

Provincial Social Service Tax (PST) and Federal Goods and Services Tax (GST)

Social Service Tax Act

The following information is provided to assist vendors who are GST registrants in the collection and remittance of the British Columbia social service tax, also called the provincial sales tax (PST).

For general PST information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations can be found on the web at www.gov.bc.ca/sbr

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APPLYING PST TO GST-EXCLUDED PRICE

Calculating the Tax Payable

PST applies to prices before the addition of the federal government's Goods and Services Tax (GST). This means that the GST is not included in the price on which PST is calculated. Both taxes are calculated on the same pre-tax sale or lease price.

For example, if an item is sold for \$100, PST and GST are calculated as follows.

Purchase Price	\$100.00	
PST	\$ 7.00 =	(7% of the \$100 purchase price)
GST	\$ <u>6.00</u> =	(6% of the \$100 purchase price)
	<u>\$113.00</u> =	total amount charged to the customer

PST AND GST AS A SINGLE PERCENTAGE

Calculating the Tax Payable

A vendor whose **entire inventory** of goods is subject to both the GST and PST may calculate the taxes as a single percentage (13%), provided it is clearly indicated on the bill of sale that the 13% tax includes both the 7% PST and the 6% GST.

However, because of the variety of PST exemptions available, few vendors may combine the taxes in this manner.

If a vendor is able to combine the taxes and chooses to do so, the following formula is used to calculate and remit the PST portion of the 13% tax collected.

$$\frac{7}{13} \times \text{total amount of tax collected} = \text{the PST due}$$

The remaining 6/13 of the total amount of tax collected equals the GST due.

APPLYING PST TO THE GST-INCLUDED PRICE

Calculating the Tax Payable

The GST legislation allows GST registrants to sell goods at prices that include the GST. Where this occurs, PST must be calculated using a factor of 6.60% ($100/106 \times 7\%$) to calculate the 7% PST due on the GST-excluded sale price.

The following example demonstrates that using the factor of 6.60% results in the same social service tax due on a GST-included sale price as using 7% on the GST-excluded sale price.

GST-excluded price	=	\$100.00
GST (6% of \$100)	=	\$6.00
PST (7% of \$100)	=	<u>\$7.00</u>
		<u>\$113.00</u>

GST-included price	=	\$106.00
7% PST		
(6.60% of \$106)	=	<u>\$7.00</u>
		<u>\$113.00</u>

In the above example, the sales invoice must show that 7% PST has been charged, even though a factor has been used to calculate the PST due.

CALCULATING PST AND GST ON THE SALE OF LIQUOR

Alcoholic beverages, which are subject to 10% PST and 6% GST, may be sold under a variety of pricing options. Each option requires a different method of calculating and remitting the amount of social service tax due.

GST-Included Pricing

Vendors selling liquor at a price that includes the GST, but not the PST, must use a factor of 9.43% ($100/106 \times 10\%$) to calculate the 10% provincial sales tax due on the GST-excluded price.

The following example demonstrates that using the factor of 9.43% results in the same PST due on a GST-included sale price as using 10% on the GST-excluded sale price.

GST-excluded price	=	\$10.00
GST (6% of \$10)	=	\$.60
PST (10% of \$10)	=	<u>\$1.00</u>
		<u>\$11.60</u>

GST-included price	=	\$10.60
10% PST		
(9.43% of \$10.60)	=	<u>\$1.00</u>
		<u>\$11.60</u>

As a Single Percentage

Vendors who sell liquor at a price that does not include the taxes may calculate taxes due using a combined PST and GST rate of 16%, provided it is clearly indicated on the bill of sale that the 16% tax includes both the 10% PST and the 6% GST.

To extract the PST portion of the 16% combined tax collected, the following formula is used.

$$\frac{10}{16} \times \text{total amount of tax collected} = \text{the PST due}$$

The remaining 6/16 of the total amount of tax collected equals the GST due.

Tax-Included Pricing

Where the price of an alcoholic beverage includes both taxes, the following formulas are used to establish the portion of the tax-included price that is PST and the portion that is GST.

$$\frac{10}{116} \times \text{PST and GST included sale price of beverage} = \text{PST due}$$

$$\frac{6}{116} \times \text{PST and GST included sale price of beverage} = \text{GST due}$$

For example, if the cost of an alcoholic beverage is \$3.65, the formulas extract \$.31 as PST ($10/116 \times \3.65) and \$.19 as GST ($6/116 \times \3.65). The pre-tax selling price retained by the vendor is \$3.15.

PROVINCIAL ENVIRONMENTAL LEVIES

How Taxes Apply to the Levies

Provincial environmental levies apply to all new pneumatic tires priced at \$30 or more and new lead-acid batteries weighing 2 kg or more that are purchased in the province.

MORE INFO: [Bulletin SST 015](#), *Environmental Levies on Tires and Batteries*.

The environmental levies are not subject to PST, but are subject to the GST.

The following example shows tax and levy calculations for the sale of a \$100 new pneumatic tire.

\$100.00 = purchase price of the tire
\$6.00 = 6% GST on the purchase price
\$7.00 = 7% PST
\$3.00 = tire levy
\$.18 = 6% GST on the \$3 tire levy
\$116.18 = total amount charged to the customer

Of this amount, \$10.00 (\$7.00 PST and \$3.00 tire levy) is remitted to the provincial government and \$6.18 (\$6.00 + \$0.18) GST is remitted to the federal government.

REMITTING PST

Forwarding Your Tax Return and Payment

Vendors are required to remit the PST collected by the 15th day of the month following the reporting period in which the sales occurred. Vendors should remit PST in accordance with their individual reporting periods as established by the Consumer Taxation Branch.

NEED MORE INFO?

This bulletin is provided for convenience and guidance. If you still have questions call us at 604 660-4524 in Vancouver or toll-free at 1 877 388-4440 elsewhere in Canada or refer to the legislation.

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.

References: *Social Service Tax Act*; Bill 3, *Taxation Statutes Amendment Act, 2002*; Federal Goods and Services Tax Legislation.