

Manufacturers

Social Service Tax Act

Update: Budget 2006

Clarification of manufacture, expansion to exemption for parts, and new exemption for manufacturing services

This bulletin outlines the application of tax to purchases and leases made by persons who qualify as manufacturers. Information on the application of the production machinery and equipment exemption to other industries is available on the Consumer Taxation Branch Web site at www.sbr.gov.bc.ca/ctb

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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DEFINITIONS

Manufacturer means a person who fabricates, manufactures, processes or produces a particular class of tangible personal property:

- (a) for sale, if there is a reasonable expectation that the total value of sales of that class of tangible personal property will exceed \$30,000 per year;
- (b) for lease or for the person's own business use, if there is a reasonable expectation that the total ***manufactured cost*** of that class of tangible personal property will exceed \$30,000 per year;

- (c) for a purpose referred to in both paragraph (a) and (b), if the total value of sales is \$30,000 or less and there is a reasonable expectation that the total ***manufactured cost*** of that class of tangible personal property will exceed \$30,000 per year.

The value of tangible personal property manufactured outside of British Columbia cannot be included to reach the \$30,000 threshold.

Manufacture means:

- fabricate or manufacture tangible personal property to create a new product substantially different from the material or property from which it was made,
- process tangible personal property by performing a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the tangible personal property,
- the development of software and custom software, and
- the extraction or processing of minerals, petroleum or natural gas.

Manufacture does not include:

- growing, harvesting or producing agriculture or aquaculture products or raising livestock,
- logging,
- the production of television programs, radio programs, motion pictures, commercials, master films, master video tapes, or any similar product in electronic format,

- the provision of a service, other than manufacturing services described on page 6,
- cleaning, painting, staining, blending, combining, grading, grouping, mixing, packaging, re-packaging, sorting or testing tangible personal property unless such activities are one step in, or occur immediately after, an activity, other than the development of software and custom software, that meets the definition of manufacture and occurs at a manufacturing site, mine site, well head, processing plant or refinery, or
- the transformation of tangible personal property from a gaseous, liquid or solid state to another one of those states by means of a change in temperature or pressure, unless the transformation by one of those means is one step in, or occurs immediately after, an activity, other than the development of software and custom software, that meets the definition of manufacture and occurs at a manufacturing site, mine site, well head, processing plant or refinery.

As used in this bulletin, the term “manufacturer” means a person who qualifies as a manufacturer under this definition.

See pages 9 and 10 of this bulletin for lists of businesses that generally qualify for the exemption and those which are specifically excluded or otherwise do not qualify for the exemption.

Manufactured Cost

Manufactured cost means the following costs and expenses that are incurred directly as a result of the manufacture of the tangible personal property that establishes the manufacturer’s eligibility for exemption as outlined in the above definition:

- direct cost of materials,
- direct cost of labour, and
- manufacturing overhead,

but does not include federal goods and services tax (GST).

Manufacturing Overhead

For the purposes of determining manufactured cost, **manufacturing overhead** does not include any general or administrative expenses. It does include the following types of costs and expenses provided they are directly related to the manufacture of the tangible personal property that establishes eligibility for exemption as a manufacturer:

- depreciation expenses for production

machinery and equipment and manufacturing sites;

- employee benefits on direct and indirect labour (vacation pay, pension plan, repairs and maintenance);
- engineering and drafting costs for own use;
- heat and light for manufacturing sites;
- indirect labour (manufacturing supervision, material handling, inspection, repairs and maintenance);
- insurance on manufacturing sites and production equipment;
- power for production equipment;
- property and business taxes on manufacturing sites;
- rental of manufacturing sites;
- rental of production equipment; and
- royalties or license fees for production processes or use of equipment.

Caution: *While energy costs may be considered as part of the manufacturing overhead for the purposes of determining eligibility for this exemption, it does not make such costs exempt. Energy is neither machinery nor equipment. It is a consumable and does not qualify for the exemption.*

Primarily or Exclusively Used

To qualify for exemption, production machinery and equipment must be used either **primarily** or **exclusively** for a qualifying purpose.

Primarily means over 50%, while **exclusively** means over 90%.

Measurement of **primarily** or **exclusively** may vary depending on the use of the machinery and equipment. Use for a qualifying purpose can be measured in terms of time, volume, production value, or another comparable measurement that is appropriate for that particular type of machinery or equipment.

In some cases, the machinery or equipment may only be used seasonally or during specific phases of the production process. In such cases, the time during which the machinery and equipment is idle or in storage is not considered to be use.

For example, if the machinery and equipment is only used for specific operations during three months of the year and is stored for the remainder of the year, the total operating time of that machinery and equipment is three months. To qualify for the exemption, that machinery and equipment will have to operate primarily or exclusively for a qualifying purpose during that three-month period.

Qualifying Tangible Personal Property

Qualifying tangible personal property means the particular class of tangible personal property that is sold, leased or manufactured for own use, to establish the manufacturer's eligibility for exemption, as stated in the definition of manufacturer above.

WHAT MACHINERY AND EQUIPMENT QUALIFIES FOR EXEMPTION?

Exemption Used

Production machinery and equipment purchased or leased by a manufacturer is exempt from tax if:

- it will be used **primarily** (over 50%) and **directly** in the manufacture of qualifying tangible personal property, and
- it will be used at the manufacturing site.

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

The **manufacturing site** is:

- from the point where the raw material is received;
- throughout the production process; and
- up to the point where the finished product is first stored or is first placed on a vehicle, rail car, vessel, aircraft, or other conveyance for removal from the manufacturing site.

The following diagram illustrates the parameters of this exemption. The shaded area is the manufacturing site. All machinery and equipment located within the shaded area *that is used primarily and directly in the manufacturing or production process* qualifies for the exemption.

The diagram applies to most manufacturing

operations. However, in some cases, the manufacturing may occur at a construction site. Where this is the case, the exemption only applies if the item is manufactured at a location other than the installation site. The manufacturing site is limited to that area, such as a mobile shop, within which the item is actually manufactured. Machinery and equipment used to install the manufactured item does not qualify for the exemption unless it is used over 50% of the time in the manufacturing process at the manufacturing site.

Transportation of Raw Materials

Vehicles, rail cars, vessels or other machinery and equipment used to transport raw materials to the manufacturing site do not qualify for the exemption.

Raw Materials Area

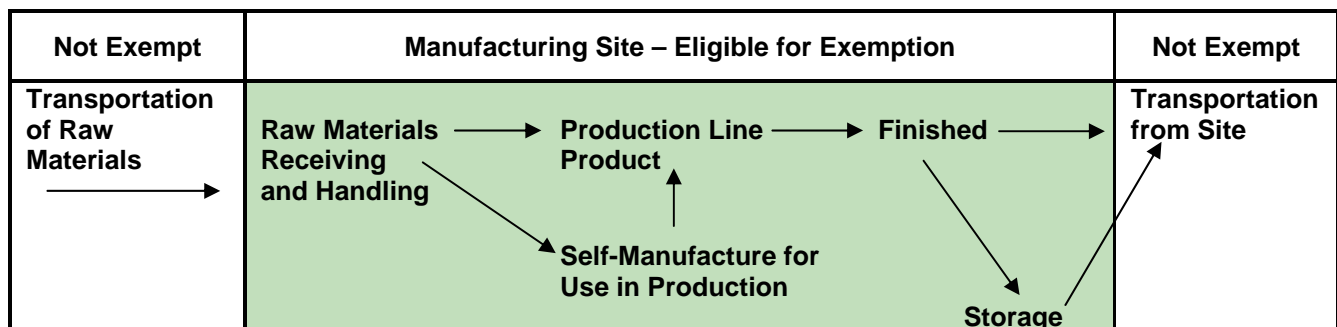
The raw materials receiving area is generally within the manufacturing site. The machinery and equipment used to receive, handle and store the raw materials qualifies for the exemption if it is used primarily (50%) for such purposes. This includes bins, forklifts, conveyor belts, shelving, cranes and similar items.

Production Line

All machinery and equipment in the production line used directly and primarily in processes related to transforming raw materials into a finished product qualify for the exemption provided it is primarily used for this purpose.

The following are examples of machinery and equipment included in the exemption:

- lumber kilns, digesters, paper dryers, sawdust cookers, storage and process tanks, molds and jigs, material cutters, saws and blades;
- machinery and equipment used to package the finished product, provided it is part of the



line operation; and

- conveyors, forklifts, cranes, pallets and similar machinery and equipment used to move the raw materials through the production line and to move the finished product to the first storage site, or if it is not stored before removal from the site, directly onto a vehicle, rail car or other conveyance that will transport it from the site.

Self Manufacture for Use in Production

Manufacturers frequently undertake secondary manufacturing on the same manufacturing site to produce goods that are necessary for the main production line.

Machinery and equipment used **primarily** and **directly** to manufacture other tangible personal property that will then be used directly in the manufacture of the finished product may also be purchased exempt by qualifying eligible manufacturers.

This applies only to the machinery and equipment used to produce goods that are necessary for the main production line at that manufacturing site.

For example, chlorine dioxide generators produce chlorine dioxide for use in the bleaching process of pulp and paper production. The chlorine dioxide generators therefore qualify for exemption.

Similarly, a manufacturing process may require the use of molds, which are produced at the manufacturing site. The *machinery and equipment* used to make the mold is exempt from tax. However, tax applies to materials that become part of the mold.

Pollution Control

An exemption is also provided on the purchase or lease of machinery and equipment for use **exclusively** (over 90%) and **directly** at the manufacturing site in the detection, prevention, measurement, treatment, reduction, or removal of pollutants in water, soil, or air if the pollutants are attributable to the manufacture of the tangible personal property.

Waste Management

Exemptions are also provided for the purchase or lease of machinery and equipment for use **exclusively** (90%) and **directly** to carry refuse or waste from machinery and equipment used to produce tangible personal property or for use to exhaust dust or noxious fumes produced by machinery and equipment in the manufacture of tangible personal property.

The exemption for pollution control and waste

management machinery and equipment applies only if **both** of the following conditions are met:

- the machinery and equipment is purchased by manufacturers or their contractors who are eligible for the PM&E exemption; and
- the machinery and equipment is purchased for use at an eligible site.

Storage

Provided the first storage area is on the manufacturing site, machinery and equipment used primarily and directly in transporting the finished product from the production line to the first storage area, including bins or shelving within the first storage area, qualify for exemption.

A first storage area may be a warehouse on the manufacturing site, or simply an open area within the manufacturing site, such as a dock or loading yard, where the finished product is accumulated before removal from the site.

Machinery or equipment that is used to transport the finished product from the first storage area to the conveyance that will transport it from the manufacturing site **does not qualify for exemption**.

Where the same machinery or equipment is used to transport the finished product to and from the first storage area, it is only exempt if it is used over 50% in transporting the product **to** the storage area.

Transportation From the Site

Vehicles and other conveyances, such as vessels and rail cars, used to transport the finished product from the manufacturing site do not qualify for exemption.

Excluded Equipment

The following types of machinery and equipment are excluded from the exemption under the Act.

- Buildings, furnishings, camp equipment, machinery or equipment related to the use of a building as a building, and machinery and equipment used in construction.
- Any vehicle of a type designed so that it can be used on a public highway, unless specifically exempted under the Act.
- Vessels, rail cars, locomotive engines and non-turbine aircraft.
- Electric generators and electric alternators that are portable or mobile, including drive motors for them, generator and alternator sets that are portable or mobile, stand-by electric generators and stand-by electric

alternators, including drive motors, and stand-by generator and stand-by alternator sets.

- Machinery and equipment, including transformers, pipes, valves and regulators used in the transmission or distribution of tangible personal property, other than when the machinery and equipment are used within a manufacturing site or a mine site.
- Bases and foundations that become part of the realty.
- Scaffolding, walkways, catwalks, and similar structures, unless such items are an integral part of machinery or equipment and are sold or leased as part of machinery and equipment that is exempt.
- Machinery and equipment for use in security alarm services and laundry and dry cleaning services.
- Typical office equipment, such as photocopy machines and fax machines, used for your own business purposes, does not qualify for the exemption. Copying and duplicating equipment used directly to produce copies for resale continues to qualify for the exemption.

PARTS

What is a Part?

A part is pre-manufactured tangible personal property that is an integral piece of the machinery and equipment required for its proper use and operation, that can be installed with minimal adjustments.

What Qualifies for Exemption

For the period between July 31, 2001 and February 20, 2002, the exemption applied to parts that, by design, would only generally be used as replacement parts for industrial machinery and equipment.

Effective February 20, 2002, the exemption for parts purchased for use on exempt production machinery and equipment was expanded to include all parts, provided the purchaser is eligible for the exemption.

The expansion of this exemption to generic or non-industrial parts applies only to purchases made on or after February 20, 2002. Tax paid on generic parts purchased before this date is not refundable, even if the parts are held in inventory for future use.

Effective February 22, 2006, the exemption for

parts is expanded. Parts purchased or leased by qualifying persons to assemble qualifying machinery or equipment are exempt from tax. Tax paid on parts purchased before this date is not refundable, even if the parts are held in inventory for future use. Materials, such as lumber, sheet metal or cement, remain subject to tax.

What is Not Exempt?

The exemption does not apply to consumables or to materials used to make parts.

Consumables are tangible personal property that may be required for the operation of machinery or equipment, but are, by their nature, consumed or used up in the operation or maintenance of the machinery or equipment. Examples include motor oils, greases, water, fuels, cleaning solutions, and rags.

Consumables may also be materials or substances that are actually used or consumed in the production process, such as additives to the raw petroleum or natural gas. These consumables are also subject to tax unless they qualify for an exemption listed on page 7 of this bulletin.

Materials used to make parts are tangible personal property that, at the time of purchase, must be modified before use as a part for machinery or equipment. This would include generic hoses that must be cut to length, conveyor belt material that requires fitting and processing, and sheet metal that may be of specialized density and strength but that must be cut, modified, or manufactured before use.

Mixed Inventory

Many businesses maintain an inventory of parts to ensure repairs can be made to vital machinery and equipment with minimal disruption to production.

Businesses may make a reasonable estimate of the proportion of the parts inventory that will be used for exempt production machinery or equipment and purchase that portion exempt of tax. The volume of exempt parts used must then be reconciled with actual use. Additional tax must be paid on parts purchased exempt if the reconciliation indicates a higher use of inventory parts on taxable machinery and equipment than originally estimated.

If the business is registered as a vendor, the additional tax may be remitted with the regular tax return. If the business is not a registered vendor, information and forms for remitting the tax may be obtained from the Consumer Taxation Branch or on the branch Web site.

MANUFACTURING SERVICES

Some businesses process materials that are owned by their customers. This typically occurs when parts of a manufacturing process are contracted out from one business to another. Prior to February 22, 2006, these businesses did not qualify for the exemption.

Effective February 22, 2006, businesses that use machinery and equipment to provide services to qualifying manufacturers are eligible for the production machinery and equipment exemption provided that:

- the service consists of manufacturing tangible personal property for the manufacturer,
- the service is provided to, or results in the creation of, tangible personal property that will be, or will become part of, the qualifying tangible personal property of the manufacturer,
- the machinery and equipment is used primarily and directly in providing the service as described on page 3 of this bulletin
- the service is undertaken on the service provider's qualifying manufacturing site as described on page 3 of this bulletin, and
- there is a reasonable expectation that the total value of sales of services will exceed \$30,000 per year.

This exemption does not apply to telecommunication services or legal services.

IMPROVEMENTS TO REALTY

Effective February 19, 2003, the exemption for production machinery, equipment and parts purchased by manufacturers and other eligible persons is expanded to include qualifying machinery, equipment and parts that become an improvement to realty on installation and that are acquired and installed by a contractor under a lump-sum or fixed-price contract for an eligible customer.

This exemption is briefly described below.

However, before claiming exemption under this provision, contractors are urged to refer to [Bulletin SST 072](#), *Real Property Contractors*. The bulletin provides more detailed information on what purchases are eligible for the exemption, how to claim the exemption, and liabilities where an exemption has been incorrectly claimed by the customer or by the contractor. The bulletin is available at www.sbr.gov.bc.ca/ctb

The exemption for purchases of machinery and equipment by contractors applies only if all of the following conditions are met:

- the machinery, equipment or parts are acquired by the contractor to be installed under a lump sum or fixed price contract to improve real property, and
- the contractor's customer has provided to the contractor a completed *Certificate of Exemption – Production Machinery and Equipment (FIN 453/M)*, certifying that the customer
 - would be eligible to receive the exemption if they were to purchase the machinery, equipment or parts directly; and
 - the machinery, equipment or parts, once installed, will be used for an exempt purpose.

To obtain this exemption, the manufacturer (customer) must provide the contractor with the completed certificate of exemption referred to above. If the contractor is a registered vendor, the contractor may obtain the exemption on qualifying purchases by quoting its registration number to the supplier.

If the contractor is not a registered vendor, the contractor may claim the exemption by completing the bottom portion of the certificate of exemption provided by the customer. The contractor may then claim the exemption by providing the certificate to the supplier of the qualifying items. Both the contractor and the supplier must retain a copy of the completed certificate to substantiate non-payment of tax on that purchase.

If a contractor claims this exemption and it is subsequently found that the customer or the machinery or equipment did not qualify for the exemption, it is the customer, not the contractor, who is liable for a penalty equal to the tax that should have been paid on that purchase. If the contractor claims the exemption without obtaining the certification from the customer, the contractor is liable for an assessment of the tax due on that purchase.

There is no change in the application of tax for contractors who enter into "time and materials contracts", where the charge for the labour and materials are stated separately in the contract.

CLAIMING THE EXEMPTION FOR PRODUCTION MACHINERY AND EQUIPMENT

Certification Requirement

To purchase or lease production machinery, equipment, related parts and taxable services exempt from tax, persons eligible for the exemption must provide the seller with a completed *Certificate of Exemption – Production Machinery and Equipment* (**FIN 453/M**) or other approved certification.

This requirement applies whether or not the manufacturer is registered as a vendor with the Consumer Taxation Branch.

Certificate of Exemption

The purchaser is required to complete all areas of the certificate. In the section that requires a description of the items purchased or leased, it is not sufficient for the purchaser to simply state “production machinery and equipment”. Each type of machinery or equipment must be listed on the certificate. For example, if the following are purchased, they must be clearly listed on the certificate: drill bits, regulators, bucket teeth.

Where a large quantity of machinery or equipment is being purchased or leased, an itemized list or a copy of the sales invoice may be attached to the completed certificate. The invoice must clearly describe the machinery or equipment being purchased or leased, and indicate which of these are exempt.

Where purchases are frequently made from the same supplier, the purchaser may provide one completed certificate to that supplier along with a list of items for which exemption is being claimed. Future sales of the same items may be made exempt on the strength of this certificate.

The *Certificate of Exemption – Production Machinery and Equipment* (**FIN 453/M**) is only to be used for claiming exemption on production machinery, equipment, and related parts and taxable services. It does not replace the *Certificate of Exemption* (**FIN 453**).

Alternative to Certificate

As an alternative to the *Certificate of Exemption – Production Machinery and Equipment* (**FIN 453/M**), an exemption may be claimed 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 being purchased, leased, or for which taxable services

are being acquired. A certification in the following form must be stamped or pre-printed on the form:

Production Machinery and Equipment Exemption:
We certify that the goods and services purchase herein are eligible for exemption from social service tax under Section 76(1)(k) of the Social Service Tax Act, Division 13 of the regulation to the Act.

Retaining all Records

Sellers and lessors must ensure that they retain the certificates to substantiate the non-collection of tax on that sale or lease. Contractors who purchase exempt production machinery and equipment on behalf of their customers must retain a copy of the *Certificate of Exemption* provided by the customer. Vendors must retain all books of account, records and documents required under the Act for a period of 7 years.

OTHER EXEMPTIONS

Materials Incorporated into a Finished Product

Manufacturers are not required to pay tax on their purchase of tangible personal property that is processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property for the purpose of retail sale or lease.

To qualify for this exemption, the tangible personal property must become incorporated into, or become part of, the finished product.

This exemption does not apply to:

- containers used to package or deliver the finished product if the containers are returnable to the seller, other than milk bottles used by a dairy, or
- materials used in the manufacture of portable buildings.

Product Labels

Labels purchased by manufacturers, sellers or lessors that are to be attached to goods for sale or lease, and that are intended to remain with the goods after the sale or lease, are exempt from tax. The exemption applies to all labels that remain with goods sold or leased, regardless of the type of information they contain.

Materials Consumed in the Production Process

Specific items that are consumed or used in the manufacture, production, service, or repair of tangible personal property are prescribed by

regulation as exempt from tax when acquired by a person for consumption or use in the course of their business.

The following materials qualify for this exemption.

- Abrasive papers, emery paper or other fabric-backed abrasives suitable for use by hand or for use with hand held tools
- Dies, jigs, molds
- Grinding wheels and discs
- Patterns
- Polishing wheels
- Rotary steel brushes
- Sand used for sand blasting
- Steel shot, plastic shot and glass shot, and similar materials used for blasting a surface clean
- Steel wool

Catalysts and Direct Agents

Catalysts and direct agents used in a manufacturing process are exempt from tax. To qualify for this exemption, the substance must:

- be used in a chemical reaction for the transformation or manufacture of a product for sale or lease, and
- be in contact with, or be temporarily incorporated into, the material being transformed or manufactured into the product.

The exemption does not apply if the substance:

- is not used directly in the transformation or manufacture of a product, or
- the contact between the substance and the material being transformed or manufactured into a product is inconsequential to the transformation or manufacture of the product.

Substances qualifying as catalysts or direct agents vary according to the industry and the process. It is therefore advisable to contact the Consumer Taxation Branch to determine which substances qualify as catalysts and direct agents in specific processes.

Prototypes and Materials Used to Make Prototypes

The Act provides an exemption for qualifying prototypes and most materials used to make qualifying prototypes. For information on what qualifies as a prototype and the conditions under which this exemption applies, please refer to

[Bulletin SST 109](#), *Exemption for Prototypes*.

Work-Related Safety Equipment

Social service tax does not apply to work-related safety equipment designed to be worn by a worker. For more information about safety equipment specifically exempted under the Act, please refer to [Bulletin SST 002](#), *Exemption for Safety Equipment*.

Claiming Exemptions

There are no special procedures for claiming exemption on work-related safety equipment. Such items may be purchased exempt by any purchasers.

To claim the other exemptions outlined in this section of the bulletin, purchasers or lessees who are not registered vendors must provide the seller or lessor with a completed *Certification of Exemption* form ([FIN 453](#)). If the purchaser is a registered vendor under the *Social Service Tax Act*, the exemption may be claimed by quoting the vendor registration number to the seller.

CONVERSION TO TAXABLE USE

Tax Liability

If any machinery, equipment or replacement parts are acquired exempt and subsequently used for a purpose other than an exempt use, the machinery and equipment becomes subject to tax at the time of such use.

Remitting the Tax

When exempt machinery, equipment or replacement parts are converted to a taxable use, the manufacturer must pay tax on the greater of the depreciated value or 50% of the original purchase price, at the tax rate in effect at the time the goods were converted to a non-exempt use.

PROVIDERS OF TAXABLE SERVICES

Definition

A taxable service is any service provided to install, assemble, dismantle, repair, adjust restore, recondition, refinish, or maintain tangible personal property.

Exemption

Taxable services provided to exempt production machinery and equipment are specifically exempted from tax when purchased by a person eligible for exemption on the purchase or lease of the machinery or equipment.

Persons providing the taxable services are not

required to collect tax on the charge for the services where a customer claims exemption.

The provider of the service is not required to pay tax on purchases of parts and materials used in providing the service if those parts become attached to, and remain with, the machinery and equipment. Service providers may purchase such items exempt from tax by quoting their registration number to their suppliers.

BUSINESSES THAT GENERALLY QUALIFY FOR THE EXEMPTION

The following are examples of the kinds of businesses that generally may qualify as manufacturers and therefore may be eligible for the production machinery and equipment exemption.

- abattoir
- alternator and starter rebuilders to the extent the alternator/starter is totally rebuilt (does not include repairs)
- boat builders
- book binders
- breweries
- cartographers
- copying and duplicating operations where copies are produced for resale
- custom designed computer software producers
- custom shoemakers
- dairies that perform the pasteurization process but not farming
- decorative iron works
- dental laboratories
- denturists
- dock makers
- engine rebuilders to the extent the engine is totally rebuilt (does not include repairs)
- film developers
- foundries
- jewelers but not jewelry repair
- label producers
- meat processors
- mining firms
- monument makers
- musical instrument manufacturers
- opticians to the extent they grind lenses
- photographers to the extent they process photographs

- picture framers to the extent they build frames
- potters
- printers
- pulp and paper mills
- refineries
- sawmills
- screen print makers
- sculptors
- sign makers
- tire retreaders

BUSINESSES THAT DO NOT QUALIFY FOR THE EXEMPTION

The *Social Service Tax Act* specifically excludes the following persons from the production machinery and equipment exemption.

- A caterer.
- A restaurateur or other person who prepares food products for retail sale on the premises where the food is prepared, unless retail sales of those food products comprise less than 10% of that person's total sales.
- The government and its agents, including agencies, boards and commissions, but excluding the British Columbia Hydro and Power Authority, the British Columbia Railway Company, the Columbia Power Corporation, and the Insurance Corporation of British Columbia.
- A local government body as defined in Schedule 1 of the *Freedom of Information and Protection of Privacy Act*.
- A corporation whose taxable income, determined for the purposes of the *Income Tax Act* (Canada), is exempt from income tax under section 149 (1) (d) to (d.6) of that Act, but excluding the British Columbia Hydro and Power Authority, the British Columbia Railway Company, the Columbia Power Corporation and the Insurance Corporation of British Columbia.
- Schools, school boards and universities, including business, trade and vocational schools.
- Hospitals.
- Regional health boards and community health councils as designated under the *Health Authorities Act*.

The following are examples of the kinds of businesses that perform a service and generally do not qualify as manufacturers. Such businesses may not be eligible for the production machinery and equipment exemption.

- advertising agencies
- aerial photographers
- architects
- assemblers of gift baskets
- automobile customizers
- automobile repairers
- barristers
- bicycle dealers that assemble bicycles
- chiropractors
- cold storage plants
- commodity brokers
- computer dealers that custom assemble from component parts
- computer software service firms (to the extent the service is configuring/installing)
- concrete breaking
- consultants
- dentists
- designers that do not produce tangible personal property
- drafters
- engineers
- engravers
- florists
- furniture assemblers
- furniture refinishers
- insurance brokers
- laundries and dry cleaners
- lawyers
- locksmiths
- medical doctors
- motion picture producers
- muffler and exhaust installers
- notaries
- optometrists
- pharmacists
- plumbers and steam fitters
- prosthetic fitters/customizers
- recording services (production of master copy)

- repairers/reconditioners
- re-upholsterers
- saw sharpening/repair shops
- shoe repairers
- solicitors
- steam cleaners
- surveyors
- taxidermists
- television program producers
- veterinarians
- video and audio producers (production of master copy)
- watch repairers
- web designers

The following are examples of the kinds of businesses that perform an activity that does not qualify as manufacturing. Such businesses are therefore not eligible for the production machinery and equipment exemption.

- blenders of tea and coffee
- blenders of fertilizers and animal feed
- cleaners
- egg grading stations
- fish packers
- food/produce graders if only grading and packaging
- meat cutters (retail)
- meat packers
- packaging services
- paint dealers to the extent they mix paint
- painters

NEED MORE INFO?

This bulletin is provided for convenience and guidance. If you 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*, Sections 1-6, 8, 20, 76, 77(a), 77(c), 92 and 138; Regulations 2.45, 3.28, 5.14, 13.1-13.12 and 13.14