

## Music and Electronics Stores

### *Social Service Tax Act*

**Do you sell or lease musical instruments or electronics?**

**Do you provide services, such as music lessons or repair services?**

This bulletin provides specific tax information to help music and electronics retailers and service providers understand how the social service tax, also called the provincial sales tax (PST), applies to their businesses.

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 \(PST\)](#).

## Sales

### When to Charge PST

You charge PST on the sale or lease of most electronics and related goods, such as:

- stereos, speakers, TVs, DVD players, gaming devices and alarm clocks,
- CDs, DVDs and tapes, whether blank or not,
- musical instruments, including those sold or rented to students or schools, and
- warranty or service contracts that are mandatory or included in the purchase price of an item. For more information, please see [Bulletin SST 110, Warranties, Service Contracts, and Maintenance Agreements](#).

You charge PST on the full price of your services, such as repairs to TVs and stereos, including charges for parts, labour and travel time. For more information, please see [Bulletin SST 018, Taxable Services](#).

## When Not to Charge PST

You do not charge PST on certain goods and services, such as:

- concert and other entertainment tickets,
- sheet music, and most books and magazines (please see [Bulletin SST 131, Book, Magazine and Newspaper Retailers](#)),
- music classes or lessons, such as piano, voice or guitar lessons,
- instruments you provide for use during music lessons, at no extra charge,
- services sold to Status First Nations people, performed on reserve land,
- optional warranty or service contracts that your customer uses only when needed (please see [Bulletin SST 110, Warranties, Service Contracts, and Maintenance Agreements](#)), and
- services to items shipped into British Columbia for repairs and then immediately shipped out of the province; however, parts used for the repair are taxable.

**Please note:** When you provide an instrument for use during a music lesson at no extra charge, you do not charge PST for the lesson or the use of the instrument. However, if you provide, for a single price, a lesson and an instrument for the student to take home to practice with, you charge PST on the fair market value of the instrument rental.

## Out-of-Province Sales and Services

You do not charge PST on taxable goods you ship to an out-of-province location. To show why you did not charge PST, your records must show that you shipped the goods out of the province. If you perform services on an item brought into the province by a non-resident, you charge PST. For example, if you repair a car stereo or portable DVD player for an out-of-province customer while they are visiting British Columbia, you charge PST on the repair services. The PST is non-refundable.

## Sales to Other Retailers

You do not charge PST on taxable goods sold to other retailers if they provide their PST registration number. When you sell to retailers, you record their PST registration number on each invoice and keep it in your records to show why you did not charge PST.

## Sales to Schools and School Boards

You do not charge PST on sales of certain items to schools and school boards. For details, please see [Bulletin SST 012, School Supplies](#).

## **Bundled Goods and Services**

When a non-taxable good or service – such as a music book – is bundled together with a taxable good or service – such as a CD – and sold together for a single price, you charge PST only on the fair market value of the taxable good or service.

However, there are some exceptions if the price is \$500 or less. For details, please see [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-taxable Goods or Services Sold Together for a Single Price*.

## **Purchases**

### **When to Pay PST**

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

- stationery, furniture and office equipment,
- advertising materials, such as flyers and brochures,
- free promotional items,
- computer hardware and software (unless custom software),
- supplies that do not become part of the goods you are servicing, such as cleaning cloths, paper towels and cleaning supplies,
- equipment used to perform your services, such as screwdrivers and wire cutters,
- services to repair your equipment,
- scratch removal machines,
- demonstration stereo equipment and headphones used for customers to listen to music, which are not available for immediate sale, and
- instruments you provide for use during music lessons, at no charge to your students.

If the supplier does not charge you PST on the above items, you self-assess and record the PST due at Step 3 of your next tax return.

### **When Not to Pay PST**

You do not pay PST on the following:

- items you purchase solely for resale or lease to your customers, including instruments rented to students with lessons for a single price
- containers, labels or packaging materials that are included with your sales at no extra charge to your customers, and

- items that will be attached to, or incorporated into, an item you are servicing, such as replacement knobs and wire.

To purchase the above items without paying PST, give the supplier your PST registration number.

If you take taxable items from your resale inventory for business or personal use, you self-assess PST on your cost of the items.

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

If you purchase taxable goods from an out-of-province supplier, you pay PST on the total amount that you pay to bring the goods into British Columbia, 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, you self-assess and record the PST due at Step 3 of your next tax return.

### **Need more info?**

Music and Electronics Stores website: [www.sbr.gov.bc.ca/ctb/Music.htm](http://www.sbr.gov.bc.ca/ctb/Music.htm)

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/ctb](http://www.sbr.gov.bc.ca/ctb)

## **Acknowledgments**

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References: *Social Service Tax Act*, Sections 1, 9, 11(1)(b), 40, 53, 69.1, 72(1)(a)-(c), 76(1)(c), 77(b) and 78, and Regulations 2.6, 2.45, 2.46(e), 2.48, 3.4 and 12(2)