

Mining Industry

Social Service Tax Act

Do you engage in mineral exploration?

Do you operate a mine?

This bulletin provides specific tax information to help businesses in the mining industry 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 \(PST\)](#).

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Minerals

Minerals are metal ore and every natural substance that can be mined and that:

- occurs in fragments or particles lying on, above, or next to its bedrock source (commonly described as talus),
- is in the place or position where it was originally formed or deposited, or
- is loose, fragmentary or broken rock or float that, through decomposition or erosion of rock, is found in wash, loose earth, gravel or sand.

Tailings, building and construction stone, marble, shale, clay, sand and gravel are specifically included as minerals.

The following examples are minerals:

- gold
- copper
- zinc
- coal
- molybdenum
- dolomite

The following examples are not minerals:

- petroleum and natural gas
- volcanic ash
- earth
- soil
- marl
- peat

Exploration and Development

Qualifying for the Production Machinery and Equipment Exemption

You may be eligible to purchase or lease production machinery and equipment (PM&E) tax-exempt if:

- you regularly engage, for commercial purposes, in the exploration for minerals or the development of mine sites, and
- the machinery or equipment is used exclusively for such activities.

Regularly means that you undertake the activity on a routine basis. This could be full-time, seasonally or on some other part-time basis.

Used exclusively means that the machinery or equipment is used over 90% in the exploration for minerals or the development of mine sites.

You may measure exclusively in a number of different ways. It depends on the nature of the machinery or equipment. You may measure it in time, volume or some other measurement that is appropriate for that particular type of equipment.

In some cases, you may use the machinery or equipment seasonally or during specific phases in the exploration or development process. When this happens, the time when the machinery or equipment is idle or in storage is not considered use.

For example, if you operate an excavator during the development of mine sites and it is stored during the off-season, the total use of that excavator will be based only on the time that it is actually being operated. During the actual excavation period, if you use the excavator over 90% of the time for the exploration of minerals or the development of mine sites, then the excavator qualifies for the PST exemption.

Qualifying PM&E – Exploration and Development

If you are eligible, you may purchase or lease qualifying machinery or equipment tax-exempt, provided you use it exclusively in the exploration of minerals or the development of mine sites.

The following machinery or equipment are tax-exempt if all the conditions are met:

- drill rigs, drills, drill bits and rock saws,
- mucking machines, slushers, mine cars and rails, trammers, hoists and skips,
- ore trucks of such a size and weight that they are not designed for regular use on a public highway,
- rock bolting machines,
- pickaxes and shovels,
- safety equipment, pumps, ventilating equipment and compressors,
- generators or motors used to operate exempt equipment,
- haulage equipment,
- assay equipment,
- wire rope and seismic shot-hole casing,
- casing guides and cement equipment, but not including cement trucks, and

- bulldozers, graders, front-end loaders, backhoes and excavators, when used over 90% for the exploration of minerals or the development of mine sites. You do not pay PST on these items if you use them less than 10% to construct or maintain general access roads to the mine site or to buildings within the mine site.

Geophysical Surveying Exemptions

As mineral exploration and mine development are not site specific, the machinery and equipment exemptions for geophysical surveying are linked to the types of equipment used.

To receive this exemption, you must regularly engage in the exploration for minerals, or the development of mine sites. You must use the machinery or equipment exclusively in those pursuits. For details on “regularly” and “exclusively”, see the section above, Exploration and Development.

Eligible equipment and machinery include the following items.

- Magnetometers, gradiometers and magnetic susceptibility meters.
- Instruments designed to measure the elements, variations and distortions of the natural gravitational force, including
 - gravity meters
- Field potentiometers, meggers, non-polarizing electrodes and electrical equipment for making measurements in drill holes.
- Equipment for electrical and electromagnetic surveying, including
 - self-potential meters
 - resistivity survey equipment
 - time and frequency domain induced polarization equipment and/or electromagnetic surveying equipment
 - inductive conductivity probes
- Ground penetrating radar equipment and side looking aperture radar.
- Equipment for remote sensing, including
 - ultraviolet lamps and reflectance spectrometers – infrared and hyperspectral

- Instruments and equipment for seismic prospecting, including
 - the recording system
 - seismic instrumentation
 - geophones
 - cables
 - data processing units
 - global positioning and navigation systems
 - recorder box, recorder power generators
 - blasting system
 - blaster and controller
 - seismic drilling equipment
 - heli-drills
 - enviro-drills
 - vibrators
 - integrated navigation systems

- Scintillometers, spectral gamma-gamma density and geiger muller counters, gamma-ray spectrometers, potassium gradiometers and other instruments for radioactive methods of geophysical prospecting.

- Acoustical survey equipment, including
 - sonar
 - side-scanning sonar
 - full wave form sonic loggers

- Electrical and electronic amplifying devices and electrical thermostats designed to be used with any of the machinery or equipment described above.

Note: ATVs and snowmobiles are taxable even when used to transport personnel and equipment to surveying sites.

For further information on taxable and non-taxable items for geophysical surveying, please see our website at www.sbr.gov.bc.ca/ctb/Mining.htm

Operating Mines

Qualifying as a Manufacturer

If you are involved in the production or processing of minerals at a mine site, you may qualify as a manufacturer. You may also qualify if you manufacture or fabricate equipment for your own business use and the manufactured cost of the equipment is over \$30,000. If you qualify as a manufacturer, you may be eligible for the production machinery and equipment (PM&E) exemption.

You qualify as a manufacturer if you meet one of the following criteria:

- the minerals that you produce are for sale and it is expected that the total value of sales for that class of product will exceed \$30,000 per year,
- the minerals that you produce or equipment that you manufacture are for your own business use and it is expected that the total manufactured cost for that class of product will exceed \$30,000 per year, or
- if the minerals that you produce are for both sale and your own business use; the total value of sales is \$30,000 or less per year and it is expected that the total manufactured cost for a class of product will exceed \$30,000 per year.

To qualify as a manufacturer, you must exceed the \$30,000 per year threshold for each class of tangible personal property (goods). For example, if you mine for coal and then decide to open a gravel pit, each site must qualify separately as they produce a different class or type of product.

If you qualify as a manufacturer, you may purchase or lease PM&E tax-exempt, if it is used primarily and directly at a mine site. Primarily means used over 50%.

You may measure primarily in a number of different ways. It depends on the nature of the machinery and equipment. You may measure it in time, volume, production value or some other measurement that is appropriate for that particular type of equipment.

In some cases, you may use the machinery or equipment seasonally or during specific production phases. When this happens, the time when the machinery or equipment is idle or in storage is not considered use. You calculate primarily based on the actual usage.

Directly means machinery and equipment must be a part of, or an integral component of, the process that transforms the raw material into the finished product.

Mine Site

The exemptions for PM&E at operating mines are site specific and limited in scope. These exemptions exist only at the mine site.

A mine site begins at the point where the raw materials are extracted from the ground and ends where the finished product is placed on a vehicle or other transportation device for removal from the site.

Machinery and equipment that you use to transport raw materials or finished products from, or between, eligible sites does not qualify for the PM&E exemption. For example, you pay PST on ore trucks that carry raw ore from the mine site to an off-site processing site as they travel outside the mine site.

Machinery and equipment that you use at an off-site processing facility does not qualify for the PM&E exemption as an operating mine, but may qualify under the manufacturing exemption.

For more information, including information on manufacturing services where customer-owned materials are processed, please see [Bulletin SST 054, *Manufacturers*](#).

Qualifying PM&E – Operating Mines

The following machinery or equipment are exempt if all the conditions are met:

- equipment used in primary processing,
- mine ventilating equipment,
- ore trucks of such a size and weight that they are not designed for regular use on a public highway,
- de-watering pumps, and
- conveyor systems.

Software is exempt if designed and integrated with eligible production machinery and equipment. It must be an integral part of the equipment and necessary for its operation. It can be purchased separately from the equipment without paying PST.

Generally, software is taxable unless it is an integral part of production machinery that is exempt. Software is neither machinery nor equipment and therefore is not eligible for the PM&E exemption.

Computer hardware not used directly in processing or to monitor the operation of exempt PM&E does not qualify for the exemption.

For more information on hardware and software including services, please see [Bulletin SST 040](#), *Computer Software and Hardware*.

Parts for Exempt Machinery and Equipment

Effective February 22, 2006, if you are eligible for the PM&E exemption, you do not pay PST on parts purchased or leased that you use to assemble qualifying machinery or equipment. This does not include materials used to make parts (see the section below, *Materials Used to Make Parts*).

Effective February 20, 2002, if you are eligible for the PM&E exemption, you do not pay PST on parts leased or purchased that you use on exempt machinery or equipment.

Between July 31, 2001 and February 20, 2002, only parts that by design would likely be used as replacement parts for industrial machinery and equipment were exempt. Generic parts were always taxable prior to February 20, 2002. There is no refund for tax paid parts held in inventory.

For information on what is not exempt as a part, see the section below, *Taxable Goods*.

Parts Inventory

If you have a parts inventory of mixed taxable and exempt items, you may make a reasonable estimate of the portion used on exempt machinery or equipment and purchase that portion without paying PST. Reconcile this estimate to your actual usage. If the reconciliation shows you used more parts for taxable purposes than estimated, you pay the PST owing on the parts you purchased exempt, but used for taxable purposes.

If you have a PST registration number, send in this additional amount with your regular tax return. If you do not have a PST registration number, you self-assess the PST due using the *Return of Tax Due on Taxable Tangible Personal Property by a Purchaser/Seller not Registered under the Social Service Tax Act* form ([FIN 428](#)).

Claiming Exemptions

You give the supplier a completed *Certificate of Exemption—Production Machinery and Equipment* form ([FIN 453/M](#)) when you purchase or lease:

- exempt production machinery or equipment, or
- parts or taxable services for exempt machinery or equipment.

This requirement applies whether you are registered or not registered as a vendor. There is an option of using an alternative approved certification (see below in this section).

You complete all parts of the certificate. Where a description of the items purchased or leased is required, you list each type of machinery or equipment. It is not enough to simply state “production machinery and equipment”.

For example, if you are purchasing drill bits, slushers and pickaxes, you list each as a specific item on the form. If you are purchasing parts for eligible machinery, include what piece of exempt equipment the part is attached to. For example, state “filters used on an excavator” on the certificate not just “filters”.

When you purchase or lease a large quantity of machinery or equipment, you may attach an itemized list or a copy of the sales invoice to the completed certificate. The invoice must clearly describe the machinery or equipment being purchased or leased and it must indicate which is exempt.

When you are making purchases or leases (rentals) frequently from the same supplier, you may provide one completed certificate to your supplier along with a list of items that you are claiming an exemption for. You can make future exempt purchases/leases of the same items from that supplier based on this same certificate.

You use the *Certificate of Exemption—Production Machinery and Equipment* form ([FIN 453/M](#)) only for claiming exemption on production machinery, equipment, and related parts and taxable services. It does not replace the *Certificate of Exemption* ([FIN 453](#)) used to purchase goods for resale, etc.

As an alternative to using the *Certificate of Exemption—Production Machinery and Equipment* form ([FIN 453/M](#)), you may claim an exemption by stamping or printing a certification on the purchase order.

The purchase order must clearly indicate the purchaser/lessee's name, address, registration number where applicable, and the goods or services being acquired. Stamp or pre-print on the form a certification using the following wording:

Production Machinery and Equipment Exemption:

We certify that the goods and services purchased are eligible for exemption from social service tax under Section 76(1)(k) of the *Social Service Tax Act*, Division 13 of the regulations to the Act.

You may also write to us with suggested alternative wording. We must approve the suggested wording before you use it.

Taxable Goods

Unless exempt, your purchase of machinery, equipment or other goods purchased in the province are taxable. You pay PST on the full purchase price at the time of purchase. If the items are leased, you pay PST on each lease payment either when the lease payment is paid or when the lease payment becomes due under the terms of the lease agreement, whichever is earlier.

What is Included in the Purchase Price

When you purchase goods within British Columbia, the purchase price includes charges for transportation and installation, interest, finance, service, customs, and excise when these charges happen at or before the time that the title passes to the purchaser. Include fuel surcharges for delivery but do not include the goods and services tax (GST). The charges remain part of the purchase price even if the charges are separated on either the invoice or on the seller's books.

If the charges occur after the purchaser receives title to the goods, they are not taxable when the charges are separately listed on the invoice. They do not form part of the original purchase price.

For information on goods purchased from out-of-province, see the section below, Purchases from Out-of-Province Suppliers.

Goods for Own Use

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

- stationery, furniture and office equipment,
- computer hardware and software (unless custom software), and

- cleaning cloths, paper towels and cleaning supplies.

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.

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

If you have a PST registration number, you send in the tax due on your next tax return. If you do not have a PST registration number, you self-assess the PST due using the *Return of Tax Due on Taxable Tangible Personal Property by a Purchaser/Seller not Registered under the Social Service Tax Act* form ([FIN 428](#)).

Materials Used to Make Parts

Materials you use to make parts are not exempt from PST as parts. If you need to modify materials before you are able to use them, **they are not** parts; they are taxable materials, therefore you pay PST on them.

For example, you pay PST on conveyor belt material that requires fitting or processing before it can be used on a mine site conveyor belt.

Where any modification or manufacturing before use occurs, you are using materials, not exempt parts.

Consumables

Industry often calls consumables, “supplies”. A good consumed or used up in the operation or maintenance of machinery or equipment is a consumable, even if it is necessary for that item’s operation or maintenance.

The following are some examples of consumables.

- Hydraulic fluid in a cylinder is a consumable as it is not attached to or part of the cylinder. The hydraulic fluid retains its separate identity.
- Engine oils, cleaning solutions, lubricants, grease, rags, carpenters chalk and masking tape.
- Oxygen or acetylene gas.

Consumables are taxable unless they qualify for another exemption under the Act. Two examples of exempt consumables are water, which is exempt to everyone, and catalysts or direct agents used in a production process. You will find more information about exemptions in the section below, Other Exemptions.

For detailed lists of taxable and non-taxable items for the mining industry, please see our website at www.sbr.gov.bc.ca/ctb/Mining.htm

Change of Use

If you purchase an item exempt and later use that item for a taxable purpose, PST applies from the moment the use changes. You calculate and self-assess PST on the greater of the depreciated value or 50% of the original purchase price.

For information on depreciation rates, please see our website at www.sbr.gov.bc.ca/ctb/DepreciationRates.htm

Examples of Taxable Goods

The following are taxable machinery, equipment or goods used in the mining industry:

- vehicles designed for public highway use, such as transport trucks, but not ore trucks that are of such a size and weight that they cannot be used on a public highway,
- furnishings, camp equipment, machinery or equipment related to the use of a building, and machinery and equipment used in construction,
- boats, rail cars and non-turbine helicopters or aircraft,
- construction materials, including timber poles used as supports in the mine shaft, and
- general and administrative equipment and supplies (e.g. cell phones, pagers and computers).

For additional examples of taxable and non-taxable items used in the mining industry, please see our website www.rev.gov.bc.ca/ctb/Mining.htm

Purchases 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 that you pay to bring the goods into British Columbia, including charges for transportation, customs, excise, and any other costs. You do not include the GST, or other provinces' or countries' retail sales tax.

If you have a PST registration number and the supplier does not charge you PST, you self-assess and record the PST due at Step 3 of your next tax return.

If you do not have a PST registration number and the supplier does not charge PST at the time of the sale, you self-assess the PST due using a *Return of Tax Due on Taxable Tangible Personal Property by a Purchaser/Seller not Registered under the Social*

Service Tax Act form ([FIN 428](#)). Do this at the time you bring or ship the goods into British Columbia.

For more information, please see [Bulletin SST 043](#), *Goods Purchased from Out-of-Province Suppliers*.

Equipment Brought Into British Columbia

If you bring taxable equipment into the province for use, you pay PST on the depreciated value of each item. You calculate and self-assess PST on the greater of the depreciated value or 50% of the original purchase price.

Equipment for Temporary Use

If you bring taxable equipment into British Columbia for temporary use only – 6 days or more in a 12-month period – to perform a specific task related to mining, and then take the equipment back out of the province, you pay PST using the temporary use formula (except leased equipment – see the section below, Leased Equipment). The 6 days may be consecutive or spread out over a number of weeks or months.

The temporary use formula allows you to pay PST on one-third of the value of the equipment for each 12-month period that the equipment is in British Columbia.

Leased Equipment

Unlike purchased equipment, you pay PST on taxable leased equipment even if it is brought into the province for less than 6 days.

For more details, please see [Bulletin SST 098](#), *Equipment Brought into the Province for Temporary Use (1/3 Formula)*.

Other Exemptions

Materials Incorporated into a Finished Product

You 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. This exemption does not apply to containers used to package or deliver the finished product, such as drums, if the containers are returnable to the seller.

To purchase the above items without paying PST, give the supplier your PST registration number. If you do not have a PST registration number and you qualify, give the supplier a completed *Certification of Exemption* form ([FIN 453](#)).

Catalysts and Direct Agents

Substances that qualify as catalysts or direct agents vary according to industry and process. Catalysts and direct agents used in a production process are exempt from tax, if the resulting product is for sale or lease. Catalysts and direct agents used in a tailings or settling pond, or for assay or control purposes, are taxable.

To qualify as a catalyst or direct agent, a substance must (by contact or temporary incorporation with the material being manufactured or transformed) produce or modify a chemical reaction – not a physical reaction.

For a catalyst, the substance must remain unchanged at the end of the reaction. For a direct agent, the chemical reaction must make the substance useless for any other purpose – it reaches its point of destruction or dissipation.

For detailed lists of taxable and non-taxable items relating to catalysts or direct agents for the mining industry, please see our website at www.sbr.gov.bc.ca/ctb/Mining.htm

For details on how to claim this exemption, see the section above, Materials Incorporated into a Finished Product.

If you need further information on whether a substance qualifies as a catalyst or direct agent, please contact us.

Pollution Control and Waste Management

Eligible operating mines may purchase or lease machinery and equipment tax-exempt if used exclusively (over 90%) and directly for either pollution control and/or waste management.

There are three conditions, as well as limitations, specific to each exemption. All three conditions must be met.

1. The exemption is open only to manufacturers eligible for the PM&E exemption or their contractors.
2. The machinery and equipment is used only at a mine site.
3. The pollutants and waste (see limitations) result from the manufacture of goods.

Pollution control limitations

The machinery and equipment must be used in the detection, prevention, measurement, treatment, reduction or removal of pollutants in the water, soil or air.

Waste management limitations

The machinery and equipment must be used to carry refuse or waste from production machinery and equipment, or to exhaust dust or noxious fumes produced by production machinery and equipment. Basic clean-up equipment for a mine site does not qualify.

Magnetite

You do not pay PST on magnetite you purchase for processing coal.

Grinding Media

You do not pay PST on balls, rods and similar detached media used for grinding ore in the process of extracting metals from raw ore.

Explosive Supplies

You do not pay PST on explosive supplies you use in mineral exploration, extraction or production, or in the development of mine sites. The exemption for explosive supplies includes:

- blasting caps
- boosters
- plastic cap holders
- electric starters and squibs
- shunt connectors
- safety fuse assemblies
- igniter cord connectors
- hot wire lighters
- primacord connectors and closing tubes

However, you pay PST on explosive supplies used in the construction of an access road to a mine.

For additional examples of taxable and non-taxable explosive supplies used in the mining industry, please see our website at www.rev.gov.bc.ca/ctb/Mining.htm

Taxable Services Exemption

Generally, you pay PST for services you receive that are related to your goods. This includes services to install, assemble, construct, dismantle, repair, adjust, restore, recondition, refinish or maintain. However, if you are eligible for the PM&E exemption, you do not pay PST on services to exempt production machinery and equipment that you purchased or leased.

For details on how to claim your exemption, see the section above, Claiming Exemptions.

Note: Your service provider does not pay PST on purchases of parts and materials used in providing service(s) if those parts become attached to, and remain with, the machinery and equipment. Your service provider may purchase these items without paying tax by giving their PST registration number to the supplier.

For information on taxable services, please see [Bulletin SST 018](#), *Taxable Services*.

Work-Related Safety Items

You do not pay PST on work-related safety equipment designed to be worn by a worker. For example, self-contained breathing apparatus (SCBAs), hard hats and other protective clothing are exempt. There are also safety items that are exempt to everyone, such as portable fire extinguishers and refills, or gas detection monitors.

For more information, please see [Bulletin SST 002](#), *Exemption for Safety Equipment*.

Containers, Labels and Packing Materials

You do not pay PST on containers and packing materials that are considered a part of the merchandise sold; these may be purchased without paying PST when certain conditions are met.

For more information, please see [Bulletin SST 020](#), *Containers, Labels and Packing Materials*.

Improvements to Real Property

Real property is land and any items permanently attached to land (buildings and structures). The way you structure a contract determines whether the contractor pays PST, or you pay PST on the goods that become improvements to real property on installation.

Effective February 19, 2003, the production machinery and equipment exemption includes qualifying machinery, equipment or parts:

- that become an improvement to real property once installed, and
- that are acquired and installed by a contractor under a lump sum (also known as fixed price) contract.

In these cases, you do not pay PST.

For more information on improvements to real property, please see [Bulletin SST 072](#), *Real Property Contractors*.

Need more info?

Mining Industry website: www.sbr.gov.bc.ca/ctb/Mining.htm

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: 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

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References: *Social Service Tax Act*, Sections 1, 5, 9, 11, 12, 14, 19, 20, 21, 24, 70(b), 71(k), 76(1)(a), 76(1)(b), 76(1)(c), 76(1)(c.1), 76(1)(e), 76(1)(f), 76(1)(h), 76(1)(j.1), 76(1)(k), 76(5), 76(7) and 77(c), and Regulations 2.10, 2.36, 2.38, 2.39, 2.45(b), 3.26, 13.1, 13.2(3), 13.5, 13.6, 13.7, 13.8, 13.9, 13.10.1, 13.10.2, 13.10.3, 13.11 and 13.13