



Provincial Sales Tax (PST) Bulletin

Bulletin PST 119

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Restaurants and Liquor Sellers

Provincial Sales Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated July 2014. For a summary of the changes, see *Latest Revision* at the end of this document.

This bulletin provides information to help restaurant operators and retail liquor sellers understand how the PST applies to their businesses.

This bulletin does not explain how PST applies to liquor producers (e.g. wineries, U-brews) or to liquor sold under a special occasion licence or at auctions. For information on how PST applies in these situations, see [Bulletin PST 121, Liquor Producers](#), [Bulletin PST 300, Special Occasion Liquor Licences](#) and [Bulletin PST 320, Liquor Sold at Auctions](#).

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Registration

If you sell liquor or sell or lease other taxable goods in the ordinary course of your business, you must register to collect PST. This includes restaurants, bars, pubs and other eating establishments. You must also register to collect PST if you operate a retail liquor business (e.g. a private liquor store). For more information on registering for PST, see [Bulletin PST 001, Registering to Collect PST](#).

If you operate a restaurant or other eating establishment and you do **not** sell liquor or other taxable goods, you are not required to register to collect PST. However, all businesses must pay PST on goods and services acquired for business use unless a specific exemption applies (see Taxable Purchases below).

Sales

Taxable Sales

Alcohol / Liquor

You charge 10% PST on sales of liquor, such as:

- beer
- ciders and coolers
- mixed drinks
- spirits and liqueurs
- wine
- any other beverage with an alcohol content of greater than 1%

You also charge 10% PST on chill charges or other extra charges included in the selling price of liquor, except GST and bottle or can deposits.

Calculating the PST on Liquor

The goods and services tax (GST) is not included in the price on which PST is calculated. On liquor sales, you calculate the amount of PST in one of the following three ways.

1. Tax-excluded Pricing

If you sell liquor without PST or GST included in the price, you calculate the 10% PST on the pre-tax price.

For example:

Pre-tax price	\$10.00
10% PST due	\$1.00
5% GST due	<u>\$0.50</u>
Total charge	\$11.50

2. GST-included Pricing

If you sell liquor with the GST included but not the PST, you can calculate the PST by using the factor of 9.52% on the GST-included price ($100/105 \times 10\%$). This will result in a 10% PST charge on the liquor.

For example:

GST-included price	\$10.50
10% PST due on the pre-GST price (9.52% of \$10.50)	<u>\$1.00</u>
Total charge	\$11.50

3. GST and PST-included Pricing

If you sell liquor with the GST and PST included in the price, you can calculate the PST by using the factor of 8.7% on the GST-included price ($100/115 \times 10\%$). This will result in a 10% PST charge on the liquor.

For example:

Total price (GST and PST-included)	\$12.00
10% PST due (8.7% of \$12)	\$1.04

Please note: In all cases, you must show the PST as a separate item on the receipt, bill or invoice you provide to your customers.

Mandatory Gratuities

A mandatory gratuity is a tip that is added automatically to a customer's restaurant bill. Generally, a mandatory gratuity is calculated by multiplying a certain percentage (e.g. 15%) by the total pre-tax amount of all food and drinks the customer purchased from the restaurant, including liquor.

You do not charge PST on mandatory gratuities because they do not form part of the purchase price paid by the customer for the liquor. This applies even if the gratuity was calculated on a bill for liquor-only purchases.

Corkage

Some restaurants allow customers to bring their own unopened bottle of commercially-made wine to consume during their meal, and charge opening or "corkage" fees. You do not charge PST on opening and corkage fees because these charges do not form part of the purchase price paid by the customer for the wine.

Other Goods

You charge 7% PST on the sale or lease of miscellaneous goods, such as clothing, bottle openers and souvenirs (e.g. souvenir glasses or pens with your company name on them).

Non-taxable Sales

Food Sales

Sales of food for human consumption are exempt from PST, including:

- meals
- non-alcoholic hot or cold beverages (e.g. coffee or iced tea)
- snack foods (e.g. chips, nuts and candy)

Catering and Event Planning Services

You do not charge PST on catering and event planning services (e.g. planning, consulting, coordinating and organizing). For more information, see [Bulletin PST 122](#), *Caterers, Event Planners and Party Supply Stores*.

Gift Cards and Gift Certificates

You do not charge PST on a purchase of gift cards or gift certificates because it is a purchase of store credit a customer may redeem later. When a customer redeems the credit, PST applies to the purchase as if the credit was cash. PST will apply if the item purchased is subject to PST.

Bundled Sales

If you sell taxable and non-taxable goods or services together for a single price, you are making a bundled sale. The general rule for charging PST on a bundled sale is you charge PST only on the fair market value of the taxable portion, unless a specific exemption applies. The fair market value is the price a good or service would normally sell for in the open market.

For example, if you sell a meal package that includes a glass of wine, you charge 10% PST on the fair market value of the glass of wine.

For more information, see [Bulletin PST 316](#), *Bundled Sales and Leases*.

Accommodation

If you provide accommodation in BC, you may need to collect 8% PST and the up to 3% municipal and regional district tax (MRDT) on your sales of accommodation. For more information, see [Bulletin PST 120](#), *Accommodation*.

Containers and Packaging Materials, and Other Goods Provided to your Customers

In this section, **obtain** means:

- purchased in BC,
- brought or sent into BC, or
- received in BC.

Containers and Packaging Materials

Exemptions for Business

If you obtain containers and packaging materials (except reusable containers) to package the food or drink you sell, you may purchase the containers and packaging material exempt from PST. This includes bags for liquor purchases or takeout containers and lids. The exemption applies whether or not you charge separately for the containers and packaging materials. To receive the exemption, you provide your PST number to your supplier or, if you are not registered, a *Certificate of Exemption – General* ([FIN 490](#)).

If you make your own containers and packaging materials for use in packaging or delivering the food or drink you sell, you may purchase the materials exempt from PST.

Charges to Customers

If You Do Not Charge for Containers and Packaging Materials

If you do not separately charge your customers for containers and packaging materials you use to package the food or non-alcoholic drinks you sell, you are not required to charge PST. In this case, the containers and packaging materials are part of the exempt food or non-alcoholic drink sale. For example, if you sell pizzas or cakes in a box and only charge for the pizza or cake, you do not charge any PST because food for human consumption is exempt from PST.

If you do not separately charge your customer for containers and packaging materials, and you provide them with goods, such as liquor, that are subject to PST, you charge PST on the full purchase price of the liquor.

If You Charge for Containers and Packaging Materials

If you do separately charge your customer for the containers and packaging materials, you must also charge PST. In this case, you are charging for the purchase of taxable containers and packaging materials. For example, in the situation above, if you separately charge your customers \$2 for the cake box, you must charge \$0.14 in PST on the purchase price of the box.

For more information, see [Bulletin PST 305](#), *Containers and Packaging Materials*.

Reusable Containers

A **reusable container** is a container used to package or deliver goods, and is capable of being returned and reused. If you obtain reusable containers, **you must pay PST** on their purchase price. This applies when you intend to sell your goods packaged or delivered in the reusable container. This includes returnable alcoholic beverage containers and products subject to container recycling fees in BC.

Refundable Deposits and Container Recycling Fees

You do not charge PST on refundable deposits your customers pay at the time of sale (e.g. for canned and bottled liquor).

A container recycling fee is a fee charged to cover the cost of recycling a beverage container in BC, including aluminum, glass and plastic containers. If the goods you are selling are subject to PST (e.g. liquor) and a container recycling fee, **you must charge PST** on the container recycling fee paid by your customer at the retail level because the fee forms part of the purchase price paid to receive the goods. The PST rate you charge on the fee is the same as for the goods being purchased; therefore, if the goods are liquor, the PST rate is 10%.

For more information on the container recycling fee, visit the [Encorp](#) website.

Restaurant Supplies

Exemptions for Business

If you are a restaurant or other business in the food service industry, you do not pay PST when you obtain supplies to provide to your customers as part of the purchase of food. The exemption does not apply to supplies your customers use and return to you, such as porcelain dinnerware and metal cutlery (see Purchases for Your Business below).

Exempt supplies include items such as:

- coffee cup carry trays
- disposable cutlery (e.g. wooden or plastic)
- disposable plates and bowls
- napkins, straws, stir sticks and disposable skewers
- paper and plastic bags
- toothpicks, cocktail picks, cocktail serviettes

The exemption applies whether or not you separately charge your customer for the supplies because you are obtaining the supplies for resale. To receive the exemption, you provide your PST number to your supplier or, if you are not registered, a *Certificate of Exemption – General* ([FIN 490](#)).

Charges to Customers

If you provide supplies at no additional charge to your customer, you are generally not required to charge your customer PST for the supplies. However, if you do separately charge your customer for the taxable supplies, you must charge the customer PST. For example, if you separately charge your customers \$1 for a coffee cup carry tray or for disposable plastic cutlery, you must charge \$0.07 in PST on the purchase price of the tray or cutlery.

Labels

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

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

Purchases for Your Business

Taxable Goods

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

- advertising materials, such as flyers and brochures
- cleaning supplies, such as rags, soaps and cleaning solutions
- computer hardware including point-of-sale systems and other electronic devices
- dishes, cutlery, knives, coasters, pots and pans
- energy for heat and light
- freestanding equipment, such as coolers, ice machines, juice dispensers and refrigerators
- items you purchase to give away as free promotions (see below)
- menus, linen (e.g. napkins and placemats)
- paper towels and toilet paper
- reusable glasses and cups that are not for sale
- shelving and display equipment
- stationery, furniture and office equipment
- supplies, such as pan liners, parchment paper and paper towel, tray covers and doilies

You must also pay PST on software, unless a specific exemption applies (e.g. custom software). For more information, see [Bulletin PST 105](#), *Software*.

You also pay PST on the purchase of related services provided to your business assets, such as knife sharpening, and repair or maintenance services provided to your cash registers. For more information, see [Bulletin PST 301](#), *Related Services*.

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 at the time of the sale or lease, you must self-assess 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 the *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you brought, sent or received goods into BC. For example, if you brought taxable goods into BC in June, you must file the return and pay the PST no later than July 31.

Promotional Materials

Promotional materials are goods you use, give away or sell below cost to help advertise or promote your business. Examples of promotional material include samples, gifts, premiums and prizes, and goods given away as part of a loyalty or rewards points program.

You must pay PST on all taxable goods you purchase or make as promotional materials. For example, you must pay PST if you buy mugs or balloons you will give away to promote your business.

Promotional material on which you must pay PST also includes taxable goods you obtain to sell at a price below cost. For example, you purchase a box of wine at a cost of \$40 per bottle. In an effort to promote greater sales, you offer to sell the wine to preferred customers at a below cost price of \$30 per bottle. In this case, your customer pays PST on the \$30 purchase price of the wine. In addition, on your next PST return, you need to self-assess PST based on the following formula:

$$(\text{Cost} - \text{Customer's purchase price}) \times \text{PST rate} = \text{PST to self-assess}$$
$$(\$40 - \$30) \times 10\% = \$1.00 \text{ PST to self-assess}$$

Please note: You do not need to self-assess PST on goods sold below cost if you are not selling the goods below cost for promotional purposes. For example, you purchased t-shirts at \$10 per item and attempted to sell them for \$20 per item. After some time, you decide to mark down the remaining items to \$5 per item before they become obsolete or because their value has decreased. In this case, your customer pays PST on the \$5 purchase price of the t-shirt but you do not need to self-assess any additional PST.

For more information, see [Bulletin PST 311](#), *Promotional Materials and Special Offers*.

Exempt Purchases

Goods for Resale or Lease

You are exempt from PST on goods you purchase solely for resale or lease to your customers. You also do not pay PST when you purchase goods that will be processed, fabricated, or manufactured into, attached to, or incorporated into other goods for resale or lease (e.g. liquor used in cooking or incorporated into food for resale).

To purchase these goods (except liquor) exempt from PST, give the supplier your PST number, or if you do not have a PST number, a completed *Certificate of Exemption – General* ([FIN 490](#)).

To purchase liquor exempt from PST, give the supplier your PST number or, if you have applied for but not yet received your PST number, a completed *Certificate of Exemption – General* ([FIN 490](#)).

Change in Use

If you take taxable items from your resale inventory for business or personal use, you must self-assess and remit the PST due on your cost of the goods. 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 the *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you used the goods for business or personal use.

For example, if you use a taxable item in your business in June, you must file the return and pay the PST no later than July 31.

Safety Equipment and Protective Clothing

The following safety equipment and protective clothing is 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, and
- specifically listed general safety equipment and protective clothing, including first aid kits and portable fire extinguishers.

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

Improvements to Real Property and Affixed Machinery

Real property is land and anything attached to the land so 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 attached to the land (or to buildings or structures) by some means other than their own weight.

If you enter into a contract under which a contractor will supply and affix, or install goods to real property, your contractor must pay PST on the goods they use to fulfil the contract, unless a specific exemption applies. In this case, as the customer of the contractor, you do not pay PST on the contract.

For more information, see [Bulletin PST 501](#), *Real Property Contractors*.

For the purpose of the PST, things that are attached so that they become part of real property are either:

- improvements to real property, or
- affixed machinery.

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*.

Buying a Business

If you are buying a business, you should ensure that you have a clearance certificate issued by us. The certificate confirms that the current business owner has paid and remitted all outstanding PST and any related penalties and interest (up to the date the certificate was issued). For more information, see [Bulletin PST 005](#), *Buying and Selling a Business*.



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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.

Latest Revision

April 2015

- as a result of Budget 2015, the maximum MRDT rate increased from 2% to 3%.
 - added a reference to new **Bulletin 320**, *Liquor Sold at Auctions*
 - clarified the distinction on the application of PST between improvements to real property and affixed machinery
 - clarified a buyer of a business can also obtain a clearance certificate from the ministry
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References: *Provincial Sales Tax Act*, sections 1, “accommodation”, “liquor”, “non-taxable component”, “promotional distribution”, “promotional material”, “reusable container”, “sale”, “taxable component”, “use”, 16, 26, 34, 37, 49, 81, 101, 119, 139 and 141; *Provincial Sales Tax Regulation*, section 85; *Provincial Sales Tax Exemption and Refund Regulation*, sections 32-35 and 52; *Provincial Sales Tax Transitional Regulation*, sections 1.1 and 9.