

# Ministry of Finance

## Tax Information Notice



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HST Notice # 8

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

## General PST Transitional Rules for Transitioning to British Columbia HST

On July 23, 2009, B.C. announced its plans to eliminate the Provincial Sales Tax (PST) and the Hotel Room Tax, and implement a Harmonized Sales Tax (HST) for B.C., which, subject to legislative approval, would come into effect on July 1, 2010.

The following information provides the circumstances in which the PST is payable during the transition period. It does not include comprehensive information on the specific tax application. To fully understand the application of the transitional rules, it is important to understand the general application of the PST. Information on the general application can be found 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)

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## OVERVIEW

The following is an overview of the general transitional rules related to the elimination of the provincial sales tax (PST). The PST is eliminated to coincide with the implementation of the harmonized sales tax (HST). The PST transitional rules are provided to avoid the imposition of PST on payments for goods and services on which the HST applies. This overview should be read in conjunction with the transitional rules for the introduction of the HST, which can be found in the notice, *General Transitional Rules for British Columbia HST*, or at [www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html](http://www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html)

Taken together, the HST and PST transitional rules are complementary and are intended to provide for a smooth transition to the HST.

## TANGIBLE PERSONAL PROPERTY (GOODS)

### Sales of Tangible Personal Property (TPP) – General

The following transitional rules apply to sales of most TPP.

- When the TPP is delivered or ownership is transferred to the purchaser **before July 1, 2010**, PST applies to the full purchase price.
- When the TPP is delivered and ownership is transferred to the purchaser **on or after July 1, 2010**, PST applies to any amount of the purchase price that becomes due, or is paid without having become due, before May 1, 2010.

Effective July 1, 2010, a transitional refund of the PST paid on TPP after October 14, 2009 and before May 2010, is available to certain purchasers in specific circumstances (see the section below, Refunds).

Different rules apply to sales of specific TPP, such as subscriptions to periodicals, sales of software and software licenses, and sales of propane. Information related to these types of TPP is described below.

## Subscriptions to Newspapers, Magazines or Other Periodical Publications

In the case of a subscription for a newspaper, magazine or other periodical publication paid for **before July 1, 2010**, PST applies to the subscription if the newspaper, magazine or other periodical publication does not qualify for the PST exemption (e.g. catalogues, recreation calendars and theatre programmes).

For information on publications that qualify for the exemption, please see [Bulletin SST 036, Publications: Books, Magazines, Periodicals and Newspapers](#).

## Software and Software Licences

Transitional rules for software and software licences will be provided in the near future.

## Propane

Propane used as fuel for a motor vehicle is taxed under the *Motor Fuel Tax Act*, while propane used for all other purposes is subject to PST under the *Social Service Tax Act*. However, the rate of tax under both Acts is 2.7 cents per litre and retailers of propane remit both taxes as part of their PST returns.

As announced in Budget 2009 Update, propane when used as a motor fuel will be exempt from motor fuel tax with the implementation of HST.

The following transitional rules apply to sales of propane.

- When the propane is delivered **or** ownership is transferred to the purchaser **before July 1, 2010**, the tax of 2.7 cents per litre applies.
- When the propane is delivered **and** ownership is transferred to the purchaser **on or after July 1, 2010**, and the **full purchase price** becomes due, or is paid without having become due, **before May 1, 2010**, the tax of 2.7 cents per litre applies.

When the propane is delivered **and** ownership is transferred to the purchaser **on or after July 1, 2010**, and only a **portion of the purchase price** becomes due, or is paid without having become due, **before May 1, 2010**, the tax of 2.7 cents per litre is payable on a volume of propane based on the following formula:

$$volume = total\ volume \times \left( \frac{portion\ of\ purchase\ price}{purchase\ price} \right)$$

where

total volume = the total volume of the propane;

portion of purchase price = the purchase price of the propane less that portion of the purchase price of the propane that is not paid before May 1, 2010 and becomes due on or after May 1, 2010;

purchase price = the purchase price of the propane.

## Special Occasion Licences

In addition to the PST payable on the purchase price of liquor, purchasers of liquor under a special occasion licence are required to prepay the PST on the amount by which the liquor will be marked up for sale at the event covered by the licence. For more information on Special Occasion Licences, please see [Bulletin SST 097](#), *Special Occasion Liquor Licences*.

The PST payable on the purchase price of the liquor is subject to the transitional rules for tangible personal property (see the section above, Sales of Tangible Personal Property (TPP) – General).

The following transitional rules apply to the prepayment of PST at the time the special occasion licence is purchased.

- When the licence is purchased **before May 1, 2010**, the purchaser of the licence must prepay the PST on the amount by which the liquor will be marked up for sale, regardless of when the event occurs.
- When the licence is purchased **on or after May 1, 2010** and is for an event that begins **before July 1, 2010**, whether or not the event ends on or after July 1, 2010, the purchaser of the licence must prepay the PST on the amount by which the liquor will be marked up for sale.

Effective July 1, 2010, a transitional refund of the PST will be provided in certain circumstances, including where an HST registrant accounts for HST on sales of the liquor on or after July 1, 2010. More information on this refund will be provided in the near future.

## Private Sales of Vehicles, Boats and Aircraft

Private sales of vehicles, boats and aircraft will continue to be subject to provincial tax, but for sales on or after July 1, 2010, will be taxed at a rate of 12 per cent.

## Tangible Personal Property Brought into BC

PST applies to tangible personal property (TPP) brought into BC before July 2010 in accordance with the PST rules in effect before July 1, 2010.

For information regarding TPP brought into the province for personal use, see [Bulletin SST 118](#), *Out-of-Province Purchases: Goods for Personal Use*.

For information regarding equipment brought into the province for temporary use, see [Bulletin SST 098, Equipment Brought into British Columbia for Temporary Use \(1/3rd Formula\)](#).

Effective July 1, 2010, TPP brought into BC will not be subject to PST. However, the provincial component of the HST may apply to the TPP or, in the case of certain vehicles, boats and aircraft which are not subject to HST, the provincial tax on vehicles, boats and aircraft may apply.

## **MULTIJURISDICTIONAL VEHICLE TAX**

The multijurisdictional vehicle (MJV) tax applies to multijurisdictional vehicles that are registered under the International Registration Plan (IRP) and have a vehicle license year that begins before July 1, 2010. The tax is payable for the full licence year even when a part of that year is on or after July 1, 2010.

Vehicles will not be subject to the MJV tax on registrations and renewals of licences that occur on or after July 1, 2010, nor will vehicles that cease to be registered under the IRP on or after July 1, 2010, be subject to the PST (i.e. there will be no exit tax).

## **LEASES OF TANGIBLE PERSONAL PROPERTY**

The following transitional rules apply to leases of tangible personal property (TPP).

- When the lease interval (rental period) begins **before July 1, 2010 and ends before July 31, 2010**, PST applies to the full lease price for the rental period.
- When the rental period begins **on or after July 1, 2010**, PST applies to any amount of the lease price that becomes due, or is paid without becoming due, **before May 1, 2010**.
- When the rental period begins **before July 1, 2010 and ends on or after July 31 2010**:
  - PST applies to any amount of the lease price that becomes due, or is paid without having become due, before May 1, 2010, and
  - When an amount of a lease price becomes due, or is paid without having become due, on or after May 1, 2010, PST applies to the part of that amount that is attributable to the rental period that occurs before July 1, 2010.

Effective July 1, 2010, a transitional refund of the PST paid on a lease of TPP after October 14, 2009 and before May 2010, is available to certain purchasers in specific circumstances (see the section below, Refunds).

### **Leases of Tangible Personal Property Supplied with an Operator**

In certain circumstances, lessors who occasionally lease tangible personal property (TPP) with an operator are required to pay PST on the price at which the TPP would have been leased had it been supplied without an operator. For information on the general application of the PST payable

by lessors and the circumstances in which this requirement applies, please see [Bulletin SST 082, Rentals and Leases of Tangible Personal Property](#).

Where a lessor is required to pay PST on TPP that they lease with an operator, the following transitional rules apply.

- When **90% or more** of the supply of the TPP is provided before July 1, 2010, PST is payable on the price at which the TPP would have been leased for the **full lease period** had it been supplied without an operator.
- When **less than 90%** of the supply of the TPP is provided before July 1, 2010, PST is payable on the price at which the TPP would have been leased for the **portion of the lease period before July 1, 2010** had it been supplied without an operator.

## **TAXABLE SERVICES, LEGAL SERVICES AND TELECOMMUNICATION SERVICES**

The following transitional rules apply to the purchase of taxable services, legal services and telecommunication services.

- When **90% or more** of the service is performed before July 1, 2010, PST applies to the full purchase price of the service.
- When **less than 90%** of the service is performed before July 1, 2010:
  - PST applies to any amount of the purchase price that becomes due, or is paid without having become due, before May 2010, and
  - When an amount of the purchase price becomes due, or is paid without having become due, on or after May 1, 2010, PST applies to the part of that amount that relates to the portion of the service that is performed before July 2010.

Effective July 1, 2010, a transitional refund of the PST paid on services after October 14, 2009 and before May 2010, is available to certain purchasers in specific circumstances (see the section below, Refunds).

## **Taxable Services Provided to a British Columbia Resident Outside of British Columbia**

If a person who resides or carries on business in British Columbia sends tangible personal property (TPP) out of the province primarily to receive a taxable service, PST is payable on the charge for the service. The purchaser must self-assess the PST payable and remit it at the time the TPP returns to British Columbia. For information on the general application of the PST to taxable services provided out of province, please see [Bulletin SST 018, Taxable Services](#).

The following transitional rules apply to the purchase of taxable services provided outside of British Columbia.

- When **90% or more** of the service is performed before July 1, 2010, PST applies to the full purchase price of the service.
- When **less than 90%** of the service is performed before July 1, 2010, PST is payable on the portion of the purchase price attributable to the service performed before July 1, 2010.

## **TAX ON TANGIBLE PERSONAL PROPERTY TO BE USED TO IMPROVE REAL PROPERTY**

For contracts for the improvement of real property entered into on or after October 1, 2008, the contractor is required to pay PST on the tangible personal property (TPP) that is, or will be, supplied and installed to complete the contract unless the contractor's customer has agreed in writing that they will pay the PST. For information on the general application of PST to real property contracts, see [Bulletin SST 072](#), *Real Property Contractors*.

The following transitional rules apply to the payment of PST by the contractor.

- On TPP acquired at a sale in British Columbia:
  - When the TPP is delivered **or** ownership is transferred to the contractor **before July 1, 2010**, PST applies to the full purchase price.
  - When the TPP is delivered **and** ownership is transferred to the contractor **on or after July 1, 2010**, PST applies to any amount of the purchase price that becomes due, or is paid without having become due, before May 1, 2010.
- On TPP that the contractor acquires out of province:
  - When the TPP is brought or sent into British Columbia by the contractor or for which delivery is received by the contractor **before July 1, 2010**, PST applies to the purchase price.

The following transitional rules apply to the payment of PST by the customer where the customer has agreed in writing to pay the PST.

- When the TPP is delivered **or** ownership is transferred to the customer **before July 1, 2010**, PST applies to the purchase price payable by the customer for the TPP.
- When the TPP is delivered **and** ownership is transferred to the customer **on or after July 1, 2010**, PST applies to any amount of the purchase price payable by the customer that becomes due, or is paid without having become due, **before May 1, 2010**.

Effective July 1, 2010, a refund of PST is available to HST registered contractors for PST they paid on construction materials held in inventory at the end of the day on June 30, 2010 and used by them on or after July 1, 2010, to repair or improve residential real property under a contract to which the HST applies (see the section below, Refunds).

## **TIMING OF PAYMENTS**

The transitional rules generally operate on the basis of the earlier of when consideration, purchase price or lease price for tangible personal property, a taxable service, legal services, or a telecommunication service becomes due or is paid without having become due. Under the *Social Service Tax Act*, the consideration, purchase price or lease price for tangible personal property, a taxable service, legal services, or a telecommunication service, other than where these are supplied by way of lease, license or similar arrangement under a written agreement, becomes due on the earliest of:

- the day the supplier first issues an invoice in respect of the supply;
- the date of the invoice;
- the day the supplier would have, but for undue delay, issued an invoice in respect of the supply; and
- the day the recipient of the property or service is required to pay the consideration pursuant to a written agreement.

Where tangible personal property, a taxable service, legal services, or a telecommunication service is supplied by way of lease, license or similar arrangement under a written agreement, the consideration, purchase price or lease price becomes due on the day the purchaser or lessee is required to pay that consideration, purchase price or lease price under the written agreement.

## **SPECIAL CIRCUMSTANCES**

### **Continuous Supplies**

The PST will generally apply to the payment for a supply of TPP or services delivered, performed, or made available on a continuous basis, by means of a wire, pipeline or similar conduit, or satellites or other telecommunications facility (e.g. natural gas, electricity, cable television, satellite television or cellular telephone services) to the extent that the payment is for TPP or services delivered, performed or made available to the recipient of the TPP or services before July 1, 2010.

If the vendor cannot reasonably determine when the TPP or services are delivered, performed or made available, the payment would be prorated in equal parts based on the number of days in the period to which the payment is attributable.



However, PST applies to payments due before May 1, 2010, or paid before May 1, 2010 without becoming due, regardless of when the TPP or service is delivered, performed or made available.

## **Budget Payment Arrangements**

Transitional rules for budget payment arrangements will be provided in the near future.

## **Combined Supplies**

Transitional rules for combined supplies will be provided in the near future.

## **Deposits**

Please note that deposits, including refundable and non-refundable deposits, are not considered part of the purchase price of TPP or services or part of the lease price of TPP unless and until the vendor applies the deposit against the purchase or the lease.

For example, if a vendor accepts a deposit in April 2010 for the purchase of TPP that is to be delivered in July 2010, that deposit would not be considered part of the purchase price of the TPP until the vendor applies that amount in its books and records against the purchase of the TPP. If the deposit is not applied to the purchase until June 2010, the PST would not apply to this amount but the HST would.

## **Returns and Exchanges**

The following rules apply where a person purchases tangible personal property (TPP) before July 2010 that is subject to PST, but returns it on or after July 1, 2010 and before November 2010.

- If the property is returned for a refund, the PST attributable to the amount of the refund will be provided by the vendor.
- If an exchange is made resulting in neither a refund, nor an additional payment, there would be no PST refund.
- If an exchange is made resulting in an additional payment, no PST would apply but the HST may apply to the additional payment.

For returns of TPP made on or after November 1, 2010, purchasers are required to apply directly to the Ministry of Finance for any refund of PST.

If the PST did not apply to TPP that was purchased before July 1, 2010, and an exchange is made on or after July 1, 2010, the B.C. component of the HST would apply to the full consideration for the replacement TPP.

Information related to the application of PST with respect to price adjustments and refunds related services will be provided in the near future.

## EXEMPTIONS

If PST is payable under the transitional rules outlined above, any applicable exemptions under the *Social Service Tax Act* will continue to provide relief from the PST payable.

If the HST is payable under the transitional rules, the exemptions under the *Social Service Tax Act* will not apply. However, purchasers will not be required to pay HST on goods and services that are exempt or zero rated under the *Excise Tax Act* (Canada), nor will they be required to pay the provincial component (the 7 per cent) of the HST on motor fuels and the other items designated for the point-of-sale rebates. In addition, the provincially administered credit on residential energy will provide targeted relief from the 7 per cent provincial component of the HST on purchases of residential energy, similar to the current PST exemption on residential energy.

## REFUNDS

Refund provisions under the *Social Service Tax Act* will generally remain in effect and will allow refunds of PST to be claimed up to four years following the payment of the PST.

In limited circumstances, such as the transitional refunds for eligible business purchases described below, claims for refunds must be made earlier than four years following the payment of the PST (i.e. on or before December 31, 2010).

### **Transitional Inventory Refunds for Construction Materials**

Effective July 1, 2010, a refund of PST is available to HST registered contractors for PST they paid on construction materials held in inventory at the end of the day on June 30, 2010 and used by them on or after July 1, 2010, to repair or improve residential real property under a contract to which the HST applies. Improvement of residential real property does not include construction of residential housing for which a PST Transitional New Housing Rebate is available. For more information on the PST Transitional New Housing Rebate, see the notice, [Residential Housing - New Housing Rebates and Transitional Rules for British Columbia HST](#).

A refund is not available in respect of tax paid on construction materials if the PST is recoverable by the contractor or any other party.

More information on the refund application process will be provided in the near future.

### **Transitional Refund for Eligible Business Purchases**

Effective July 1, 2010, a refund is provided for PST paid by a HST registrant after October 14, 2009 and before May 2010, for goods or services that are delivered or performed on or after July 1, 2010, and are for use exclusively in the course of the registrant's commercial activities as defined for purposes of the *Excise Tax Act* (Canada). Under the [General Transitional Rules for British Columbia HST](#), these transactions are not subject to the HST even though the goods and services

are delivered or performed on or after July 1, 2010 and, therefore, purchasers are not eligible for input tax credits.

The refund of PST is provided to ensure that tax is not payable by businesses that would have been eligible for input tax credits under HST had the timing of payment for these goods and services been on or after May 1, 2010.

In addition, effective July 1, 2010, a refund is provided for PST paid on goods and services after October 14, 2009 and before May 2010, by certain businesses and selected listed financial institutions which, under the [\*General Transitional Rules for British Columbia HST\*](#), are required to self-assess HST on those purchases under Part IX of the *Excise Tax Act* (Canada).

To obtain a refund, applications must be received by government on or before December 31, 2010.

More information on the refund application process will be provided in the near future.

## **FINAL PST RETURNS**

Final PST returns for taxes and levies under the *Social Service Tax Act* collected before July 1, 2010 are required to be filed with the BC Ministry of Finance on or before July 23, 2010. This applies regardless of a person's remittance frequency. Where an amount is collected or becomes payable as, or on account of, PST after June 2010, the vendor is required to account for that amount in a supplemental PST return to be filed on or before the 23rd day of the following month.

Supplemental returns will be required to be filed no later than January 23, 2011. However, in limited circumstances, an extension may be provided. More information on extensions will be provided in the near future.

## **Commissions**

Vendors will be eligible for a commission on their final PST returns and on any supplemental returns filed on or before January 23, 2011. A commission will not be available where an extension has been provided.

## **OTHER TAXES AND LEVIES UNDER THE SOCIAL SERVICE TAX ACT**

### **Battery Levy**

The \$5.00 battery levy applies to purchases of new lead acid batteries made prior to July 1, 2010.

## **Innovative Clean Energy Fund**

The 0.4% Innovative Clean Energy (ICE) Fund levy imposed on residential and commercial energy purchases applies to purchases of energy delivered before July 2010, including energy delivered before July 2010 on which the purchase price is paid, or payable, on or after July 1, 2010.

With respect to purchases of electricity, natural gas and propane where the vendor can not reasonably determine whether the energy is delivered before July 2010, the purchase price for the energy would be prorated in equal parts according to the number of days in the period to which the purchase price applies. The ICE Fund levy would apply to the purchase price attributable to the days in the period prior to July 1, 2010.

## **Passenger Vehicle Rental Tax**

Where a passenger vehicle is leased for more than eight consecutive hours, and less than 29 consecutive days, the passenger vehicle rental tax of \$1.50 per day applies to each day under the lease before July 2010.

The passenger vehicle rental tax is not payable for any day under a lease after June 30, 2010 even if the PST applies to the lease (i.e. where the lease interval begins before July 2010 and ends before July 31, 2010).

## **TransLink Parking Tax**

Effective July 1, 2010, the imposition of the TransLink parking tax, currently administered by the province on behalf of TransLink, is transferred to the *South Coast British Columbia Transportation Authority Act* and administration of the tax is transferred to TransLink.

More information on the transition of the administration of the tax to TransLink will be provided in the near future.

## **Further Information**

For questions about the PST or hotel room tax including the transitional rules, please contact the Ministry of Finance at 604 660-4524 in Vancouver, or toll-free at 1 877 388-4440, or e-mail your questions to [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

For information on the application of the HST, please visit the Canada Revenue Agency website at [www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html](http://www.cra-arc.gc.ca/tx/pstr/trnstnl/prsnl/menu-eng.html)

For questions about the HST general transitional rules, or if you wish to make a technical enquiry on the GST/HST by telephone, please contact the Canada Revenue Agency at 1-800-959-5525.