

Liquor Sellers

Social Service Tax Act

Do you sell liquor at a beer and wine, or liquor store?

Do you sell liquor at a restaurant, bar, pub, hotel or similar establishment?

This bulletin provides specific tax information to help businesses that sell liquor or alcoholic beverages 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

Registering to Sell Liquor

To sell liquor, you need to be registered with the Ministry of Small Business and Revenue and complete an *Application for Registration as a Vendor* form (**FIN 418**). You may be asked to provide additional documentation or information on your business assets.

You also need to have a liquor licence issued by the Liquor Control and Licensing Branch. For information on liquor licences, please see the Liquor Control and Licensing Branch's website at www.pssg.gov.bc.ca/lclb or call toll free at 1-866-209-2111.

When to Charge PST

You charge 10% PST on the sale of liquor or alcoholic beverages, such as:

- beer (draft, canned or bottled),
- wine,
- spirits,

- liqueurs,
- ciders and coolers,
- mixed drinks,
- draft beer, wine or cider,
- any alcoholic beverage with an alcohol content greater than 1%, and
- chill charges or other extra charges included in the purchase price of alcoholic beverages, except the goods and services tax (GST) and bottle or can deposits.

You charge 7% PST on the sale or lease of other taxable items, such as:

- bottle openers,
- t-shirts and souvenirs, and
- beer or wine making supplies, except supplies that are considered food for humans. For details, please see [Bulletin SST 132](#), *Wine and Beer Makers*.

When Not to Charge PST

You do not charge PST on the sale of the following:

- snack foods (e.g. chips, nuts and candy),
- juices, cocktail mixes and other non-alcoholic drinks, and
- beer and wine making supplies that are considered food for humans (e.g. brewer's yeast, hops, tartaric acid and cider base).

Out-of-Province Sales

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.

Liquor Sales to First Nations Customers on Reserve Land

If you sell liquor to a First Nations customer on reserve land, you do not charge PST when:

- your customer holds a *Certificate of Indian Status* card issued by the federal government,
- you record your customer's name and *Certificate of Indian Status* card number,
- you record your customer's band name and number,
- your customer signs the sales receipt or log book maintained for this purpose, and
- you are a licensed liquor establishment located on land that qualifies as reserve land under the *Indian Act* (Canada), or on designated reserve land.

Please note: If you are located on designated reserve land, you need to have written authorization from the ministry to make exempt sales to First Nations customers.

To show why you did not charge PST, you need to keep all the required documentation with your records. Other sales to First Nations customers, including sales to First Nations off reserve land, are taxable. For details on selling to First Nations customers, please see [Bulletin SST 034](#), *Procedures for Making Exempt Sales or Leases to Indians and Indian Bands* and [Bulletin SST 046](#), *Exemption for Indians and Indian Bands*.

Bundled Goods and Services

When a non-taxable good or service is bundled together with a taxable good or service and sold together for a single price, special tax applications may apply. For details, please see [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-taxable Goods or Services Sold Together for a Single Price*.

Please note: Mixed drinks, such as vodka and orange juice, are not bundled sales. You charge 10% PST on the total charge for mixed drinks.

Purchases

When to Pay PST

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,
- advertising materials, such as flyers and brochures,
- free promotional items, such as drinks given away to customers or staff, and
- computer hardware and software (unless custom software).

If your 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 for resale or lease to your customers,

- containers or packaging materials that are included with your sales at no extra charge to your customers (e.g. flats and boxes), and
- liquor incorporated into food for resale (e.g. liquor used in meals and baked goods).

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

If you take 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 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.

Calculating the PST Due

On liquor sales, you calculate the amount of PST in one of the following three ways:

1. Tax-Excluded Pricing

If you sell liquor without PST or GST included in the price, and use a combined rate of 16% to calculate the taxes due, the 10% PST charged must be clearly indicated on the sales receipt.

For example:

Tax-excluded price	=	\$10.00
Tax due (10% PST and 6% GST)	=	<u>1.60</u>
Total charge	=	\$11.60

2. GST-Included Pricing

If you sell liquor with the GST included but not the PST, you can calculate the PST by charging 9.43% on the GST-included price. This will result in a 10% PST charge on the liquor.

For example:

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

3. GST and PST-Included Pricing

If you sell liquor with the GST and PST included in the price, calculate the PST due by multiplying 10/116 by the GST and PST-included sale price (10/116 X GST and PST-included sale price = PST due). To calculate the GST due, multiply 6/116 by the GST and PST-included sale price.

For example, if the cost of an alcoholic beverage is \$3.65:

$$10/116 \times \$3.65 = 31\text{¢ PST due}$$

$$6/116 \times \$3.65 = 19\text{¢ GST due}$$

Your sales price before taxes would be \$3.15 (\$3.65 - 31¢ - 19¢ = \$3.15)

Please note: You can only provide PST-included prices on sales of alcoholic beverages. You cannot provide PST-included prices on sales of other taxable items, such as T-shirts and bottle openers.

Refundable Deposits

If you sell canned or bottled beer, coolers, ciders or ale at a retail store, you charge a refundable deposit at the time of sale. For more information on the *Beverage Container Stewardship Program*, please see the Ministry of Environment's website at www.env.gov.bc.ca/epd/epdpa/ips/bev/index.html

You do *not*:

- charge PST on the refundable deposit,
- include the deposit in the sale price of the alcoholic beverages you are selling,
- send the Ministry of Small Business and Revenue the deposit amounts you collect, or
- include the deposit amounts in the calculation of your total sales on your next tax return.

Liquor Included with All-Inclusive Vacation Packages

You do not charge PST on liquor or alcoholic beverages included with all-inclusive vacation packages. However, you pay PST on your purchases of liquor provided with, or included in, all-inclusive vacation packages. For more information, please see [Bulletin HRT 006](#), *Accommodation – Registered Operators of Hotels, Motels or Other Lodgings*.



Need more info?

Liquor Industry website: www.sbr.gov.bc.ca/ctb/Liquor.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

Acknowledgments

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References: *Social Service Tax Act*, Sections 1, 5, 6, 6(2), 8, 69.1 and 70, and Regulations 2.4