

Graphic Designers

Social Service Tax Act

Are you a graphic designer?

Do you need to know how PST applies to your business?

This bulletin provides specific tax information to help graphic designers 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 \(PST\)](#).

Overview

PST applies differently to the various services and products offered by graphic designers, depending on the type of service or product you provide to your client.

When you are consulting with your client, or creating the design concept, you are providing a non-taxable service. In this case, you do not charge PST on:

- the services you provide to create the graphic design,
- copies of the graphic design transferred electronically, or
- the **original** graphic design provided on a tangible medium, such as paper, disk or other medium.

The tax application changes when you produce tangible products with your design, such as brochures, posters or pamphlets. You add PST to the full amount you charge, which will include your design services, labour costs and materials.

Electronic products, such as digital designs, web sites and electronic brochures, are non-taxable even if you provide your client with a copy of the original on disk or tape.

Services

You do not charge PST on design services when you do not produce tangible products to sell to your client. For example, when you create an electronic product or hard-copy proof, and send it directly to a printing company who bills your client directly, you do not charge PST for your design services. The printer will charge your client PST on the printing charges. In this case, you are providing a non-taxable service.

However, in the same situation above, if you subcontract to the printer who bills you directly, and you charge your client for both the design and printing costs, you charge PST on the total amount, which will include the design services, materials and printing costs. You charge PST on the full amount even if you separate the design services or labour costs from the printing costs on the invoice. In this case, you have created a taxable product and PST is due on the total amount the client pays for these items.

Materials Used to Perform Services

Often, you will perform a service without providing a tangible product, or the cost of the tangible product may be nominal (for example, a back-up tape or disk). Although you do not charge PST for the service, you pay PST for all tangible materials, supplies, telecommunication services and taxable services you use to provide this service. If you have your own artists on staff, you pay PST on the computer programs or art supplies they use.

Sales

Products

You charge PST when you produce tangible products, such as brochures, posters or pamphlets for your client. You charge PST on the full price, including your costs for design services, labour, materials, printing etc., even if you separate the design services or labour costs from the other charges on the invoice.

You also charge PST on charges for taxable services you provide, such as installing or setting up tangible products, e.g. portable display units. However, if you only supervise or oversee the installation or set up by a third party contractor or manufacturer, who bills the client for the taxable services directly, you do not charge PST for supervising the set up. For more information on taxable services, please see [Bulletin SST 018, Taxable Services](#).

You do not charge PST if you design, supply and install tangible products permanently to real property, e.g. wall murals. This is an improvement to real property and you pay PST on your cost of materials used to supply and install the item. For more information on real property contracts, please see [Bulletin SST 072](#), *Real Property Contractors*.

Graphic Artwork

You charge PST when you sell tangible graphic artwork directly to your client, just as with any other artwork, even on the **original** graphic design. If you are selling your work to an art dealer for resale, you do not charge PST but you should record the dealer's PST registration number on the invoice. In the case of consignment sales to dealers, the dealer will charge their client PST; you do not charge the PST. You should record the dealer's PST registration number on the consignment agreement.

You do not pay PST on any art supplies that are incorporated into the tangible artwork for sale (e.g. toner, paper). However, if you use art supplies for your own business use, i.e. for draft concept designs, then you pay PST on the art supplies used in your in-house products.

Digital Materials

When you produce digital graphic design, artwork, website design, electronic brochures, electronic pamphlets and other electronic promotional materials, you do not charge PST because you are not producing a tangible product for your client. In this case, you are providing a non-taxable service even if you deliver a copy of the **original** electronic product on a tangible medium, such as a disk or tape. In this case, the disk or tape is considered incidental to the services you are providing. However, you pay PST on any tangible materials or services you use to produce the digital materials, such as the disks or tapes, and artwork, photographs and illustrations provided to you on a tangible medium, i.e. paper or disk.

Please note: only the **original** copy, or first final version, of a design provided to your client on a tangible medium qualifies as incidental. You charge PST on any subsequent copies provided to your client.

If you produce a tangible product, such as an art print, poster or a photograph, along with the digital materials for your client, you charge PST on the total amount the client pays for both the tangible product and the digital materials, which will include your design services and labour costs. This applies even if you separate the design services and labour costs from the charge for the products on your invoice because, under the definition of "purchase price", all the charges the client must pay to receive the tangible product form part of the purchase price. In

this case, you do not pay PST on the tangible materials or services you use that are incorporated into the final product, such as photograph paper, poster board, toner or ink.

If you provide both digital materials and tangible products, you may make a reasonable estimation of the tangible materials or services you used to produce the digital materials and pay PST on that amount. You self-assess and record the PST due at Step 3 of your next tax return.

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, except custom software (for more information, please see [Bulletin SST 040, Computer Software and Hardware](#)),
- incidental goods you provide to your client with your service, such as a disk containing an **original** graphic design,
- supplies, such as toner and paper, for your own use, i.e. for draft concept designs,
- equipment used to perform your services, such as tools, computers, printers and cameras, and
- services to repair your equipment.

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:

- tangible items you purchase for resale or lease to your clients,
- tangible materials incorporated into the products you sell, such as paper, ink, binding materials and covers,
- digital materials transferred to you electronically, and
- containers, labels or packaging materials that are included with your sales at no extra charge to your clients.

There is also a specific tax exemption for the following materials and supplies when you use or consume them in the production of the finished tangible product:

- typeset products
- cuts
- plates
- blankets used in the printing process to transfer the ink to the product being printed
- artwork
- engravings
- photographs
- photographic paper
- negatives
- film
- transparencies
- flats
- paste-ups
- signatures
- proofs
- materials used to manufacture or produce any of the items listed above, such as:
 - etch and conversion solution
 - film or photo developing chemicals
 - gum and marking sheets

For more information, please see [Bulletin SST 029, Printing, Publishing, and Related Industries](#).

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

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.

Production Machinery and Equipment Exemption

If you produce your own printed materials, you may qualify as a manufacturer. If you qualify as a manufacturer, you may purchase equipment used to produce your tangible graphic design products without paying PST. For details, and to see if you qualify for the production machinery and equipment exemption, please see [Bulletin SST 054, *Manufacturers*](#).



Need more info?

Graphic Design website: www.sbr.gov.bc.ca/ctb/GraphicDesign.htm

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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

References: *Social Service Tax Act*, Sections 1, 5, 6, 11, 20, 21, 40, 69.1, 76 and 77, and Regulations 3.28, 12, 12.1, 13.1, 13.2 and 16.1