Agenda

- Introduction and overview
- PST self-assessment
- Other PST rules
- Exemptions relevant to SFU
- Supplies by ancillary departments and others making external sales
- PST and real property contracts
Introduction and overview
BC PST

What is it?

- PST is a "use tax", designed to be paid by the end-user of a product or service
  - There is no input tax credit mechanism like the GST
  - PST is an absolute cost to an organization
- Tax base is province-specific, not national
BC PST (cont’d)

Key implications

- Single incidence of tax at retail level
- Self-assessment required on own use, manufacture or import of taxable property
- Embedded in operating costs and capital expenditures
- System of exemption certificates for purchases for resale
- Supplier’s embedded PST cost affects pricing and/or profit margins
### BC PST (cont’d)

**Recap on PST rates**

<table>
<thead>
<tr>
<th>Tax</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC PST on taxable goods and services</td>
<td>7%</td>
</tr>
<tr>
<td>Innovative Clean Energy fund on energy products</td>
<td>0.4%</td>
</tr>
<tr>
<td>BC PST on accommodation</td>
<td>8% and up to 3% in designated accommodation areas</td>
</tr>
<tr>
<td>Liquor tax</td>
<td>10%</td>
</tr>
<tr>
<td>Passenger vehicle rentals</td>
<td>$1.50 per day</td>
</tr>
<tr>
<td>Private vehicle sales</td>
<td>12%</td>
</tr>
<tr>
<td>Luxury passenger vehicles</td>
<td>8% to 10%</td>
</tr>
</tbody>
</table>
BC PST (cont’d)

Key concepts

PST

Tangible Personal Property (TPP)
- Applies to most TPP, subject to some exemptions

Services
- Applies to some services, mainly those related to TPP

Real Property
- Does not apply to Real Property but, rather, to embedded materials
BC PST (cont’d)

Key concepts (cont’d)

TPP
- Goods that you can see, feel, weigh, measure, and touch
- Includes natural or manufactured gas, heat, electricity, and affixed machinery
- Taxable, unless specifically exempt

Real property
- Land and items permanently attached to the land (building and structures)
- Includes improvements to real property
- Generally not taxable
Key concepts (cont’d)

Services

• Generally not taxable

• Taxable services: telecommunication, legal, short-term accommodation, and related services
  - Related services are services provided to goods or services provided to install goods

Software

• A software program that is delivered or accessed by any means, or the right to use a software program that is delivered or accessed by any means

• Generally taxable based on use on devices in BC
### BC PST (cont’d)

#### Summary of how PST applies

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Alcoholic beverages</th>
<th>Transient accommodation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PST rate</strong></td>
<td>7%</td>
<td>10%</td>
<td>8% + up to 3% in certain areas</td>
</tr>
<tr>
<td><strong>General tax base</strong></td>
<td>• Most TPP</td>
<td>• Beverage alcohol sold in stores, bars, and/or restaurants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Related services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Legal services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Telecommunication services</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Software</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Examples of items not part of the base</strong></td>
<td>• Real property transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Most consulting services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Transportation services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Intangible property</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Examples of exemptions</strong></td>
<td>• TPP for resale</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Raw materials/consumables used in manufacturing and production</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Manufacturing and production equipment and parts</td>
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</tr>
<tr>
<td></td>
<td>• Self-propelled vessels over 500 tons gross</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Safety equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Certain publications</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Examples of PST application on consumer goods

<table>
<thead>
<tr>
<th>Taxable items (examples only)</th>
<th>Non-taxable items (examples only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term accommodation</td>
<td>Basic groceries</td>
</tr>
<tr>
<td>Computers</td>
<td>Snack foods</td>
</tr>
<tr>
<td>Furniture</td>
<td>Basic cable television</td>
</tr>
<tr>
<td>Cleaning products</td>
<td>Landscaping</td>
</tr>
<tr>
<td>Toys</td>
<td>Long-term accommodation</td>
</tr>
<tr>
<td>Outdoor play equipment</td>
<td>Public transit fares</td>
</tr>
<tr>
<td>Stationery</td>
<td>Taxi fares</td>
</tr>
<tr>
<td>Pets (including food)</td>
<td>Air flights</td>
</tr>
<tr>
<td>Jewellery</td>
<td>Admission to events</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>Memberships to associations</td>
</tr>
<tr>
<td>Cell phones</td>
<td>School courses</td>
</tr>
<tr>
<td>Internet access</td>
<td>Prescription drugs and glasses</td>
</tr>
<tr>
<td>Building materials (not supply and install contract)</td>
<td>Children’s clothing</td>
</tr>
</tbody>
</table>
## BC PST (cont’d)
### Examples of PST application on consumer goods (cont’d)

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<tr>
<th>Taxable items (examples only)</th>
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<tbody>
<tr>
<td>Kitchen utensils and equipment</td>
<td>Gasoline</td>
</tr>
<tr>
<td>Vehicles (cars, trucks)</td>
<td>Bicycles</td>
</tr>
<tr>
<td>Parking (21%)</td>
<td>Accounting services</td>
</tr>
<tr>
<td>Tires</td>
<td>Financial services</td>
</tr>
<tr>
<td>Short-term lease of a vehicle</td>
<td>Insurance</td>
</tr>
<tr>
<td>Legal services</td>
<td>Cleaning services</td>
</tr>
<tr>
<td>Telecommunication services</td>
<td>Household moving services</td>
</tr>
</tbody>
</table>
PST self-assessment
Self-assessment rules

When do we have to self-assess PST?

• Acquiring taxable TPP, taxable software, and taxable services
• The PST applies to both purchases and leases of TPP
• The TPP, software and services being acquired are to be used in BC
• The TPP, software and services are purchased in BC but no PST is charged by the vendor or purchased from outside BC and no PST is charged by the vendor
Self-assessment rules (cont’d)

On what do we self-assess PST?

- **Purchases for own use**
  - TPP
  - Taxable services
  - Software

- **Promotional distribution**

- **TPP brought into a province for own use**
  - Out of province purchases ~ PST on landed cost
  - Goods brought in from another country
  - Goods transferred between provinces

**Note:** A refund of PST may be available from the originating jurisdiction, if goods were not used and, subsequently, were moved out of the province.
BC PST (cont’d)
Self-assessment rules (cont’d)

On what do we self-assess PST?

For purchases of TPP and services in BC – No PST paid to vendor

- The BC Ministry of Finance takes the administrative position that “if a seller or lessor does not charge you PST when you are required to pay it, you must self-assess the PST due”

- PST should be self-assessed on the purchase price of the taxable goods/services being acquired

Purchase price for goods purchased in BC

- The amount paid to purchase goods/service (may include transportation)

Calculation

- PST due = Purchase price x PST rate (generally 7%)
BC PST (cont’d)

Self-assessment rules (cont’d)

On what do we self-assess PST?

For purchases of TPP and services in BC – No PST paid to vendor

• For purchases in BC when the vendor does not charge PST and the goods/services acquired are taxable for PST purposes, the recommended steps to be in compliance with the PST legislation are as follows:

1. Confirm that the goods/services being purchased are subject to PST

2. If the items purchased are indeed subject to PST, contact the vendor and ask them to apply the PST correctly

3. If the vendor does not revise invoices and charge PST, proceed to self-assess the PST and remit to the Ministry
Example

SFU acquired software that will be used in BC by the finance team. The software is taxable and does not qualify for any of the exemptions available to universities in the PST legislation. The software was purchased from a BC vendor. The invoice received from the vendor only includes GST. The vendor has been contacted but refuses to re-issue invoice. Should SFU self-assess PST?

a) Yes

b) No
Example

SFU acquired software that will be used in BC by the finance team. The software is taxable and does not qualify for any of the exemptions available to universities in the PST legislation. The software was purchased from a BC vendor. The invoice received from the vendor only includes GST. The vendor has been contacted but refuses to re-issue invoice. Should SFU self-assess PST?

a) Yes

b) No
BC PST (cont’d)
Self-assessment rules (cont’d)

On what do we self-assess PST?

For purchases of TPP from outside BC when no PST was collected

• The self-assessment has to be done on the landed cost of the TPP purchased or leased
• The PST has to be self-assessed each time goods are imported/exported, delivered into BC

Purchase price/landed cost for goods purchased outside BC

• The amount paid to purchase the goods
• Charges for services, customs, excise, and transportation incurred prior to the goods use in BC (excluding GST)
• Expenses for materials, labour, and other manufacturing/processing costs
On what do we self-assess PST?

For purchases of TPP from outside BC when no PST was collected

Calculation

TPP that is brand new and brought or delivered into BC
• PST due = PST rate x landed cost

Leased TPP brought into BC
• PST due = PST rate x lease price x (BC hours/total hours)
BC PST (cont’d)
Self-assessment rules (cont’d)

Example

SFU purchases taxable lab equipment from a U.S. vendor. The U.S. vendor delivers the equipment within the U.S. and SFU imports it into BC. The equipment will be used solely for research. The total amounts paid for the equipment are as follows:

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What do you self-assess PST on?

a) All of the amounts above
b) Purchase price of tools
c) No PST applies
d) The amounts above except GST
Example

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What do you self-assess PST on?

a) All of the amounts above
b) Purchase price of tools
c) No PST applies
d) The amounts above except GST
Other PST rules
Related services

• Related services are services provided to TPP or services provided to install TPP

• Generally, if a good is taxable, services provided to that good are taxable, unless a specific exemption applies

What is taxable?

• Services provided to TPP, such as repair, maintenance, installation, restoration, reconditioning, set-up, dismantling, and protective treatment services
Examples of related services that are exempt include the following:

• Moving services
• Courier and mail services
• Disposal services
• Packaging of TPP
• Numbering pages, collating pages and folding pages
• Services that measure, weight, grade or classify TPP, if no other related service is provided
• Towing of a motor vehicle

For a complete list see section 77 of the Provincial Sales Tax Exemption and Refund Regulation
Freight charges
Within and outside of BC

Within BC

- PST does not apply to transportation services not related to a sale or lease of goods (e.g., Skytrain and bus fares, moving furniture, etc.). Freight companies will not charge PST.

- If the transportation service is related to a sale or lease of goods, PST may apply. The PST treatment is based on where the title to the goods passes to the customer and the tax status of the product. The PST in this case may be charged by the vendor.

  1. **Title to product passes at the purchaser’s location or at another location other than vendor’s premises.** The freight charge will be included in the purchase price of the good(s). If the product itself is taxable, then PST must be charged on the entire transaction, including the freight charge. If the product is not taxable, no PST applies to the entire transaction.

  2. **Title passes at the vendor’s location.** The transportation charge will not form part of the purchase price and will be non-taxable, as long as it is shown as a separate charge.
Freight charges (cont’d)

Within and outside of BC (cont’d)

Outside BC

• You do not charge PST if you ship goods outside of BC
Rules on software

• The purchase of software by a person/organization will be subject to PST, provided that the software is used in BC
• When the software is used both inside and outside of BC, the amount of PST will be calculated based on the BC-usage
• Exemptions regarding the purchase of software are as follows:
  - Software purchased by SFU for use more than 90% of the time as a teaching aid for students
  - Software purchased for resale
  - Custom and custom-modified software
  - Services provided to software: Installation, removing software or data from an electronic device, modifying, or relocating
Exemptions relevant to SFU
Exemptions

School supplies purchased by SFU

Examples of goods that are exempt of PST if purchased by SFU for use by students or for use in instructing students:

• Cellulose tape
• Chalk
• Charts, diagrams, and maps
• Lesson notes, précis, examinations, test papers, answer keys, work sheets, and other similar materials and materials to manufacture those materials
• Pens and markers for use on whiteboards
• Software for use on a computer, as a teaching aid for students
• Supplies and materials obtained for consumption in a science course

SFU intranet: complete list included in the PST section of the finance website
Exemptions (cont’d)

School supplies purchased by students

Exempt goods when purchased for use by students (complete list):

- Bags designed to carry books and supplies (excluding backpacks, bags with wheels, briefcases, knapsacks, sport bags, tote bags, or attaché cases)
- Crayons, both wax and pencil
- Drawing instruments, including geometry instruments
- Erasers
- Ink (does not include ink cartridges)
- Rulers
- Glue (including glue sticks)
- Paints and paint brushes, including watercolor paints, but not including theatrical makeup or brushes and carrying cases associated with theatrical makeup
- Pencils, including coloured pencils and pastel pencils
- Pens, including coloured pens, felt-tipped pens for colouring, gel pens, and permanent felt-tipped pens, but not including fountain pens and nibs
Exemptions (cont’d)

School supplies purchased by students (cont’d)

Exempt goods when purchased for use by students (complete list):

• The following paper products:
  – Canvas paper
  – Lined paper
  – Unlined paper
  – Drawing paper
  – Graph paper
  – Music manuscript paper
• Ring binders
• School art portfolios
• Work books, including exercise books and scrapbooks
The following publications are exempt of PST:

- **Books**: printed bound books with a distinct cover that contain no advertising and that are published solely for educational, technical, cultural, or literary purposes
- Electronic books or e-books
- **Magazines** or periodicals containing at least 10% technical, literary, editorial, and pictorial content
- **Newspapers**, if at least 20% of the content includes editorials, news, and articles of local or common interest
- Employee newsletters
- Student yearbooks
- Sheet music
The following are examples of goods/services not subject to PST:

- Courses
- Administration fees and application fees
- Admissions (e.g., seminars, conferences, and athletic events)
- Memberships (exceptions may apply when related to software)
- Transportation services (e.g., travel by plane or by bus, courier, and freight)
- Examination fees (exceptions may apply to certain online examinations)
- Fines (e.g., library and parking)
- Tutoring
- Inter-library loan services

SFU intranet: A detailed list of taxable and non-taxable goods and services will be posted
Exemptions (cont’d)

Safety equipment

• Certain work-related safety equipment and protective clothing designed to be worn by, or attached to, a worker is exempt of PST (e.g., safety glasses, respirators, hearing protectors, certain gloves, and helmets)

• **Must be purchased:**
  - By an employer for use by their employees in the course of employment
  - By the university

• **Supporting documentation is required**
  - SFU must provide its PST number at the moment of purchase

• There is also some safety equipment that is exempt of PST, independent of whether or not it is for a worker (e.g., first aid kits, life jackets, portable fire extinguishers, etc.)
Exemptions (cont’d)

Prototypes

Qualifying prototypes

• A prototype is defined in the PST legislation as the first full-scale functional form of a new type or a new construction of TPP (goods)

• To be exempt from PST the prototype has to be a result of research and development activities aimed at developing a new or improved product or a new or improved process

• Copies of prototypes made for the sole purpose of testing the prototype as part of the R&D activities are also exempt of PST

Purchases

• What is not taxable?
  − Materials attached to, processed, fabricated, manufactured, or incorporated into a prototype
  − Prototypes used in demonstration or display or for testing in R&D
  − Software that is specifically designed for a prototype
Supplies by ancillary departments and others making external sales
Goods purchased for resale or lease (or goods to be incorporated into goods for resale)

- No PST should be paid to vendors when SFU purchases goods that are going to be sold or leased to external parties

Supporting documentation is required

- SFU must provide the PST number to the vendor when ordering the goods
- The vendor will record the PST number on the invoice or keep it in their files
- In the case of written agreement, the vendor has the alternative of recording SFU’s PST number on the contract
- SFU’s PST number is PST-1000-6004
PST will apply to goods sold by the bookstore with the exception of the following:

- Books, qualifying magazines and periodicals, qualifying newspapers
- Children-sized clothing
- Adult-sized clothing sold for children under the age of 15, when a certificate is signed
- School supplies included in the PST regulations
Athletics and recreation

Supplies subject to PST

• Merchandise
• Rental of equipment

Supplies exempt/not subject to PST

• Memberships (e.g., gym and sports teams)
• Camps
• Facility rentals
• Admissions (e.g., games or other sport events)
• Lessons (e.g., swimming and fitness)
• Children-sized clothing or adult-sized clothing sold for children, with provision of a signed certificate
Meeting events and conference centre (MECS)

Supplies subject to PST

- Equipment rentals
- Supplies of telecommunication services
- Rentals of furniture and other goods
- Alcoholic beverages (10% PST)

Supplies exempt/not subject to PST

- Registration fees for events
- Space rental
- Food and non-alcoholic beverages
Residence and housing

Supplies subject to PST

- Short-term accommodation (8% PST + 2% municipal tax in Burnaby)
- Rental of equipment

Supplies exempt/not subject to PST

- Long-term accommodation (more than one month)
- Meals
- Laundry services
- Residential telephone services
- Hall rentals
- Internet access provided in relation to the sale of accommodation
Examples of supplies subject to PST (sales to external parties)

- Brochures
- Handouts
- Business cards
- Banners and posters

Examples of supplies exempt/not subject to PST

- Books for educational, technical, cultural, or literary purposes
- Examinations printed for schools
- Laundry services
- Student year-books
- Sales of goods for resale (obtain PST number of purchaser)
Parking

- The BC PST does not apply to parking
- The 21% parking is still in place and applies to supplies of parking
- The GST applies on top of the base cost and the 21% parking tax
Internal charges

• The PST and GST may apply to some internal charges, depending on the supplies and the department making the supplies
• Additional information on this is posted in the finance website
PST and real property contracts
Real property

- Real property is land and buildings
- Goods that become permanently attached to the land, buildings, or structures on installation are called improvements to real property
- The following integral components of building and land are considered improvements to real property:
  - Windows
  - Doors
  - Plumbing
  - Electrical and heating systems
  - Structures permanently affixed to land, including concrete driveways and sidewalks
Real property (cont’d)

- Contracts to construct buildings and supply and install or affix goods that become improvements to real property are categorized as real property contracts for PST purposes.
- Real property contracts are generally not subject to BC PST, unless the agreement states that the liability of PST will be passed to the purchaser.
- Real property contractors pay PST on goods purchased for the purposes of fulfilling a contract for the supply and installation of improvements to real property, unless there is a specific agreement transferring liability for the PST on those goods to the customer, stating:
  - The value of the materials, machinery, and equipment
  - That the customer is responsible for paying PST on this amount
  - The contractor is registered as a vendor for BC PST
What does not constitute an improvement to real property, even though it ceases to be TPP at common law?

- Affixed machinery is not considered an improvement to real property, and it is generally taxable for PST purposes as TPP.

- Definition of **affixed machinery**:
  - “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 the real property”
What does not constitute an improvement to real property, even though it ceases to be TPP at common law?

Examples of affixed machinery include:

- Certain showcase freezers and island coolers
- Checkout counters
- Ice machines connected to the water supply
- Automatic teller machines built into a wall
- Ovens and barbecue machines that are bolted to the floor, walls or countertops
The following are considered improvements to real property for PST purposes and are not affixed machinery:

- Machinery, equipment or apparatus that is affixed to, or installed in, a building, structure, or land for the purpose of heating, air conditioning, or lighting a building or structure, sewage disposal for a building or structure, or lifting persons or freight within a building or structure by elevator or escalator.
Real property (cont’d)

- The following are considered improvements to real property for PST purposes and are not affixed machinery:
  - Machinery, equipment, or apparatus that:
    - Is of such size that it must be constructed on the site where it is to be used
    - Would generally be expected to remain on the site where it was built for its useful life
    - Does not move from the site at which it is constructed; does not run on rails or tracks
    - Cannot be moved from the site at which it is constructed, without
      - Dismantling the machinery, equipment, or apparatus
      - Dismantling or causing substantial damage to the building or structure to which it is affixed or in which it is installed
Real property (cont’d)

• For the purposes of the PST, supplying and installing goods under a contract to improve real property is **not** a sale of those goods to the customer; therefore, the exemption for goods acquired for resale is not applicable.

• PST **must be paid by the real property contractor**, regardless of whether the contract is a time and materials contract or a lump sum contract, unless a specific exemption applies.
Top 5 things to remember on PST

1. Payment Services will do the PST self-assessment on imports of taxable goods and services

2. Each department is responsible for collecting the correct amount of GST and PST on sales and using the correct GL accounts to record the GST and PST collected

3. Present SFU’s PST number (PST-1000-6004) when claiming exemptions on purchases for resale or exemptions on goods purchased for educational purposes

4. More information on PST and GST is available in SFU’s finance website

5. When in doubt, it is a good idea to ask the experts
Useful websites

Bulletins and publications:
http://www2.gov.bc.ca/gov/content/taxes/sales-taxes/pst/publications

Frequently asked questions:
http://www2.gov.bc.ca/gov/content/taxes/sales-taxes/pst/faqs

File path of SFU intranet:
http://www.sfu.ca/finance.html
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