

Home-Based Businesses

Social Service Tax Act

Do you operate a business from your home?

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

This bulletin provides tax information to help home-based business owners 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 \(PST\)](#).

For more PST information on specific types of home-based businesses, see the section below, Other Bulletins.

Registration

When to Register

If you regularly sell or lease taxable goods, such as pets, beauty products, or arts and crafts, you need to register with the ministry. You also need to register if you provide taxable services, such as computer hardware repair or sharpening knives.

Home-based business owners occasionally confuse the PST with the federal goods and services tax (GST). PST and GST are collected separately and have different rules and regulations. For example, there is no minimum sales amount for PST registration – unlike the federal GST that has a \$30,000 threshold for registration. Also unlike GST, there are no input tax credits for PST.

As a registered vendor in British Columbia, you collect PST on all taxable sales and services and send in the PST due with your tax return.

When Not to Register

You do not need to register with the ministry if you only sell non-taxable goods, such as food for human consumption and books, or if you only provide non-taxable services, such as beauty or health services.

Requirements for Unregistered Businesses

If you do not need to register with the ministry and you make occasional sales of taxable goods, you will still need to collect and send in the PST. You send in the PST due by completing 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](#)). You can do this at any Service BC-Government Agent office, or you can download the form from our website and mail us your payment.

For more information on registration, please see [Bulletin SST 044](#), *Do You Need To Register As A Vendor?*

Sales

When to Charge PST

You charge PST on the sale or lease of goods, such as:

- clothing, jewellery and accessories,
- art and art supplies,
- greeting cards and giftware,
- furniture,
- printed photographs and video recordings,
- brochures, posters or pamphlets,
- flowers and plants,
- cleaning solutions and products,
- pets, pet food and supplies,
- packaged or prewritten software,
- musical instruments, and
- cosmetics, grooming aids and skincare products.

When Not to Charge PST

You do not charge PST on the sale or lease of goods, such as:

- water and non-alcoholic beverages,
- books and magazines,

- children's clothing,
- vitamins and dietary supplements,
- specified health-related equipment and supplies,
- fabric cut from a bolt or roll that is suitable for making clothing,
- seeds and edible plants,
- food products (for human consumption), such as confections, and
- custom software.

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 the goods were shipped out of the province. For more information, please see [Bulletin SST 030, Purchases by Non-Residents of British Columbia](#).

Sales to Other Retailers

You do not charge PST on goods sold to other retailers if they provide their PST registration number. When you sell to other retailers, you record their PST registration number on each invoice and keep it in your records to show why you did not charge PST.

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:

- motor vehicles and trailers,
- tools,
- stationery, furniture and office equipment,
- advertising materials, such as flyers and brochures,
- free promotional items, such as items included in a gift basket for your customers,
- computer hardware and software (unless custom software),
- supplies that do not become part of the goods you are servicing, such as oils, lubricants, cleaning cloths, paper towels and cleaning supplies,
- equipment used to perform your services, such as wrenches and saw blades, 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.

If you bring equipment, vehicles or other personal assets into British Columbia for business use, you may need to pay PST. For details, see

[Bulletin SST 075](#), *Items Brought Into British Columbia By New Residents*.

When Not to Pay PST

You do not pay PST on the following:

- items you purchase for resale or lease to your customers, and
- containers, labels or packaging materials that are included with your sales at no extra charge to your customers.

To purchase the above items without paying PST, give the supplier your PST registration number. If you do not have a PST registration number, you use a *Certificate of Exemption* form ([FIN 453](#)) to purchase these items without paying PST. You can leave this form on file with your suppliers to make repeat purchases of the same items.

If you purchase both non-taxable items for resale and taxable items for use in your business as a single sale, you need to tell your supplier which items are non-taxable and which items are taxable.

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

Goods Sold from Your Supply Stock

If you purchased a product to provide a service and paid PST on the product, but you later sell the product to a customer, you charge the customer PST. If you did not use the product before you sold it, you may qualify for a refund from the ministry. For more information, please see [Bulletins GEN 008](#), *Refunds of Overpayments of Tax* and [SST 068](#), *Personal Services*.

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

Electricity, Natural Gas or Fuel Oil Used For Your Business

PST does not apply to **residential** use of electricity, natural gas or fuel oil (which includes propane), but it does apply to business use. As a home-based business, you need to pay PST on the portion of electricity, natural gas or fuel oil used for your business. You need to calculate the PST due, even if you are not a registered vendor. For more information on how to calculate the PST due, please see [Bulletin HRT 008](#), *Bed & Breakfast Operators*.

Services

When to Charge PST

You charge PST on the sale of taxable services, such as:

- installing or repairing televisions, stereos, musical instruments and computers,
- assembling or maintaining taxable goods,
- repairing business equipment or furniture, and
- restoring or refinishing furniture.

You charge PST on the full charge for your services, including charges for parts, labour and travel time.

When Not to Charge PST

You do not charge PST on the sale of non-taxable services, such as:

- cleaning services,
- beauty services,
- hairstyling,
- therapeutic massage treatments,
- consulting services, such as accounting, secretarial, financial, realty or property management,
- certain internet services, such as web hosting, web design or domain registration,
- services to software, and
- services to animals.

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

Real Property Contractors

If you supply and install goods that become improvements to real property, you are a real property contractor. This includes contractors and trade subcontractors in the construction industry, as well as other businesses that make improvements to real property.

How PST applies to real property contracts depends on whether you use your own materials to improve your customer's property, or you improve the customer's property using materials that you have sold to the customer. In most cases, this depends on whether the contract is for a lump sum or a time and materials contract.

For more information, please see [Bulletin SST 072](#), *Real Property Contractors*.

Bundled Goods and Services

When a taxable good or service – such as jewellery – is bundled together with a non-taxable good or service – such as ear piercing – and sold together for a single price, you charge PST only on the fair market value of the taxable good or service. However, there are some exceptions if the price is \$500 or less. For details, please see [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-taxable Goods or Services Sold Together for a Single Price*.

Production Machinery and Equipment Exemption

If you manufacture goods (e.g. a cabinet maker), you may be eligible to purchase equipment you use to produce your product without paying PST. For details, and to see if you qualify for the production machinery and equipment exemption, please see [Bulletin SST 054](#), *Manufacturers*.

Other Bulletins

The following are additional bulletins which may be relevant to your business.

[Bulletin SST 009](#), *Children's Clothing* – information on how PST applies to children's clothing and footwear

[Bulletin SST 018](#), *Taxable Services* – information on taxable and non-taxable services and maintenance agreements

Bulletin SST 040, *Computer Hardware and Software* – information on how PST applies to sales and services to computer hardware and software

Bulletin SST 053, *Photographers and Photofinishers* – information on how PST applies to printed photographs and photography services

Bulletin SST 069, *Taxidermists* – information on how PST applies to taxidermy sales and services

Bulletin SST 076, *Film and Television Production* – information on how PST applies to your purchases of film equipment and post-production services

Bulletin SST 086, *Pet Industry* – information on how PST applies to animals, pet supplies, and services to animals

Bulletin SST 089, *Fabric and Craft Stores* – information on how PST applies to fabric, sewing and craft supplies, and sewing and craft classes

Bulletin SST 090, *Design Consultants* – information on how PST applies to services provided by design consultants, such as architectural, engineering, industrial, interior, or landscape design

Bulletin SST 122, *Automotive Services and Parts* – information on how PST applies to auto repair services and replacement parts

Bulletin SST 124, *Beauty Industry* – information on how PST applies to beauty products and services

Bulletin SST 128, *Graphic Designers* – information on how PST applies to graphic design services, graphic artwork and digital materials



Need more info?

Home-Based Businesses website: www.sbr.gov.bc.ca/ctb/HomeBased.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, 9, 11, 14, 20, 40, 42, 69.1, 70(a), 71(a), 74(b), 74(c), 77(a), 78(1), 79(1), 92 and 93, and Regulations 2.4, 2.31, 2.45, 2.46, 2.47, 3.4, 3.22, 3.24, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 5.11, 12, 12.1, 13.1 and 13.2