

## Exemption for Material and Equipment Used to Conserve Energy

### *Social Service Tax Act*

The *Social Service Tax Act* provides an exemption from social service tax, also called provincial sales tax (PST), for prescribed energy conservation materials and equipment that prevent heat loss from a building, for prescribed residential energy efficient furnaces, boilers and heat pumps, for prescribed alternative energy sources, and for natural gas and propane conversion kits for internal combustion engines. This exemption is limited to those items that are specifically prescribed as exempt by regulation, as outlined below. The exemption **does not** include generic materials and parts used to make an exempt item.

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 are on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr)

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#### **PREVENTING HEAT LOSS FROM A BUILDING**

The following material and equipment that prevent heat loss from a building are exempt from PST.

- Thermal insulation material that is a bat, a blanket, loose fill or cellular plastic material, and that is designed primarily to prevent heat loss from a building. Rigid or semi-rigid insulation attached to buildings also qualifies for exemption. The exemption does not include vapour barrier material

or any other material incorporated into or attached to a building and serving a structural or decorative function.

- Polystyrene forming blocks that are used in the construction industry initially as a form for concrete, and that remain permanently attached to the concrete to serve as the primary insulation for the completed building to prevent heat loss from that building.
- Fastening components specifically designed for use with exempt polystyrene forming blocks, even if purchased separately from the blocks.
- Chemicals used to make spray polyurethane foam insulation designed primarily to prevent heat loss from a building.
- Storm windows and storm doors.
- Dies integrated into a window system to form a thermal barrier between the internal and external part of the building to prevent heat loss from that building.
- Weather stripping and caulking material designed to prevent heat loss from a building. Many types of caulking are

multi-purpose. To qualify, the caulking must specify a use designed to prevent heat loss from a building, such as “suitable for use around window/door frames” or “seals out moisture and drafts” (e.g., “bathtub” caulking would not qualify).

- Glass and other material purchased by a vendor to be installed in the construction of multi-glazed windows in a building to create a dead air space between panes as a thermal barrier.
- Window insulating systems consisting of a transparent or translucent film, including frames or integral parts of the systems, installed in an existing window and designed primarily to retain heat in a building by absorbing solar heat or reducing drafts. Films that are mainly intended to reduce glare or reflect heat away do not qualify.

Purchases of a separate multi-glazed window or a door containing multi-glazed windows are exempt from tax. Garage doors containing multi-glazed windows are also eligible for the exemption.

## MULTI-GLAZED WINDOWS AND DOORS

The exemption does not include single panes of glass or formed concrete curtain walls that are used to cover exposed faces. Doors containing peepholes but no multi-glazed windows **are not** eligible for the exemption.

When a door containing a multi-glazed window is sold as a single assembled unit with its surrounding frame, hinges and attached hardware (such as a deadbolt mechanism, kick plate, door knob, etc), the complete unit may be sold exempt from tax. The exemption applies even if there are separate charges on the invoice for the door and for the frame, hinges or attached hardware.

The same is true when a multi-glazed window is sold as a single assembled unit with its surrounding frame and attached hardware (such as latch mechanisms). The surrounding frame includes sills and headers, even where they add substantially to the bottom and top of the window. The component parts include spandrel material, metal panels and metal back pans.

Framed multi-glazed windows and doors with screens attached may be sold exempt if the screen is attached to the window or door and the whole package is sold for a single price. The exemption applies even if the screen in the package is detachable.

A multi-glazed window or a door containing a multi-glazed window is often only one component of a larger system. For example, a customer may purchase a single system composed of the following components:

- a door **without** multi-glazed windows and the surrounding door frame,
- partly-solid side panels, and
- multi-glazed windows mounted in the side panels.

If the total system is sold as a single unit for a single price with no separate pricing for the components, then tax applies to the fair market value of the taxable component. (See **Taxable and Non-Taxable Goods or Services Sold Together for a Single Price** below). In most cases, the fair market value is the price for which the item is normally sold at a retail sale.

The only time a total door/window system may be sold exempt for a single price is when the system is composed solely of multi-glazed windows and doors with multi-glazed windows (the prescribed materials), and the surrounding frames, hinges and attached hardware that are an integral part of these windows and doors.

### **Taxable and Non-Taxable Goods or Services Sold Together for a Single Price**

This type of bundling can lead to different tax applications depending on the price of the bundle and the value of the taxable goods or services in the bundle.

Generally, if a taxable good or service is bundled with a good or service that is not taxable and both are sold for a single price, tax applies only to the fair market value of the taxable item. However, special rules can apply.

**More Info:** [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-Taxable Goods or Services Sold Together for a Single Price*

## ENERGY EFFICIENT RESIDENTIAL FURNACES, BOILERS AND HEAT PUMPS

From February 16, 2005 to April 1, 2007, qualifying energy efficient residential furnaces, boilers and heat pumps are exempt from tax if purchased or leased **for residential purposes**.

“Residential purposes” means installed in a residential dwelling. Residential dwellings include single family homes and multiple family dwellings, such as apartment buildings and extended care facilities.

### What Qualifies?

Gas-fired forced-air furnaces, boilers, and air- or ground-source heat pumps qualify for exemption if they are marked “ENERGY STAR®<sup>1</sup> Qualified” by the Office of Energy Efficiency, Natural Resources Canada, at the time of purchase or lease. A list of brand names and model numbers of ENERGY STAR® Qualified residential furnaces, boilers and heat pumps is available on our website at [www.sbr.gov.bc.ca/ctb/energystarqualified.htm](http://www.sbr.gov.bc.ca/ctb/energystarqualified.htm)

Oil-fired forced-air furnaces that have a Seasonal Energy Utilization Efficiency (SEUE) rating of at least 85% also qualify for exemption. For furnaces with no standing pilot light, the SEUE is equivalent to the Annual Fuel Utilization Efficiency (AFUE). The SEUE or AFUE rating is established under the federal *Energy Efficiency Act*. A list of the brand names and model numbers of qualifying oil-fired forced-air furnaces is available on our website at [www.sbr.gov.bc.ca/ctb/energystarqualified.htm](http://www.sbr.gov.bc.ca/ctb/energystarqualified.htm)

The exemption applies to all parts of the residential furnace, boiler or heat pump as supplied by the manufacturer or system installer.

For heat pumps, the exemption includes all major components integral to a heat pump system, including evaporator, coils, condenser, compressor, accumulator, expansion device, heat exchanger, valves, fans, blowers, pumps and controls, as well as piping, refrigerant solutions circulated within closed-loop heat pump systems, and energy efficient recovery thermostats.

The exemption does not include ductwork or other heating distribution systems used to circulate air in a residence, generic thermostats, or supplementary heating systems that are not integral to a heat pump system.

### How to Claim the Exemption

Most homeowners acquire a furnace, boiler or heat pump through a contractor who installs the equipment in the residence under a lump-sum or fixed-price contract that includes the cost of the equipment. Because the exemption applies at the time of purchase, the contractor receives the exemption for the qualifying furnace, boiler or heat pump at the time the item is purchased from the supplier.

Contractors who are registered as a vendor or lessor under the *Social Service Tax Act* may purchase or lease a qualifying furnace, boiler or heat pump for residential purposes without paying tax by providing their registration number to the supplier.

If a contractor or other purchaser is not registered as a vendor or lessor, then that person must provide the supplier with a completed and signed *Certificate of Exemption* form (**FIN 453**).

The supplier must retain the signed *Certificate of Exemption* in their records to show why tax was not collected on the sale. Future exempt sales of qualifying furnaces, boilers or heat pumps may be made to the same contractor or purchaser on the basis of this signed certificate.

*Certificates of Exemption* are available from any Service BC- Government Agents office or on the web at [www.sbr.gov.bc.ca/ctb/forms.htm](http://www.sbr.gov.bc.ca/ctb/forms.htm)

## ALTERNATIVE ENERGY SOURCES

Purchases and leases of prescribed wind, solar, and micro-hydro power generating equipment are exempt from PST.

Please note that while the following materials and equipment are exempt, they **must** be sold as complete units in order for their component parts

<sup>1</sup> The ENERGY STAR® mark is administered and promoted in Canada by Natural Resources Canada and is registered in Canada by the United States Environmental Protection Agency.

(such as wiring, controllers, devices, tubing, etc) to qualify for the exemption. If the component parts are sold separately, they are taxable, even if the complete unit is split up and invoiced separately for shipping purposes.

- Wind-powered generating equipment specifically designed to produce mechanical or electrical energy together with generators, controllers, wiring, and devices that convert direct current into alternating current, when they are sold with, and as part of, that equipment.
- Solar photovoltaic collector panels, together with wiring, controllers, and devices that convert direct current into alternating current, when they are sold with, and as part of, that system.
- Solar thermal collector panels, together with wiring, pumps, tubing, and heat exchangers, when they are sold with, and as part of, that system.
- Micro-hydro turbines and generators designed to produce up to 150 kilowatts of mechanical or electrical energy together with controllers, wiring, tubing, and devices that convert direct current into alternating current, when they are sold with, and as part of, that equipment.

Pipes used to bring water from the source into the micro-hydro generator and turbine qualify for exemption when sold with and as part of the system. However, the pipes are subject to tax if purchased separately from the micro-hydro generator and turbine. The pipes are considered to be tubing.

Batteries are considered generic, and when purchased for the operation of wind, solar and micro-hydro power generating systems, they do not qualify for the exemption.

## CONVERSION KITS

### Natural Gas and Propane Conversions

Natural gas and propane conversion kits for internal combustion engines qualify for exemption, except for kits that have been factory or dealer equipped in a motor vehicle prior to the sale of that vehicle.

Kits to convert motor vehicles to operate exclusively on electricity also qualify for exemption.

### Hybrid Electric and HCNG Bus Conversions

Effective February 22, 2006, a refund is available for tax paid on parts and labour to convert shuttle buses and passenger buses to operate as hybrid electric vehicles or to operate on HCNG (a blend of hydrogen and compressed natural gas). There is a maximum refund of \$5,000 for each shuttle bus conversion and \$10,000 for each passenger bus conversion.

The refund applies to all parts required for the vehicle to run as a hybrid electric vehicle or to operate on HCNG. However, tax continues to apply to repair or maintenance services provided to the shuttle bus or passenger bus after the conversion.

### Installation of Conversion Kits

Charges to install an exempt conversion kit are also exempt. However, tax applies to any other parts or service that may be provided at the same time as the conversion, but are not essential to it. In this case, state the exempt installation charges separately on the sales invoice.

Repair or maintenance services provided to exempt conversion kits, as well as the parts consumed in their repair or maintenance, are exempt from PST.

**More Info:** [Bulletin SST 085](#), *Alternative Fuel Vehicles and Alternative Motor Fuel Tax Concessions*

## PARTS AND SERVICES

### Parts

Parts **designed for** and used in the repair or reconditioning of the exempt equipment outlined in this bulletin may be purchased exempt from PST. However, the exemption does not apply to generic parts (such as nuts, bolts, washers, rivets, etc) that may also be used in the repair or reconditioning of other taxable equipment.

## Taxable Services

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

Services provided to exempt material and equipment may also be exempt from PST. Tax must be collected on services provided to taxable material and equipment.

**More Info:** [Bulletin SST 018](#), *Taxable Services*

### NEED MORE INFO?

This bulletin is provided for convenience and guidance.

If you have any questions, call us at 604 660-4524 in Vancouver or toll-free at 1 877 388-4440, or e-mail your questions to [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

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

**References:** *Social Service Tax Act*, Sections 1, 5, 40, 74(e), 77(c) and Regulations 2.45, 2.46, 3.20