



## Small Sellers

### Provincial Sales Tax Act

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

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This bulletin provides information on the criteria to qualify as a small seller for the purposes of the provincial sales tax (PST). This bulletin also provides information on the responsibilities of small sellers.

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### Overview

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You are required to register with the ministry to collect and remit PST if, in the ordinary course of business, you:

- offer to sell or lease taxable goods,
- offer to sell software, or
- provide related services, telecommunication services, legal services or accommodation.

You are not required to register if you qualify as a small seller. As a small seller, you do not charge or collect PST on sales; however, you are also ineligible for certain PST exemptions, such as the exemption for goods purchased for resale or for incorporation into other goods for resale.

If you qualify as a small seller, you have the option of registering with the ministry to collect and remit PST. Registering for PST can be advantageous because it allows you to purchase goods for resale (or for incorporation into other goods for resale) exempt from PST. If you choose to register with the ministry, you will no longer be considered a small seller and must charge and collect PST.

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

## Eligible Goods, Software and Services?

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In this bulletin, **eligible goods, software and services** means:

- all goods other than liquor, vehicles, boats or aircraft,
- software (see [Bulletin PST 105](#), *Software*),
- related services (see [Bulletin PST 301](#), *Related Services*),
- legal services (see [Bulletin PST 106](#), *Legal Services*), and
- telecommunication services (see [Bulletin PST 107](#), *Telecommunication Services*).

## Who Qualifies as a Small Seller?

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You are a small seller if you meet **all** of the following criteria:

- you are located in BC but do not maintain established commercial or business premises (e.g. you do not sell goods from a shop, including a home-based shop)
- you sell eligible goods, software or services
- you have \$10,000 or less in gross revenue from all retail sales of eligible goods, software and services for the previous 12 months, and your estimated gross revenue from all retail sales of eligible goods, software and services for the next 12 months is \$10,000 or less
- you do not sell:
  - vehicles, boats or aircraft in the ordinary course of your business
  - accommodation (or offer to sell accommodation) in the ordinary course of business
  - liquor (except under a special occasion licence or at an auction. For information on how PST applies in these situations, please see [Bulletin PST 300](#), *Special Occasion Liquor Licenses* and [Bulletin PST 304](#), *Thrift Stores, Service Clubs, Charitable Organizations and Societies*)
- you are not:
  - a lessor (see [Bulletin PST 315](#), *Rentals and Leases of Goods*)
  - an independent sales contractor (see [Bulletin PST 004](#), *Direct Sellers and Independent Sales Contractors*)
  - a contractor who acquires goods for the purpose of fulfilling contracts to supply and affix, or install, affixed machinery or improvements to real property (see [Bulletin PST 104](#), *Real Property Contractors*)

## Established Commercial Premises or Established Business Premises

If you regularly sell eligible goods, software or services, or lease goods, from established commercial premises or established business premises, you do not qualify as a small seller even if your gross revenue is \$10,000 or less.

### Established Commercial Premises

An established commercial premise is a recognized location where your customers purchase goods, software or services, or lease goods, including:

- a store front location, including retail stores in malls and strip malls

- retail stores operated by a non-profit or charitable organization
- a consignment store
- a kiosk located in a shopping mall, recreation centre, club or similar location
- a stall in an outdoor location rented for regular sales or leases, such as a bazaar or flea-market
- a store front attached to a residential building
- an established studio (e.g. pottery or painting studio) on residential property, which is advertised and where customers can come to make purchases
- a space (or room) in a house designated for the purpose of making sales or leases. For example, you operate a hair salon in your home and the salon is advertised to clients who come there to receive hair styling and purchase hair care products.

Established commercial premises do **not** include:

- a folding table set up in a shopping mall or other location for a weekend craft sale
- an occasional (e.g. one weekend a year) craft fair held in a recreation centre, conference centre, church, hall or similar location
- an occasional garage sale at your residence
- Internet sales made from your residence (e.g. you sell items on an online auction website or through your own website, and do not accept customers at your residence)

**Please note:** You may still qualify as a small seller if you only occasionally make retail sales at a flea-market or similar location, even though these locations are established commercial premises. However, you need to meet all other criteria as a small seller, including having \$10,000 or less in gross revenue from all retail sales in the previous 12 months and having \$10,000 or less in estimated gross revenue from all retail sales in the next 12 months.

### **Established Business Premises**

An established business premise is a recognized location for general business activities, including:

- a business office in a strip mall
- a business office in an office building
- other locations designated for business or industrial use (e.g. ground floor offices in an apartment building)

Established business premises do **not** include:

- office space occupied by a charity, non-profit or benevolent organization (these are not “business” premises, as the organization itself does not intend to make a profit; however, if customers are regularly accepted at the location, the location is an established commercial premise).
- a designated space in the home used for a home office or to make crafts or hobby items for sale, if customers do not regularly come to the home to make purchases. For example, a workshop in your basement where you make wood carvings that you sell online or at the occasional garage sale is not an established business premise.

### **Calculating Gross Revenue**

To calculate your retail sales of eligible goods, software and services for the previous 12 months, you need to include sales of both taxable and exempt goods, software and services,

even if the retail sales occur outside BC or outside Canada. You do not include wholesale sales of eligible goods, software and services.

To determine if your gross revenue from all retail sales in the previous 12 months is \$10,000 or less, you need to calculate and keep track of your monthly gross sales. You also need to keep a cumulative total of your sales. You calculate your gross revenue from all retail sales in the previous 12 months based on the immediately preceding 12 consecutive months, not on a calendar year. If at any time your gross revenue from all retail sales in the previous 12 months exceeds \$10,000, you are required to register for PST.

### Example 1

You make stained glass window decorations and picture frames (eligible goods) from your home to occasionally sell at craft fairs. Your gross revenue from all retail sales in the previous 12 months included \$1,000 in picture frames, \$3,000 in window decorations and \$300 in repair services to stained glass.

Your gross revenue from all retail sales in the previous 12 months is:

Picture frames	\$1,000
Window decorations	3,000
Stained glass repairs	<u>300</u>
<b>Total</b>	<b>\$4,300</b>

You qualify as a small seller because your gross revenue from all retail sales of eligible goods, software and services in the previous 12 months is \$10,000 or less (assuming the other criteria are also met, including that your estimated revenue in the next 12 months is \$10,000 or less).

### Example 2

You regularly sell candles at a church craft market only in the summer and winter months, and your estimated revenue in the next 12 months at all times is \$10,000 or less. Your actual sales in 2012 and 2013 are:

Sales By Month	2012	2013
July	\$2,000	\$3,500
August	\$2,000	\$3,500
November	\$3,000	\$3,000
December	\$2,000	\$3,000

As of June 30, 2013, you qualify as a small seller because your gross revenue from all retail sales in the previous 12 months is \$10,000 or less.

July 2012	\$2,000
August 2012	2,000
November 2012	3,000
December 2012	<u>2,000</u>
<b>Total</b>	<b>\$9,000</b>

In July 2013, your gross revenue from all retail sales in the previous 12 months exceeds \$10,000.

August 2012	\$2,000
November 2012	3,000
December 2012	2,000
July 2013	<u>3,500</u>
<b>Total</b>	<b>\$10,500</b>

As of July 2013, your gross revenue from all retail sales in the previous 12 months exceeds \$10,000. Therefore, you are no longer a small seller and you must register to collect and remit PST.

**Please note:** If your gross revenue from all retail sales in the previous 12 months is close to exceeding \$10,000, or you estimate that your future gross revenue will be close to exceeding \$10,000, you may want to register in advance to collect and remit PST.

## **Cancelling your PST Registration**

You may cancel your PST registration if:

- you have been registered to collect and remit PST for at least one year,
- your gross revenue from all retail sales in the previous 12 months is \$10,000 or less,
- your estimated gross revenue from retail sales of eligible goods, software and services for the next 12 months is \$10,000 or less,
- your PST account is up to date (i.e. you have no outstanding PST returns or balance due with the ministry), and
- you meet all the criteria as a small seller.

To cancel your PST registration, complete an *Application to Cancel Provincial Sales Tax (PST) Registration for Small Sellers* ([FIN 357](#)). If your application is approved, you will be notified by letter that, effective the date of the letter, your PST registration is cancelled and you are now a small seller.

## **Responsibilities of Small Sellers**

If you qualify as a small seller and choose not to register for PST, you need to be aware of the following requirements.

### **Sales of Goods and Services**

**You must not charge and collect PST** on your sales of goods, software or services.

If you do collect an amount as PST (e.g. you bill PST on your sales invoice and collect it from your customer as PST), you must remit to the ministry using a *Casual Remittance Return* ([FIN 405](#)). You must remit the PST on or before the last day of the month following the month that you collected the PST. For example, if you collect PST in June, you must file the return and remit the PST collected no later than July 31. You must not refund the PST your customer paid; they need to apply to the ministry for a refund.

## Sales of Liquor, Vehicles, Boats or Aircraft

If you are a small seller and sell liquor under a special occasion licence or at auctions, or you sell a vehicle, boat or aircraft (e.g. you are selling your vehicle because you have purchased a new one), the purchaser is still required to pay PST on these items. In some cases, you are still required to collect and remit the PST.

For more information on sales of liquor under a special occasion licence or at auctions please see [Bulletin PST 300](#), *Special Occasion Liquor Licenses* and [Bulletin PST 304](#), *Thrift Stores, Service Clubs, Charitable Organizations and Societies*.

For sales of boats and aircraft, the purchaser is required to self-assess PST on the purchase price using a *Casual Remittance Return (FIN 405)*.

For vehicles, the purchaser is required to pay PST either to ICBC or directly to the ministry, depending on if and when they register the vehicle. For more information, please see [Bulletin PST 308](#), *PST on Vehicles*.

**Please note:** If you sell liquor (except under a special occasion license or at an auction), or sell vehicles, boats or aircraft in the ordinary course of business, you do not meet the criteria of a small seller and you must register to collect and remit PST.

## Purchases by Small Sellers

As a small seller, you are ineligible for the following exemptions from PST. If you choose to register to collect and remit PST, the exemptions would be available to you. For more information on the exemptions, please see the bulletins referenced below.

### ▪ Goods and Services for Resale

You must pay PST on goods, software and services you purchase for resale, such as candles you repackage and sell at craft shows. You pay PST on the purchase price of the goods, software and services when you buy them from the supplier.

**Please note:** If you later register to collect and remit PST, you can apply for a refund of the PST you paid on goods, software and services you purchased for resale as a small seller if, at the time you sold the goods:

- you were registered to collect and remit PST, and
- you collected and remitted PST on the sale.

### ▪ Goods Incorporated into Other Goods for Resale

You must pay PST when you purchase goods and software that will be processed, fabricated, or manufactured into, attached to, or incorporated into other goods for resale, such as:

- art supplies used to make paintings or other artwork
- craft supplies, such as wax and wicks used to make candles

### ▪ Containers, Labels and Packaging Materials

You must pay PST when you purchase containers, labels and packaging materials that form part of the goods you sell (see [Bulletin PST 305](#), *Containers and Packaging Materials*).

### ▪ **Goods Used to Provide Services**

You must pay PST on parts and materials that you attach to, or incorporate into, goods in the course of providing a related service to those goods, such as wood used to replace a table leg while providing repair services to a table (see [Bulletin PST 301](#), *Related Services*).

### **Other Exemptions that Do Not Apply to Small Sellers**

- Certain materials used by printers or publishers in a printing or publishing process (see [Bulletin PST 109](#), *Printers and Publishers*)
- Chemical substances, catalysts and direct agents (see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*)
- Film, photographic paper and chemicals for use in developing film by commercial photographers, photofinishers and photograph processors (see [Bulletin PST 126](#), *Photographers, Videographers and Photofinishers*)
- Production machinery and equipment (see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*)
- Recordings of a motion picture production or an audio production in specific circumstances (see [Bulletin PST 107](#), *Telecommunication Services*)
- Software incorporated into other software or goods for resale or re-licensing (see [Bulletin PST 105](#), *Software*)
- Software or modified software sold as part of a business sold as a going concern (see [Bulletin PST 105](#), *Software*)

### **Goods from Out-of-Province Suppliers**

As a small seller, if you purchase or lease taxable goods from an out-of-province supplier, you pay PST on the total amount that 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 using a *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you brought, sent or received the goods into BC.

### **Books and Records**

As a small seller, you must keep sufficient books and records of all your sales of eligible goods, software and services for at least five years.



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

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### Latest Revision

February 2014

- As a result of Budget 2014 changes to the legislation:
    - Retroactive to April 1, 2013, small sellers are no longer prohibited from claiming the PST exemption for “certain materials used in the production process, including abrasives, dies, grinding wheels, jigs and moulds”. For information on this exemption, please see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*.
    - Legislation regarding liquor sold at auction has been incorporated into the Act.
  - Updated information on how to cancel PST registration.
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References: *Provincial Sales Tax Act*, sections 1, “eligible tangible personal property”, “retail sale”, “small seller”, “taxable service”, 89-91, 112, 114, 121, 135, 136, 141, 143, 145, 161, 168, 169, 175, 182.2, 183, 186 and 203; Provincial Sales Tax Exemption and Refund Regulation, sections 38, 40, 59, 68 and 117; Provincial Sales Tax Regulation, sections 73.1, 77, 88.1, 88.2 and 89.