at a rate of 7% will apply to the purchase price of legal services. The purchase price includes all fees, charges and disbursements for legal research and secretarial or other support services. It does not include fees and charges for the transmission, printing or copying of

documents if the amount of the fee or charge is reasonably related to the cost of the transmission, printing or copying incurred by the provider of the legal services.

If a person resides, ordinarily resides or carries on business outside of BC as well as in BC, and a part of the legal services relate to a jurisdiction other than BC, PST will only apply to the portion of the purchase price which is for the legal services that relate to BC.

## Exemptions

Exemptions under the previous PST will be re-implemented with the PST, including the exemption for legal services provided to an individual that are at least partly paid for by the Legal Services Society (Legal Aid) or by a funded agency within the meaning of the *Legal Services Society Act*.

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

## Paying and Collecting Tax

In most cases, the provider of legal services will charge and collect the PST payable on the purchase of taxable legal services. However, BC residents who purchase taxable legal services outside of BC will generally be required to self-assess tax. More information on the requirement to self-assess will be provided in the near future.

## 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)