

Rentals and Leases of Goods

Provincial Sales Tax Act

This bulletin provides information to help lessors understand how the provincial sales tax (PST) applies to leases of goods.

This bulletin does not provide information on how the PST applies to leases of motor vehicles. For information on how PST applies to leases of motor vehicles, please see [Bulletin PST 116](#), *Motor Vehicle Dealers and Leasing Companies*.

Table of Contents

Definitions.....	1
Registration	2
What is a Lease?.....	2
PST on Leases in BC	5
Leased Goods Brought Into BC by Lessee.....	8
Goods Supplied With an Operator.....	8
Exemptions for Lessors	9
Change in Use of Lease Inventory Purchased in BC or Brought Into BC.....	10
Change in Use for Lessees	12
Bundled Leases.....	13
Refunds	14
Leased Goods that Become Part of Real Property.....	15

Definitions

In this bulletin:

- **Goods** mean tangible personal property as defined in the *Provincial Sales Tax Act*. Tangible personal property is personal property that can be seen, weighed, measured, felt or touched, or that is in any way perceptible to the senses, and includes:
 - natural or manufactured gas,
 - electricity,
 - heat,
 - affixed machinery, and

- an improvement to real property or part of an improvement to real property that is removed from the site at which it is affixed or installed, while it is removed from that site.
- a **lessor** is a person who, in the ordinary course of business, leases or offers to lease goods to a lessee and does one or more of the following:
 - carries on business in BC
 - enters into leases in BC with a lessee
 - leases goods that are located in BC at the time the lease is entered into
 - transfers possession of or delivers leased goods to a lessee in BC

Registration

If you are a lessor who leases taxable goods in BC (including entering into lease agreements in BC or delivering leased goods to a lessee in BC), you must register to collect PST on your taxable leases. If you are a lessor who only leases exempt goods, you are not required to register to collect PST.

For more information, please see [Bulletin PST 001](#), *Registering to Collect PST*.

What is a Lease?

A lease is an agreement under which a person is given a right to use goods (and includes rentals). However, a lease does **not** include any of the following:

- an agreement under which goods are supplied with a person to operate the goods (see the section below, Goods Supplied With an Operator)
- the leasing of furnishings under an agreement to rent a house, apartment or other residential accommodation if the rent payments under the agreement are not divided into separate amounts for the accommodation and the furnishings
- a right to use goods supplied with the purchase of accommodation if there is no separate purchase price for the right to use those goods
- a right to use goods that are merely incidental to an agreement for the right to use real property or the provision of services that are not subject to PST (see the section below, Incidental Goods)

A lease also does **not** include an agreement to download or stream content over the Internet. However, PST applies to charges for the right to download, view or access certain audio and video content, such as music, TV programs and movies.

For more information, please see [Bulletin PST 107](#), *Telecommunication Services*.

Taxable Leases

Unless a specific exemption applies, as a lessor, you must charge PST on new or used taxable goods that you lease in BC if one or more of the following apply:

- the lessee enters into the lease in BC
- the goods are located in BC at the time the lessee enters into the lease
- the lessee takes or intends to take possession of the goods in BC, or receives delivery of the goods in BC

PST applies regardless of the length of the rental period (e.g. hourly, daily, weekly, monthly).

Examples of Taxable Leases

Leases of the following goods are taxable, unless a specific exemption applies. This is not a complete list.

- Appliances and freestanding refrigeration equipment
- Boats and non-turbine aircraft (unless supplied with an operator, such as part of a flying or sailing course or a charter)
- CDs, DVDs, Blu-ray discs, video games, audio and video players and equipment, gaming consoles, and TVs
- Camera equipment, display lighting, sound and visual equipment, and recording equipment
- Camping gear, including tents, backpacks, sleeping bags, mats, poles, cookware, tarps and lighting
- Carpet cleaners
- Computers and peripherals, including printers, fax machines, modems and routers, and tablets
- Construction and renovation equipment and tools, including tile saws, sanders, drills, tampers, scaffolding, generators, excavators, pumps, paint sprayers and air compressors
- Electric bicycles and electric scooters
- Food carts
- Furniture, artwork and decorations (e.g. when leased for staging homes)
- Garden tools (e.g. lawn mowers, trimmers, aerators and hand tools) and pressure washers
- Goods leased by party supply stores (see [Bulletin PST 122](#), *Caterers, Event Planners and Party Supply Stores*)
- Horses and other animals
- Industrial gas cylinders
- Inflatables such as bouncy castles (unless supplied with an operator)
- Jewellery and accessories
- Manufactured buildings (note: certain used manufactured buildings are exempt; see [Bulletin PST 133](#), *Manufactured Buildings*)
- Motion pictures, where the lessee is given the right or authority to exhibit the motion picture to others (please contact us)
- Musical instruments and related equipment
- Office equipment and furniture
- Plants in freestanding containers
- Roof racks and trailers
- Sports equipment, including:
 - ATVs and snowmobiles
 - baseball equipment, tennis rackets, squash rackets and balls
 - bowling shoes
 - canoes, kayaks, windsurfing boards, surfboards, stand up paddleboards (SUPs), wakeboards, bodyboards, boogieboards, skimboards, water skis, inner tubes, scuba gear, wetsuits and drysuits,
 - fitness equipment

- golf carts, golf clubs and golf balls (including buckets of range balls), and discs for disc golf
- hockey equipment, ice skates and inline skates
- rock climbing shoes and mountaineering equipment
- snowshoes, ski boots, snowboard boots and other ski and snowboard equipment (including skis and snowboards), toboggans and sleds
- swim fins and swim goggles
- swimming pools and hot tubs that remain tangible personal property (see [Bulletin PST 104](#), *Real Property Contractors*)
- trampolines
- Tuxedos, formal wear, costumes and other clothing and footwear
- Uniforms, towels and linens

Please note: Some of the goods listed above are not subject to PST if they:

- meet the exception provided in the section below, Incidental Goods,
- qualify as safety helmets designed for use in sport, recreation or transportation, or
- qualify as children’s clothing or adult-sized clothing leased for a child under the age of 15 years (please see [Bulletin PST 201](#), *Children’s Clothing and Footwear*).

Examples of Exempt Leases

Leases of the following goods are exempt from PST. This is not a complete list.

- Certain goods specifically exempt from PST, including:
 - aircraft powered by a turbine and parts for those aircraft
 - certain devices for use in transporting individuals with disabilities, certain equipment designed for use by individuals with disabilities, and crutches (please see [Bulletin PST 207](#), *Medical Supplies and Equipment*)
 - non-motorized bicycles and qualifying non-motorized tricycles, but not accessories for these goods (other than safety helmets)
 - self-propelled vessels over 500 tons
 - sheet music and other qualifying publications (please see [Bulletin PST 205](#), *Books, Magazines, Newspapers and Other Publications*)
 - specified energy conservation material and equipment (please see [Bulletin PST 203](#), *Energy and Energy Conservation*)
 - specified safety equipment and apparel (please see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*)
 - specified hydroelectric power generation equipment (please see [Bulletin PST 211](#), *Exemptions for Hydroelectric Power Generation*)
- Goods leased by specific persons in specific situations, including by:
 - First Nations individuals or bands (please see [Bulletin PST 314](#), *Exemptions for First Nations*)
 - persons eligible for the production machinery and equipment (PM&E) exemption (please see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*)
 - qualifying farmers (please see [Bulletin PST 101](#), *Farmers*)
 - qualifying commercial fishers (please see [Bulletin PST 102](#), *Commercial Fishers*)

- qualifying aquaculturists (please see [Bulletin PST 103](#), *Aquaculturists*)
 - multijurisdictional vehicle operators/carriers (please see [Bulletin PST 135](#), *Multijurisdictional Vehicles*)
 - members of the diplomatic or consular corps (please see [Bulletin CTB 007](#), *Exemption for Members of the Diplomatic and Consular Corps*)
 - the federal government (please see [Bulletin CTB 002](#), *Sales and Leases to Governments*)
- Goods leased for the sole purpose of leasing those goods to other persons (i.e. lease inventory; see the section below, Lease Inventory)

Sale and Lease-back Arrangement

If a lessee sells goods to you (the lessor) under a sale and immediate lease-back arrangement, the lessee is exempt from PST on that lease if the lessee previously paid one of the following taxes on the goods and did not receive (and is not eligible to receive) a refund, credit or rebate of the tax (including input tax credits of any amount):

- PST, (under the *Provincial Sales Tax Act*) other than temporary use tax or interjurisdictional conveyance tax
- tax on designated property (TDP) (under the *Consumption Tax Rebate and Transition Act*)
- the BC portion of the harmonized sales tax (HST)
- PST (under the *Social Service Tax Act*)

To claim this exemption, the lessee must provide you (the lessor) with documentation that shows they:

- purchased the goods, and
- paid one of the above taxes on the goods.

Incidental Goods

Information on the application of PST to incidental goods will be available in the near future.

PST on Leases in BC

If you lease taxable goods in BC (i.e. you are a lessor), you calculate the PST payable on down payments, lease payments and other charges (i.e. the “lease price”) that your customer pays for the right to use the taxable goods based on the following formula:

$$\text{PST Payable} = \text{Applicable PST Rate} \times \text{Lease Price}$$

You charge PST at the time these charges are paid or payable under the terms of the lease agreement, whichever is earlier.

Applicable PST Rate

The applicable PST rates for taxable leased goods are as follows:

Goods, other than those listed below	7%
Passenger vehicles	see Bulletin PST 116 , <i>Motor Vehicle Dealers and Leasing Companies</i>
Manufactured mobile homes (see note below)	7% of 50% of the lease price
Manufactured modular homes (see note below)	7% of 55% of the lease price
Portable buildings (see note below)	7% of 45% of the lease price

Please Note: PST at the rate of 7% applies on the total lease price for:

- freestanding appliances, freestanding furniture and draperies leased with a manufactured mobile home, manufactured modular home or portable building (i.e. a manufactured building), and
- repair parts leased for a manufactured building.

This means the reduced PST rates for manufactured mobile homes, manufactured modular homes and portable buildings do not apply to these items.

Lease Price

The lease price is the total amount your customer pays for the right to use the taxable goods and includes all amounts, such as:

- lease payments,
- any payments that are in addition to those made for lease periods, including a down payment,
- the value of goods you accept as a trade-in (for the purposes of the PST on leases, trade-in credits do not reduce the PST payable),
- disposition fees,
- delivery or other transportation charges in the following circumstances:
 - a mandatory condition of the lease agreement requires the lessor to deliver the goods at the start of the lease period, and to remove the goods upon termination of the lease agreement, or
 - delivery of the goods occurs during the term of the lease, even if the delivery charges are optional,
- charges calculated on a measure of the use of the goods by the lessee,
- finance charges,
- late-payment or late-return charges,
- early termination charges,
- licence or royalty fees
- membership fees that substantially reduce the price to lease the goods,
- registration fees, such as personal property registration, and
- charges for warranties, service contracts and maintenance agreements if the warranty, contract or agreement is mandatory (for more information, please see [Bulletin PST 303](#), *Warranties, Service Contracts and Maintenance Agreements*).

The lease price does not include:

- the goods and services tax (GST),
- an option-to-purchase (lease buyout) as described in the section below, Option-to-Purchase (Lease Buyout),
- repair fees as described in the section below, Repair Fees,
- fuel charges,
- refundable security deposits, or
- insurance coverage.

Repair Fees

As a lessor, you may require your customers to pay a repair fee or a loss of use fee if they damage leased goods. The repair fee is intended to reimburse you for the cost of repairing the damaged leased goods. The loss of use fee is intended to compensate you for the lease revenue that is lost while your goods are being repaired.

If your customer pays either of these fees because of a contractual obligation, you do not charge PST on the fee. This is because your customer is not purchasing a repair service or paying for the right to use the goods. Your customer is only reimbursing you for the repair expense or lost revenue.

You also do not charge PST on any administration fees solely related to the repair fee or loss of use fee.

Option-to-Purchase (Lease Buyout)

If your customer exercises an option-to-purchase provision contained in a lease agreement, the option-to-purchase is considered a separate transaction, and is subject to PST as a sale. You charge PST on the amount your customer pays to purchase the taxable goods even if the amount is a nominal amount (e.g. \$1).

Example:

Your customer enters into a 24-month lease for a computer. The contract includes a provision for a \$1 option-to-purchase at the end of the lease.

You charge PST as follows:

1. On each lease payment (for example, \$50)
 $\$50 \times 7\% = \3.50 in PST on each lease payment
2. The option-to-purchase price, if exercised
 $\$1 \times 7\% = \0.07 in PST

Please see the [Small Business Guide to PST](#) for the PST rates applicable to sales of taxable goods.

Breach of Lease

If your customer (i.e. the lessee) breaches a lease for taxable goods leased in BC and you charge your customer a payment for some or all of the outstanding balance of the lease price, you must charge your customer 7% PST on that payment. You charge PST at the time these charges are payable under the terms of the lease agreement.

Leased Goods Brought Into BC by Lessee

This section applies to you if you are a lessee.

If you lease taxable goods outside of BC and are either a BC resident or a business, you must self-assess PST if you bring or send those goods into BC for use during a rental period. The amount of PST you must self-assess for that rental period is based on the following formula:

$$\text{PST Payable} = \text{Applicable PST Rate} \times \text{Lease Price} \times (\text{BC Hours} / \text{Total Hours})$$

BC Hours is the total number of hours the taxable goods are in BC during the rental period, and Total Hours is the total number of hours in the rental period.

Please Note: Any amounts that are not attributable to a rental period under the lease (e.g. a down payment) must be attributed equally across all rental periods under the lease and included in the Lease Price for the purpose of calculating the PST payable under the above formula.

Example:

You have a 36-month lease for an excavator in Alberta. At the start of the lease, you made an \$18,000 down payment, and your monthly lease payment is \$1,000. During a rental period of 30 days (720 total hours), you bring the excavator into BC for 120 hours for use in your business.

The Lease Price for a rental period for the excavator is $\$1,000 + (18,000 / 36) = \$1,500$

You self-assess PST as follows:

$7\% \times \$1,500 \times (120 / 720) = \17.50 in PST payable

If you have a PST number, you must self-assess the PST due on your next return.

If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return* (**FIN 405**) on or before the last day of the month following the month in which the rental period ends. For example, if the rental period ends in June, you must file the return and pay the PST no later than July 31.

Goods Supplied With an Operator

If you supply taxable goods with a person to operate the goods, you are not considered to be leasing the goods. In this situation, you are providing a non-taxable service to your customer and you do not charge your customer PST. However, you must pay PST when you obtain taxable goods that you will supply with an operator, unless you qualify for the exemption for goods **occasionally** supplied with an operator (see below).

For example, if you provide sound and lighting equipment and a person to operate that equipment, you are not leasing the equipment and do not charge your customer PST.

You do not need to provide a person to directly operate the goods for this rule to apply. However, the person you provide must be present on-site (e.g. to supervise the use of a bouncy castle or photo booth) during the entire period the goods are being used. If the person is simply

on-call (e.g. available if problems arise) but does not remain on-site, the goods are being leased and this rule does not apply.

Exemptions for Lessors

Lease Inventory

As a lessor, you are exempt from PST when you purchase goods in BC, bring goods into BC or lease goods for the sole purpose of leasing those goods to other persons (i.e. solely for bare leases).

You are also exempt from PST when you purchase goods in BC or bring goods into BC solely for the purposes of:

- leasing the goods to other persons (bare leases), and
- occasionally supplying those goods with an operator under an agreement (see below),

provided that you capitalize those goods as lease inventory in your business accounting records.

Goods eligible for these exemptions are referred to as lease inventory.

To obtain these exemptions, you must provide the seller or lessor with your PST number or, if you do not yet have a PST number, a *Certificate of Exemption – General* form ([FIN 490](#)).

Goods Occasionally Supplied with an Operator

You may be eligible for an exemption for goods you obtain for your lease inventory if you occasionally supply those goods with an operator. If you qualify for this exemption, you do not charge PST but you must pay and self-assess the PST due based on the normal lease price of the goods each time that you supply those goods with an operator. The normal lease price is the price you usually charge to your customers for the lease of the goods without an operator.

Example:

You normally lease a boat from your lease inventory for \$200 per day (i.e. a bare lease). You also occasionally provide an operator with the boat for \$300 per day (i.e. chartering). The boat remains part of your lease inventory in your business accounting records.

When you lease the boat you charge PST on the \$200 per day lease price. When you provide the boat with an operator you do not charge PST. However, you are required to pay and self-assess the PST due based on the normal \$200 per day lease price (the \$300 per day chartering price is not used for PST purposes).

If you have a PST number, you must self-assess the PST due on your next return.

If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month in which you entered into an agreement to lease the taxable goods with an operator. For example, if you entered into an agreement in June, you must file the return and pay the PST no later than July 31.

Other Exemptions for Lease Inventory

You are exempt from PST on:

- parts and other goods you purchase in BC, or bring into BC, for the purpose of being processed, fabricated or manufactured into, attached to or incorporated into your lease inventory,
- goods you purchase in BC, or bring into BC, for packaging your lease inventory, and
- related services provided to goods in your lease inventory (for more information, please see [Bulletin PST 301](#), *Related Services*).

To claim these exemptions, you must provide the seller or lessor with your PST number or, if you do not yet have a PST number, a *Certificate of Exemption – General* ([FIN 490](#)).

Disposal of Lease Inventory

You must charge PST when you dispose of lease inventory in BC, unless a specific exemption applies. For example, after leasing a taxable piece of equipment to multiple lessees over a 10-year period, you decide to sell the equipment to a third party. You must charge PST on that sale, unless a specific exemption applies.

Containers and Packaging Materials

As a lessor, you may obtain containers and packaging materials you use to package goods for lease exempt from PST. However, you must pay PST on containers and packaging materials if you use them for other purposes, such as storing, handling or shipping goods, or you use them to provide a service.

Generally, you are not required to charge PST on the containers and packaging materials you provide with goods and services, unless you separately charge your customers for them. However, in limited circumstances, you may be required to charge PST on the fair market value of the containers and packaging materials.

For more information on containers and packaging materials, please see [Bulletin PST 305](#), *Containers and Packaging Materials*.

Labels

You may obtain labels exempt from PST if the labels are attached to and remain with the goods you lease.

If you remove the labels from the goods at or before the time of the lease, you must pay PST on the labels.

Change in Use of Lease Inventory Purchased in BC or Brought Into BC

As a lessor, if you use lease inventory that you purchased in BC, or brought into BC, for business or personal use, you must self-assess PST on the depreciated purchase price of the goods (see below). This includes if you begin to **frequently** supply those goods with an operator.

However, you do not need to self-assess PST on the depreciated purchase price if:

- the only use you made of those goods, other than leasing, is occasionally supplying those goods with an operator under an agreement, and
- you capitalize those goods as lease inventory in your business accounting records.

However, if this exception applies (i.e. you occasionally supply your lease inventory with an operator), you must self-assess the PST due based on the normal lease price of the goods each time that you supply those goods with an operator. For more information, see the section above, Goods Occasionally Supplied with an Operator.

Depreciated Purchase Price

The depreciated purchase price of taxable goods is the greater of:

- the depreciated value (as calculated below), and
- 50% of the purchase price.

The depreciated value is determined as follows:

$$\text{Depreciated value} = \text{Purchase price} - [\text{purchase price} \times \text{depreciation rate}]$$

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment	2.5% per 30-day period (30% per year)
Aircraft	2.0833% per 30-day period (25% per year)
Vessels	1.25% per 30-day period (15% per year)
Railway rolling stock	0.8333% per 30-day period (10% per year)
Other equipment, furnishings and affixed machinery	1.667% per 30-day period (20% per year)

For example, the depreciation rate for lease inventory that is equipment is the total of the following:

- 20% for each full year (12 consecutive months; **not** calendar year) since you purchased the equipment, plus
- 1.667% per 30-day period in a partial year (note: periods of less than 30 days must be computed to the nearest 30-day period; i.e. 15 days or more is counted as one 30-day period and periods of less than 15 days are not counted).

Example:

You purchased equipment for your lease inventory on May 12, 2013 and used the equipment for a taxable business use on June 30, 2014. The depreciation rate is 23.334%, calculated as follows:

- 20% for the full year running from May 12, 2013 to May 11, 2014, plus
- (1.667% x 2 = 3.334%) for the 30-day period running from May 12, 2014 to June 10, 2014 and the 20-day period running from June 11, 2014 to June 30, 2014.

Self-Assessing the PST due

If you have a PST number, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you first used the goods for business or personal use.

Change in Use for Lessees

This section applies to you if you are a lessee of goods.

As a lessee, you may lease goods exempt from PST provided they will be used for a specific exempt purpose. For example, leases of the following goods are exempt from PST:

- Goods leased for the sole purpose of leasing those goods to other persons (i.e. for re-lease; see the section above, Lease Inventory)
- Production machinery and equipment (PM&E) leased by persons eligible for the PM&E exemption, when used for an exempt purpose (please see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*)
- Specifically listed farm equipment and other goods leased by qualifying farmers, if used solely for a farm purpose (please see [Bulletin PST 101](#), *Farmers*)
- Boats, fishing nets and fishing equipment leased by qualifying commercial fishers, if used solely for a commercial fishing purpose (please see [Bulletin PST 102](#), *Commercial Fishers*)
- Specifically listed aquaculture equipment and other goods leased by qualifying aquaculturists, if used solely for an aquaculture purpose (please see [Bulletin PST 103](#), *Aquaculturists*)

If you subsequently use goods you leased exempt from PST for a taxable purpose, you must self-assess PST as follows:

- **For the lease period that includes the date you first used the goods:** you must self-assess PST on the portion of the lease price attributable to the portion of that lease period. The portion of the lease period is based on the number of days remaining in the lease period divided by the total number of days of that lease period.
- **For all remaining lease periods:** you must self-assess PST on the lease price attributable to each lease period. This applies even if you subsequently use the goods for a purpose that would have been an exempt purpose. For example, as a qualifying farmer, you leased a farm tractor exempt from PST solely for a farm purpose. You subsequently used the tractor for a taxable purpose and then finally returned the tractor to being used solely for a farm purpose. You are no longer eligible for an exemption for the tractor and must self-assess the PST due as provided above.

Please note: Any amounts not attributable to a rental period under the lease (e.g. a down payment) must be attributed equally across all rental periods under the lease and included in the lease price for the purpose of self-assessing PST. Please see the section above, Leased Goods Brought Into BC by Lessee, for an example of how to attribute a down payment equally across all rental periods.

Self-Assessing on Inventory for Re-Lease

If you lease goods (as a lessee) for the sole purpose of leasing those goods to other persons (i.e. for re-lease), you must self-assess PST if you:

- use the lease goods for a taxable purpose, including for business or personal use, or
- begin to **frequently** supply those goods with an operator.

Example:

You have a 12-month lease for a taxable good that is in your lease inventory and make monthly lease payments of \$1,000 for that good. The lease periods begin on the first day of the month and end on the last day of the month. On July 21st, you use the taxable good in your lease inventory for a taxable purpose. You self-assess PST as follows:

- For the July lease period, you self-assess PST on 35% (11 days / 31 days in July) of \$1,000 (the lease price attributable to that rental period). The PST payable is \$24.50 (35% X \$1,000 X 7%)
- For all remaining lease periods, you self-assess PST on \$1,000 (the total lease price attributable to each rental period). The PST payable is \$70 (\$1,000 X 7%).

You do not need to self-assess PST as provided above if:

- You lease the goods for the sole purpose of leasing those goods to other persons
- the only use you made of those goods, other than leasing, is occasionally supplying those goods with an operator under an agreement, **and**
- you capitalize those goods as lease inventory in your business accounting records.

However, if this exception applies, you must self-assess the PST due on the normal lease price of the goods when you occasionally supply those goods with an operator. For more information, see the section above, Goods Occasionally Supplied with an Operator.

Self-Assessing the PST Due

If you have a PST number, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return* (**FIN 405**) on or before the last day of the month following the month in which the rental period ends.

Bundled Leases

In the sections below, the fair market value of a lease of goods is generally the price you would normally charge to lease the goods on their own (i.e. without any other goods) for that timeframe. If you never lease the goods on their own, the fair market value of the lease is the amount that the good would normally be leased for in the open market.

Leases of Taxable and Exempt Goods for a Single Price

As a lessor, if you lease taxable and exempt goods together for a single price, you must charge PST on the fair market value of the lease for the taxable goods.

For example, you lease a taxable electric scooter together with an exempt helmet. You must charge PST on the fair market value of the lease for the electric scooter.

Leases of Taxable Goods and Real Property for a Single Price

As a lessor, if you lease taxable goods and real property together for a single price, generally, you must charge PST on the fair market value of the lease for the taxable goods.

For example, you lease taxable restaurant equipment together with a non-taxable commercial lease of real property. You must charge PST on the fair market value of the lease for the taxable restaurant equipment.

Refunds

Refund or Credit of Lease Price

If you provide a full or partial refund or credit of the lease price of taxable goods to your customer within 4 years of the lease, you may also refund or credit the applicable amount of PST. For example, if you refund or credit 10% of the lease price of taxable goods to your customer, you may also refund or credit 10% of the PST to your customer.

This includes where you provide a full or partial refund or credit of the lease price because:

- the goods have been returned,
- the lease has been cancelled or shortened,
- you provided a price reduction, or
- you provide your customers with a discount for early payment.

In order for you to be eligible for a refund of the PST you refund or credit to your customer, you **must** provide the refund or credit of the PST to your customer at the same time that you provide the full or partial refund or credit of the lease price.

Other Refunds

In some situations, your customer may be eligible for a refund of PST they paid on a lease, including the following.

- Your customer was not required to pay PST and paid it in error. You may refund or credit your customer the PST paid within 180 days of the date the PST was paid. After 180 days, you cannot refund your customer the PST (if you do, you are not eligible to make an adjustment on your PST return for this amount and you are not eligible for a refund from the ministry). However, your customer may claim a refund from the ministry within 4 years of the date the PST was paid.
- Your customer did not provide you with the required information to obtain an exemption at the time of the lease. **Note:** You may refund or credit your customer the PST they paid if they provide the required information within 180 days; after 180 days, your customer must apply to the ministry for a refund.

Leased Goods Used Outside BC

If you leased taxable goods to your customer in BC and your customer used those goods outside BC during a rental period, your customer may be eligible for a full or partial refund of the PST they paid for that rental period.

The refund is equal to the PST they paid for that rental period **less** the PST attributable to the proportional number of hours the goods were used in BC during the rental period. The amount of the refund can be determined by the following formula:

$$\text{PST Refund} = \text{PST Paid} - [\text{Lease Price} \times \text{Applicable PST Rate} \times (\text{BC Hours} / \text{Total Hours})]$$

BC Hours is the total number of hours the taxable goods are in BC during the rental period and Total Hours is the total number of hours in the rental period.

Please Note: For the purpose of Lease Price in the above formula, any amounts that are not attributable to a rental period under the lease (e.g. a down payment) must be attributed equally across all rental periods under the lease and included in the Lease Price. Please see the section above, *Leased Goods Brought Into BC by Lessee*, for an example of how to attribute a down payment equally across all rental periods.

Applying to the Ministry for a Refund

Generally, to apply for a refund from the ministry, your customer must complete an *Application for Refund – General* ([FIN 355](#)) and provide the supporting documentation listed in the instructions to the application. However, other application forms apply to refunds of PST paid by qualifying farmers, commercial fishers and aquaculturists, and PST paid on multijurisdictional vehicles.

For more information on refunds, including on how to apply for refunds, please see [Bulletin PST 400](#), *PST Refunds*.

Leased Goods that Become Part of Real Property

If taxable leased goods are used so that they become part of real property during the term of the lease, the goods are deemed to have been sold at a retail sale immediately before they became part of real property. The lessee is deemed to be the purchaser and must pay PST on the fair market value of the taxable goods at that time. This is in addition to any PST paid or payable on the lease price for the goods.

The purchaser (lessee) cannot claim a PST exemption on the basis that the goods were purchased for the sole purpose of resale or leasing those goods to other persons (i.e. lease inventory).

If the lessee has a PST number, they must self-assess the PST due on their next return.

If the lessee does not have a PST number, they must self-assess the PST due using a *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month in which the goods were used so that they became part of real property. For example, if the goods became real property in June, the PST must be paid no later than July 31.



Need more info?

Online: gov.bc.ca/PST

Toll free in Canada: 1 877 388-4440

Email: CTBTaxQuestions@gov.bc.ca

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

References: *Provincial Sales Tax Act*, sections 1 “accommodation”, “band”, “boat”, “electronic device”, “fair market value”, “First Nation individual”, “improvement to real property”, “lease”, “lease price”, “lessee”, “lessor”, “manufactured building”, “manufactured mobile home”, “manufactured modular home”, “month”, “multijurisdictional vehicle”, “portable building”, “related service”, “retail sale”, “sale”, “tangible personal property”, “telecommunication service”, “use”, “vehicle”, “vendor”, 12, 13, 22, 23, 25, 28, 33, 35, 39, 41, 42, 44, 45, 82, 82.01, 83, 88, 102, 130, 141, 142, 145-147, 151-153, 157, 168 and 169; Provincial Sales Tax Exemption and Refund Regulation, sections 1 “obtain”, “qualifying aquaculturist”, “qualifying commercial fisher”, “qualifying farmer”, 7, 8, 9, 15, 16, 30-35, 46, 48, 49, 55 and 90-120; Provincial Sales Tax Regulation, sections 3.1, 23, 34, 35, 48, 51.1, 52, 55.1 and 79.