



## Mining Industry

### Provincial Sales Tax Act

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Latest Revision: The revision bar ( | ) identifies changes to the previous version of this bulletin dated December 2013. For a summary of the changes, see Latest Revision at the end of this document.

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This bulletin provides information to help businesses in the mining industry understand how the PST applies to their businesses.

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## Overview

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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 other 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.
- **mine operator** means a person who extracts or processes minerals:
  - for sale if there is a reasonable expectation that the total value of the sales of those minerals will exceed \$30,000 per year,
  - for the person's own business use if there is a reasonable expectation that the total cost of extracting or processing those minerals will exceed \$30,000 per year, or
  - for both sale and the person's own business use if there is a reasonable expectation that the total cost of extracting or processing those minerals will exceed \$30,000 per year.
- **obtain** means:
  - purchased or leased in BC
  - brought or sent into BC,
  - received in BC, or
  - received as a gift.
- **qualifying minerals** means minerals that are extracted or processed by a mine operator either for sale by the mine operator, or for the mine operator's own business use.
- **substantially** means more than 90%.

If you qualify for the production machinery and equipment (PM&E) exemption, you may obtain certain machinery and equipment (PM&E) exempt from PST.

The PM&E exemption includes replacement parts, materials and services for qualifying PM&E, parts and materials to assemble qualifying PM&E, and certain PM&E used by service providers.

The following activities qualify for the PM&E exemption and are discussed in this bulletin.

- Geophysical surveying
- Exploration for minerals or development of mines
- Extraction or processing of minerals
- Pollution control and waste management

- Transmission or distribution of goods or software
- Transmission or distribution of electricity
- Providing services to mine operators

The following activities also qualify for the PM&E exemption and are discussed in the referenced bulletins:

- Manufacturing, software development and local government power generation – see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*
- Logging – please see [Bulletin PST 112](#), *Logging Industry*
- Exploration for, discovery of or development of, petroleum or natural gas – see [Bulletin PST 114](#), *Oil and Gas Industry – Exploration, Discovery and Development*
- Extraction or processing of petroleum or natural gas – see [Bulletin PST 113](#), *Oil and Gas Industry – Producers and Processors*

## **Minerals**

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Minerals are metal ore and every natural substance that can be mined and that:

- occurs in fragments or particles lying on, above, or next to its bedrock source (commonly described as talus),
- is in the place or position where it was originally formed or deposited, or
- is loose, fragmentary or broken rock or float that, through decomposition or erosion of rock, is found in wash, loose earth, gravel or sand.

Tailings, building and construction stone, marble, shale, clay, sand and gravel are specifically included as minerals.

The following examples are minerals:

- Coal
- Copper
- Dolomite
- Gold
- Molybdenum
- Zinc

The following examples are not minerals:

- Earth
- Marl
- Natural gas
- Peat
- Petroleum
- Soil
- Volcanic ash

## Geophysical Surveying

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You may obtain the PM&E listed below exempt from PST if:

- for commercial purposes, you regularly engage in the exploration for petroleum, natural gas or minerals or the development of petroleum, natural gas or mineral deposits, and
- the PM&E is obtained for use substantially for such activities.

As exploration and development are not site specific, there is no requirement that this PM&E be used within a specific site. For details on **regularly**, see Exploration for Minerals or Development of Mines below.

This exemption is limited to the following PM&E:

- Acoustical survey equipment, including:
  - full wave form sonic loggers
  - side-scanning sonar
  - sonar
- Electrical amplifying devices, electronic amplifying devices and electrical thermostats designed for use with any of the machinery or equipment described in this section
- Equipment for electrical and electromagnetic surveying, including:
  - inductive conductivity probes
  - resistivity survey equipment
  - self-potential meters
  - time and frequency domain induced polarization equipment
  - time and frequency electromagnetic surveying equipment
- Equipment for remote sensing, including:
  - reflectance, infrared and hyperspectral spectrometers
  - ultraviolet lamps
- Field potentiometers, meggers, non-polarizing electrodes and electrical equipment for making measurements in drill holes
- Gravity meters and other instruments designed to measure the elements, variations and distortions of the natural gravitational force
- Ground penetrating radar equipment and side looking aperture radar
- Instruments or equipment for seismic prospecting, including:
  - blaster and controller
  - blasting system
  - cables
  - data processing units
  - enviro-drills
  - geophones
  - global positioning and navigation systems
  - heli-drills
  - integrated navigation systems
  - recorder box

- recording systems
- seismic drilling equipment
- seismic instrumentation
- vibrators
- Magnetometers, gradiometers and magnetic susceptibility meters
- Scintillometers, spectral gamma-gamma density and Geiger-Muller counters, gamma-ray spectrometers, potassium gradiometers and other instruments for radioactive methods of geophysical prospecting

**Please note:** Equipment not specifically listed above is not eligible for exemption, even when used in geophysical surveying. For example, ATVs and snowmobiles are taxable even when used to transport personnel and equipment to surveying sites.

## **Exploration for Minerals or Development of Mines**

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You may obtain PM&E exempt from PST if:

- for commercial purposes, you regularly engage in the exploration for minerals or the development of mines, and
- the PM&E is:
  - obtained for use substantially and directly for such activities,
  - a generator or motor for use substantially and directly to operate PM&E that is used substantially for such activities, or
  - safety equipment, a pump, ventilating equipment or a compressor obtained for use substantially for such activities.

As exploration and development are not site specific, there is no requirement that this PM&E be used within a specific site.

**Regularly** means that you undertake the activity on a routine basis. This could be full-time, seasonally or on some other part-time basis.

How you make the measurement of substantially depends on the nature of the PM&E. You may measure it in terms of time, volume or some other measurement that is appropriate for that particular type of PM&E.

In some cases, you may use the PM&E seasonally or during specific phases in the exploration or development process. When this happens, the time when the machinery or equipment is idle or in storage is not considered use. You calculate substantially based on the actual usage.

For example, if you operate an excavator during the development of a mine and it is stored during the off-season, the total use of that excavator will be based only on the time that it is actually being operated. During the actual excavation period, if you use the excavator over 90% of the time for the exploration of minerals or the development of mines, the excavator qualifies for the PST exemption.

The following are examples of PM&E that qualify for this exemption if all the above conditions are met:

- Assay equipment
- Bulldozers, graders, front-end loaders, backhoes and excavators
- Casing guides and cement equipment, but not including cement trucks
- Drill rigs, drills, drill bits and rock saws
- Generators or motors used to operate exempt equipment
- Haulage equipment
- Mucking machines, slushers, mine cars and rails, trammers, hoists and skips
- Ore trucks of such a size and weight that they are not designed for regular use on a public highway
- Pickaxes and shovels
- Rock bolting machines
- Safety equipment, pumps, ventilating equipment and compressors
- Wire rope and seismic shot-hole casing

This exemption does not apply to goods that are not used directly in the exploration for minerals or developments of mines. For example, goods used for outdoor survival while conducting mineral exploration or mine development activities are not eligible (e.g. cooking supplies, sleeping bags, tents etc.).

## **Extraction or Processing of Minerals**

If you are a mine operator, you may obtain PM&E exempt from PST if the PM&E is for use in BC:

- primarily at the qualifying part of a mine site, and
- primarily and directly in the extraction or processing of qualifying materials.

**Primarily** means used over 50%. How you make the measurement of primarily depends on the nature of the PM&E. You may measure it in terms of time, volume, production value or some other measurement that is appropriate for that particular type of PM&E.

In some cases, you may use the PM&E seasonally or during specific production phases. When this happens, the time when the PM&E is idle or in storage is not considered use. You calculate primarily based on the actual usage.

**Directly** means PM&E must be a part of, or an integral component of, the process that transforms the raw material into the finished product.

### **Qualifying Part of a Mine Site**

The exemptions for PM&E at operating mines are site specific and limited in scope. These exemptions exist only at the qualifying part of a mine site.

The qualifying part of a mine site is the part of the mine site from the point where the raw material is extracted from the ground to the point where the finished product is first stored or first placed on a vehicle, train, boat, aircraft or other means of transportation for removal from the mine site (whichever comes first).

## Storage

Provided the first storage area is within the qualifying part of a mine site, PM&E used primarily to store the finished product at the first storage area qualifies for the PM&E exemption. PM&E used after the first storage area does not qualify for the PM&E exemption.

A first storage area may be an open area within the qualifying part of a mine site, such as a dock or loading yard, where the finished product is accumulated before removal from the site. Once the finished product is first stored, PM&E used to load the finished product onto vehicles or other conveyances does not qualify for the PM&E exemption.

## Transportation from the site

Vehicles and other means of transportation, such as boats and trains, used to transport the finished product from the qualifying part of a mine site do not qualify for the PM&E exemption.

PM&E that you use to transport raw materials or finished products from, or between, eligible sites does not qualify for the PM&E exemption. For example, you pay PST on ore trucks or other vehicles that carry raw ore from the mine site to an off-site processing site as they travel outside the mine site.

PM&E that you use at an off-site processing facility does not qualify for the PM&E exemption as an operating mine, but may qualify under the manufacturing exemption. For information on the PM&E exemption for qualifying manufacturers, see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*.

## Examples of Qualifying PM&E

The following are examples of PM&E that qualify for this exemption if all the above conditions are met:

- Equipment used in primary processing
- Ore trucks of such a size and weight that they are not designed for regular use on a public highway

## PM&E Used in Road Construction or Maintenance

PM&E used to construct or maintain roads qualifies for the exemption if the PM&E:

- is used for constructing or maintaining roads within the qualifying part of a mine site, and
- qualifies under the exemption for exploration for minerals or development of mines, or extraction or processing of minerals, as explained in the sections above.

During the development stage, if a mine does not have a qualifying part (see Qualifying Part of a Mine Site above), PM&E used in road construction and maintenance does not qualify for the exemption and is subject to PST. However, if the road later falls within the qualifying part of a mine site, you may claim a refund of PST paid on PM&E if the PM&E:

- is used substantially and directly to construct or maintain the road, and
- would have met the criteria for exemption above if the road had been within the qualifying part of the mine site when the PM&E was obtained.

For example, you purchase an excavator that you will use substantially to construct a road to a pit you are developing. The road does not fall within the qualifying part of your mine site; therefore, you must pay PST on the purchase of the excavator. Later, the pit starts producing minerals and the road you constructed with the excavator falls within the qualifying part of the mine site. In this case, you can apply for a refund of PST paid on the excavator.

To apply for a refund from the ministry, complete an *Application for Refund of PST - Production Machinery and Equipment (FIN 355/PME)* and provide the supporting documentation listed in the instructions to the form. Send your completed application and supporting documents to the address provided on the application form.

**Please note:** If you receive a refund, you may be required to repay all or part of the refund if you later use the PM&E for a taxable purpose.

## Self-Manufacture for Own Use

If you are a mine operator, the PM&E you obtain for use in BC primarily and directly to manufacture goods or develop software qualifies for the PM&E exemption if the goods or software are for use in BC in the extraction or processing of qualifying minerals.

This applies only to the PM&E used to produce the goods or develop the software that is obtained for use primarily at the qualifying part of a mine site.

## Pollution Control and Waste Management

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### Pollution Control

Machinery and equipment obtained for use substantially and directly in the detection, prevention, measurement, treatment, reduction or removal of pollutants in the water, soil or air qualify for the PM&E exemption if:

- the pollutants are attributable to the manufacture of goods, or the extraction or processing of minerals,
- the machinery and equipment are obtained by a person eligible for the PM&E exemption (e.g. a mine operator), and
- the machinery and equipment are obtained for use substantially at:
  - the qualifying part of a mine site, or
  - a tailings pond related to mining the minerals.

For example, mine ventilating equipment qualifies for this exemption if all of the above conditions are met.

### Waste Management

Machinery and equipment obtained for use in BC substantially and directly in carrying refuse or waste from exempt PM&E, or for exhausting dust or noxious fumes from exempt PM&E, qualify for the PM&E exemption if:

- the refuse, waste, dust or noxious fumes are attributable to the manufacture of goods, or the extraction or processing of minerals,
- the machinery and equipment are obtained by a person eligible for the PM&E exemption (e.g. a mine operator), and
- the machinery and equipment are obtained for use substantially at:
  - the qualifying part of a mine site, or
  - a tailings pond related to mining the minerals.

**Please note:** Basic clean-up equipment for a mine site does not qualify.

## Manufacturers and Oil and Gas Producers

Manufacturers and oil and gas producers also qualify for the PM&E exemptions for pollution control and waste management. For more information, see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption* and [Bulletin PST 113](#), *Oil and Gas Industry – Producers and Processors*.

## Transmission or Distribution of Goods or Software

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Mine operators qualify for the PM&E exemption for machinery and equipment used to transmit or distribute goods or software in an intangible format if:

- the machinery and equipment are obtained by a mine operator for use in BC primarily and directly in the transmission or distribution of goods or software at the qualifying part of the mine site,
- the machinery and equipment are obtained for use primarily at the qualifying part of the mine site, and
- the goods or software to be transmitted or distributed are primarily:
  - qualifying minerals,
  - goods that are to be attached to or processed, fabricated, manufactured or incorporated into qualifying minerals, or
  - goods or software in an intangible format that are to be attached to or processed, fabricated, manufactured or incorporated into goods or software in an intangible format for use in the extraction or processing of qualifying minerals.

For example, conveyor systems and other distribution equipment used to primarily transmit or distribute qualifying minerals at the qualifying part of the mine site qualify for this exemption if all of the above conditions are met.

## Manufacturers and Oil and Gas Producers

Manufacturers and oil and gas producers also qualify for the PM&E exemption for transmission or distribution of qualifying petroleum or natural gas, qualifying minerals, other goods or software. For more information, see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption* and [Bulletin PST 113](#), *Oil and Gas Industry – Producers and Processors*.

## Transmission or Distribution of Electricity

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In this section, **electrical machinery and equipment** means transformers, and converters, inverters, regulators, breakers and switches that are designed for use with transformers.

**Please note:** The exemptions described below are for machinery and equipment, not electricity. Electricity is not machinery or equipment, and does not qualify for the PM&E exemption, even when used in the processes described below.

Mine operators qualify for the PM&E exemption for electrical machinery and equipment if:

- the electrical machinery and equipment are obtained by a mine operator for use in BC substantially in the transmission or distribution of electricity at or to the qualifying part of the mine site,
- the electrical machinery and equipment are to be situated at the mine site, and
- the electricity is for use:
  - primarily (more than 50%) and integrally in the extraction or processing of qualifying minerals, or
  - primarily to power PM&E that is exempt under the PM&E exemptions for:
    - extraction or processing of minerals,
    - pollution control,
    - waste management,
    - transmission or distribution of goods or software, or
    - PM&E used to operate, control or monitor exempt PM&E.

## **Manufacturers and Oil and Gas Producers**

Manufacturers and oil and gas producers also qualify for the PM&E exemption for electrical machinery and equipment. For more information, see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption* and [Bulletin PST 113](#), *Oil and Gas Industry – Producers and Processors*.

## **Electricity Used Primarily for a Non-Qualifying Purpose**

If 50% or more of the electricity is used for a purpose other than the above purposes, such as the general use of a building, the transformer or other equipment for use and used with transformers is not eligible for the PM&E exemption.

## **Service Providers**

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Businesses that use machinery and equipment to provide manufacturing services to mine operators are eligible for the PM&E exemption for service providers.

Machinery and equipment obtained by a person who provides a service to a mine operator qualify for the PM&E exemption if:

- the service consists of:
  - manufacturing goods for the mine operator in BC and is provided to, or results in the creation of, goods that will be, or will become part of, the mine operator's qualifying minerals, or
  - extracting or processing minerals for the mine operator in BC that will be, or will become part of, the mine operator's qualifying minerals,
- the machinery and equipment are obtained for use primarily and directly in providing the service,
- the service is provided primarily at either the qualifying part of the mine operator's mine site, or the qualifying part of the service provider's manufacturing site or mine site, and
- there is a reasonable expectation that the total value of sales of the service will exceed \$30,000 per year.

## Services Provided to Manufacturers or Oil and Gas Producers

Businesses that use machinery and equipment to provide manufacturing services to manufacturers, or services to extract or process petroleum or natural gas to oil and gas producers are also eligible for the PM&E exemption for service providers. For more information, see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption* and [Bulletin PST 113](#), *Oil and Gas Industry – Producers and Processors*.

## PM&E and Software Used to Operate, Control or Monitor Exempt PM&E

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If you are eligible for the PM&E exemption, you do not pay PST on:

- PM&E and software obtained for use primarily to operate, control or monitor exempt PM&E, or
- software obtained for use to operate PM&E for use primarily to operate, control or monitor other exempt PM&E, if the PM&E is for use substantially at the qualifying part of a mine site.

**Please note:** Software is not PM&E and does not qualify for the PM&E exemption unless it is obtained for use as described in this section. For example, word processing, spreadsheet, email, photo editing and anti-virus software do not qualify for the PM&E exemption.

However, you may be eligible for other software exemptions, such as exemptions for custom software or software incorporated into other software. For more information, see [Bulletin PST 105](#), *Software*.

## Parts, Materials and Services for PM&E

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### Parts for PM&E

If you are eligible for the PM&E exemption, you do not pay PST on parts you obtain for use on exempt PM&E, or to assemble qualifying parts or qualifying PM&E.

### Materials for PM&E

If you are eligible for the PM&E exemption, you do not pay PST on materials you obtain, provided they:

- are used to repair, maintain or modify exempt PM&E, or to assemble exempt parts or exempt PM&E, and
- remain part of, or attached to, the exempt parts or exempt PM&E.

For example, sheet metal, bulk wire and bulk conveyor belting material are materials eligible for exemption if the above conditions are met.

### Taxable Items

The following are not exempt parts or materials for PM&E:

- parts and materials used to self-manufacture qualifying PM&E for own use,
- gases, liquids or consumable solids (e.g. sealants, lubricants such as grease), or

- parts and materials obtained for use primarily for repairing, maintaining, modifying or assembling:
  - scaffolding, walkways, catwalks and similar structures, unless these items are an integral part of exempt PM&E and were obtained as part of the exempt PM&E, and
  - bases and foundations that are, or become a part of, real property, for exempt PM&E.

## Inventory of Parts and Materials

If you use the same parts and materials for both taxable and exempt purposes, you **must not** purchase all the parts and materials exempt from PST (unless you have a tax payment agreement – see Tax Payment Agreements below).

However, you may make a reasonable estimate of the portion used on exempt PM&E and obtain that portion exempt from PST. Reconcile this estimate to your actual usage. If the reconciliation shows you used more parts and/or materials for taxable purposes than estimated, you self-assess the PST owing on the portion obtained exempt, but used for taxable purposes.

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 you used the parts and/or materials for a taxable purpose.

If the reconciliation shows you used more parts and/or materials for exempt purposes than estimated, you can claim a refund from the ministry for the PST paid on the portion used for exempt purposes. For more information, see [Bulletin PST 400](#), *PST Refunds*.

## Related Services for Exempt PM&E

If you are eligible for the PM&E exemption, you are exempt from PST when you purchase related services provided to exempt PM&E. For details on how to claim the exemption, see Claiming the PM&E Exemption below.

For more information, see [Bulletin PST 301](#), *Related Services*.

## Claiming the PM&E Exemption

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You must, at or before the time of sale or lease, provide your supplier with a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) when claiming the following exemptions:

- purchases or leases of exempt PM&E,
- purchases or leases of exempt parts or materials for PM&E, or
- purchases of related services for exempt PM&E.

This requirement applies whether or not you have a PST number (i.e. you cannot use your PST number instead of the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#))). However, you do have the option of using an alternative certification (see below in this section).

You must complete all parts of the certificate. Where a description of the items purchased or leased is required, you list each type of machinery, equipment, parts and/or materials. It is not

enough to simply state “production machinery and equipment”. For example, if you are purchasing drill bits, slushers and pickaxes, you list each as a specific item on the form.

If you are purchasing related services for PM&E, specify what PM&E the related service will be provided to. For example, state “repair services for an excavator” and not just “repairs”.

When you purchase or lease a large quantity of PM&E, you may attach an itemized list or a copy of the purchase order to the completed certificate.

The purchase order must clearly describe the PM&E being purchased or leased and it must indicate which is exempt.

You are generally required to provide a completed certificate to the supplier for each purchase or lease. However, when you are making frequent purchases or leases of the same item(s) from the same supplier, you may provide one completed certificate to the supplier along with a list of item(s) you are claiming an exemption for. You can make future exempt purchases or leases of the same item(s) from that supplier based on the one certificate, provided the information on the certificate is still correct. You must complete a new exemption certificate if the information has changed.

You only use the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) for claiming an exemption under the PM&E exemption (i.e. for PM&E and related parts, materials and related services). This certificate does not replace the *Certificate of Exemption – General* ([FIN 490](#)).

## Suppliers

If you do not obtain a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) or an alternative to the exemption certificate (see below) at or before the time of the sale or lease, you must charge and collect the PST on that sale or lease and remit it to the ministry with your return for the reporting period. If your customer provides the required information after the sale or lease but within 180 days of the sale or lease, you may refund or credit the PST you charged. For more information on providing refunds and credits to your customers, see [Bulletin PST 002, Charging, Collecting and Remitting PST](#).

**Please note:** If your customer claims this exemption with an exemption certificate and it is later found they did not qualify for the exemption, your customer is liable for any tax, interest and penalties associated with the purchase or lease. However, if you had reason to believe your customer was not entitled to the exemption (e.g. the item purchased was not eligible for the PM&E exemption or your customer mentioned the equipment was actually for personal use) and you provided the exemption, you may also be subject to an assessment.

## Alternative to the Exemption Certificate

As an alternative to using the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)), you may develop your own certification, provided all the required information and the declaration statement from the exemption certificate are included.

Providing the required information and the declaration statement in an electronic format is acceptable if the format includes an electronic signature. An electronic signature may include an electronic acceptance or agreement of the declaration statement, or a statement indicating that transmitting the information and declaration electronically by the purchaser or lessee is agreement of the declaration.

## Other Exemptions

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### Goods Incorporated Into Other Goods for Resale

You are exempt from PST when you obtain goods that will be processed, fabricated, or manufactured into, attached to, or incorporated into other goods for resale or lease. To purchase these items exempt from PST, give the supplier your PST number. If you do not have a PST number and you qualify, give the supplier a completed *Certificate of Exemption – General* ([FIN 490](#)).

### Containers and Packaging Materials

You are exempt from PST on containers and packaging materials (except reusable containers) if you use them to package goods for sale or lease, or if you provide them to your customers with their purchases of goods. 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, see [Bulletin PST 305](#), *Containers and Packaging Materials*.

### Chemical Substances, Catalysts and Direct Agents

Chemical substances, catalysts and direct agents are exempt from PST if obtained for use to produce or modify a reaction that is essential for the processing or manufacture of a product for sale or lease.

The reaction produced or modified by chemical substances, catalysts and direct agents may be physical or chemical. To qualify for the exemption, chemical substances, catalysts and direct agents do not need to come into direct contact with, or be temporarily incorporated into, the material being processed or manufactured.

This means that you do not pay PST on catalysts, direct agents and chemical substances if they are for use:

- in the processing or manufacture of a product for sale or lease, and
- to produce or modify a physical or chemical reaction that is essential for that processing or manufacturing.

For a substance to qualify as a **catalyst**, the substance must produce or modify a chemical reaction and must remain unchanged at the end of the reaction. For a substance to qualify as a **direct agent**, the substance must produce or modify a chemical reaction and must be consumed in the chemical reaction to the point of destruction, dissipation or uselessness for any other purposes. Chemical substances qualify for the exemption as long as they meet the criteria listed in the bullets above.

**Please note:** The following chemical substances, catalysts and direct agents do not qualify for the exemption:

- substances for use to produce energy or as a source of energy, other than:
  - electricity for use in an electrolytic process
  - exothermic sleeves obtained for use in the casting of metal or metal alloys,
- substances for processing goods, unless the processing is one step in, or occurs immediately after, a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the goods,
- substances for use to transform goods from one state to another (gaseous, liquid or solid state) by applying pressure or a change in temperature, unless the transformation is one step in, or occurs immediately after, a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the goods,
- substances for use for the primary purpose of maintaining, lubricating or prolonging the life of machinery and equipment,
- substances to be added to waste removed from the production process,
- substances to be added to a tailings pond or settling pond, and
- substances for use for testing purposes.

If you have any questions, or if you need further information on whether a catalyst, direct agent or chemical substance qualifies for the exemption, please contact us.

You do not need to provide any documentation to claim this exemption. However, the supplier's records must clearly show the reason why the goods were sold exempt from PST (i.e. the supplier documented on the receipt that the items were purchased exempt as catalysts).

## **Materials Used to Make Prototypes**

You are exempt from PST on most materials used to make qualifying prototypes. For information on what qualifies as a prototype and the criteria for this exemption, see [Bulletin PST 209](#), *Exemption for Prototypes*.

## **Safety Equipment and Protective Clothing**

The following safety equipment and protective clothing are exempt from PST:

- work-related safety equipment and protective clothing designed to be worn by, or attached to, a worker if required under specified provincial work safety legislation when purchased or leased by an employer, self-employed person or educational institution,
- specifically listed work-related safety equipment and protective clothing designed to be worn by a worker, including safety goggles and steel-toed boots, and
- specifically listed general safety equipment and protective clothing.

For more information, see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*.

## **Grinding Media**

You do not pay PST when you obtain balls, rods and similar detached media for use in grinding ore in the process of extracting metals from ore.

## Explosive Supplies

You do not pay PST when you obtain explosive supplies for use in:

- mineral exploration, extraction or processing, or
- the development of a mine other than construction of an access road to a mine.

For the purposes of this exemption, **explosive supplies** means blasting agents, blasting supplies and blasting accessories, including:

- Boosters
- Caps
- Closing tubes
- Detonator cord connectors
- Electric starters
- Hot wire lighters
- Igniter cord connectors
- Plastic cup holders
- Safety fuse assemblies
- Shunt connectors
- Squibs

## Taxable Goods

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Unless an exemption applies, you must pay PST when you purchase or lease machinery, equipment or other goods in BC. You pay PST on the full purchase price at the time of purchase. If the goods are leased, you pay PST on each lease payment either when the lease payment is paid or when the lease payment becomes due under the terms of the lease agreement, whichever is earlier.

### What is Included in the Purchase Price

PST must be calculated on the total purchase price paid by the purchaser to receive title to goods that are subject to PST. This includes the value of services accepted by the seller on account of the purchase price and any charges for financing, interest, customs and excise, as well as any delivery or other transportation charges (including shipping and handling) incurred at or before the time that title to the goods passes to the purchaser. This applies whether or not the charges are shown separately on the sales invoice.

PST does not apply to delivery or transportation charges if title to the goods passes to the purchaser at the seller's premises because the delivery charge does not form part of the purchase price of the taxable goods. If the seller charges the customer for delivery of the goods to another location, and this charge is separately stated on the sales invoice, PST applies only to the purchase price of the goods.

For more information on what is included in the purchase price, see [Bulletin PST 302, Delivery Charges](#).

### Change in Use

If you obtain PM&E, parts, materials or other goods exempt and later use them for a taxable purpose, PST applies as of the date you use the item for a taxable purpose.

You calculate and self-assess PST on the greater of the **depreciated value** or 50% of the original purchase price. This calculation must be done separately for each item.

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 you used the PM&E, parts, materials or other goods for a taxable purpose.

### Calculating Depreciation

The **depreciated value** is determined on a straight-line basis as follows:

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

You may only calculate the depreciated value on the following types of equipment using the depreciation rates listed below. Goods not listed below **cannot** be depreciated.

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

To calculate the depreciation rate, follow these steps:

1. Calculate the number of whole years between the date you acquired the goods and the date you used them for a taxable purpose.
2. After calculating #1 above, calculate the number of days remaining in the partial year (if any) between the date you acquired the goods and the date you used them for a taxable purpose. Both the first and last days should be counted.
3. Divide the number of days calculated under #2 by 30 and round to the nearest whole number (0.5 and above is rounded up to 1). This is the number of 30-day periods.
4. Calculate the depreciation rate by multiplying the applicable rates in the table above by the number of years and 30-day periods.

## Examples of Taxable Goods

The following are taxable machinery, equipment or goods used in the mining industry.

- Boats, trains and non-turbine aircraft.
- Buildings, furnishings, camp equipment or machinery and equipment related to the use of a building as a building.
- Cleaning supplies, such as cleaning solution and rags
- Construction materials, including timber poles used as supports in the mine shaft.
- De-watering pumps
- Gases, such as oxygen and acetylene, that are not exempt as catalysts, substances and direct agents (see Catalysts, Substances and Direct Agents above)
- General, administrative and office machinery and equipment and supplies, such as desks, phones, computers, photocopiers and fax machines.
- Machinery and equipment (e.g. pallets) used to move material inputs or finished products outside the qualifying part of a mine site.
- Machinery and equipment obtained for use in:
  - site preparation,
  - the construction of buildings, or
  - the construction or maintenance of roads, except certain machinery and equipment used within the qualifying part of a mine site (see PM&E Used in Road Construction or Maintenance above).
- Machinery and equipment used to generate heat, such as a boiler.
- Machinery and equipment used to repair, maintain or service exempt PM&E.
- Portable or mobile generators and alternators (except specified exempt generators and alternators for use in the exploration for minerals or development of mines). This includes stand-by and electric generators and alternators and drive motors for them.
- Scaffolding, walkways, catwalks and similar structures, unless these items are an integral part of exempt PM&E, and are sold or leased as part of exempt PM&E.
- Software, except software used primarily to operate, control or monitor certain PM&E (see PM&E and Software Used to Operate, Control or Monitor Exempt PM&E above).
- Telecommunication equipment, such as satellite equipment, cell phones and radio antennas.
- Vehicles designed for public highway use (other than bulldozers, backhoes and excavators for use in the exploration for minerals or development of mines), such as cement trucks, transport trucks and ATVs.

## Goods from Out-of-Province Suppliers

If you purchase or lease taxable goods from an out-of-province supplier, you pay PST on the total amount you pay to bring the goods into BC, 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 and 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 received the goods into BC.

## **Goods Brought into BC**

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Generally, PST applies if you bring or send goods into BC, or receive delivery of goods in BC, for use, unless a specific exemption applies.

If you own the goods and you brought or sent the goods into BC, or received delivery of the goods in BC for **temporary use** in BC, see [Bulletin PST 307](#), *Goods Brought Into BC for Temporary Use*.

If you own the goods and they are not for temporary use in BC, see [Bulletin PST 310](#), *Goods Brought Into BC*.

If you lease the goods, see [Bulletin PST 315](#), *Rentals and Leases of Goods*.

## **Real Property Contracts and Affixed Machinery**

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Real property is land and anything that is attached to the land in such a way that it becomes part of real property upon installation (i.e. ceases to be personal property at common law). This would normally include buildings, structures and things, such as machinery or equipment that are attached to the land (or to buildings or structures) by some means other than their own weight.

Real property contractors must pay PST on the goods they obtain to fulfil a contract to supply and affix, or install, goods to real property, unless a specific exemption applies. When a contractor pays PST, they do not charge their customers PST on the charge for the contract.

However, contractors are exempt from PST on goods they use to fulfil a contract to improve real property in BC if they have an agreement with their customer that specifically states the customer pays the PST on the goods (provided the agreement states the purchase price of the goods). In this case, the contractor must be registered for PST and must charge PST.

Contractors may also be exempt from PST on goods they obtain to fulfil a **written** contract if the contract is with certain persons who are exempt from PST.

For detailed information on how PST applies to contractors, and an explanation of what is real property, see [Bulletin PST 501](#), *Real Property Contractors*.

### **Affixed Machinery**

Affixed machinery is machinery, equipment or apparatus that is:

- used directly in the manufacture, production, processing, storage, handling, packaging, display, transportation, transmission or distribution of goods, or in the provision of software or a service, and
- is affixed to, or installed in, a building, a structure or land so that it becomes part of real property.

Certain machinery, equipment and apparatus are excluded from the definition of affixed machinery. For more information on what is excluded, see [Bulletin PST 503](#), *Affixed Machinery*.

For the purpose of the PST, affixed machinery that is already installed is tangible personal property (goods).

This means if you purchase or lease real property in which affixed machinery is already installed, you are purchasing or leasing goods (the affixed machinery) and must pay PST on the purchase price or lease price of that affixed machinery, unless a specific exemption applies.

For more information, see [Bulletin PST 503](#), *Affixed Machinery*.

## **Tax Payment Agreements**

Eligible businesses may apply to enter into a voluntary tax payment agreement (TPA) with the Ministry of Finance.

A TPA allows eligible businesses to defer paying PST when they purchase or lease certain items for business use, and to self-assess and remit the PST due on any items later used for a taxable purpose.

For more information, see [Bulletin PST 317](#), *Tax Payment Agreements*.



### **Need more info?**

Online: [gov.bc.ca/PST](http://gov.bc.ca/PST)

Toll free in Canada: 1 877 388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

Access our forms, publications, legislation and regulations online at [gov.bc.ca/PST](http://gov.bc.ca/PST) (go to [Forms](#) or [Publications](#)).

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#### **Latest Revision**

June 2014

- As a result of Budget 2014 changes to the legislation, effective April 1, 2013, mine operators that pay PST on road construction PM&E used in mine development may be eligible for a refund of PST (see PM&E Used in Road Construction or Maintenance)
- Added information on tax payment agreements
- Clarified how PST applies to certain goods that are consumed during use
- Clarified how to calculate depreciated value
- Revised the section on goods brought into BC
- Revised the section on real property contracts and affixed machinery

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References: *Provincial Sales Tax Act*, sections 1, 25, 80.1, 82, 82.1, 141, 145, 147, 148 and 153; *Provincial Sales Tax Exemption and Refund Regulation*, sections 1 “mineral”, “obtain”, 32-36, 38, 39, and 90-120.2; *Provincial Sales Tax Regulation*, section 10.