

Laundry and Dry-Cleaning Businesses

Social Service Tax Act

This bulletin outlines the requirements for registration and the application of social service tax to sales and purchases made by laundry and dry-cleaning businesses.

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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REGISTRATION

Which Businesses are Required to Register as Vendors?

Businesses that provide laundry and dry-cleaning services **only**, do not qualify as vendors under the *Social Service Tax Act* and are not required to be registered with the Consumer Taxation Branch.

Laundry and dry-cleaning businesses that, in the normal course of their business, regularly rent and make retail sales of taxable items are required to be registered as vendors with the Consumer Taxation Branch and to collect and remit the tax due on their rentals and sales.

Applications for registration as a vendor may be obtained from any **Consumer Taxation Branch** or **Government Agents** office. Upon receipt of a completed application, the Consumer Taxation Branch will assign a registration number and forward a Certificate of Registration and related information to the applicant. A tax reporting period will be established by the branch at the time of registration.

SALES BY LAUNDRY AND DRY-CLEANING BUSINESSES

Provision of Service

Social service tax does not apply to charges to customers for laundry and dry-cleaning services. Cleaning services are specifically exempted from the provincial social service tax imposed on taxable services.

Rentals

Social service tax applies to the full rental charge for uniforms, linen, formal wear, or similar items. Tax must be collected from the customer on each rental payment at the time the payment is made.

Retail Sales

Social service tax applies to all retail sales of tangible personal property unless the item sold is specifically exempted under the *Social Service Tax Act*. Tax must be collected from the customer on the full purchase price at the time the sale takes place. Please note that used clothing sold for less than \$100 is exempt from tax.

Alterations and Repairs

The repair or alteration of a customer's clothing, such as by mending, hemming, repairing zippers, or sewing on buttons, is not a taxable service. Social service tax does not apply to charges to customers for such service. However, if a separate charge is made for thread, buttons, zippers, or other materials used in the repair, the repairer is the seller of those items and is required to collect tax from the customer on the charge for such materials. Repair or alterations of other items, such as sleeping bags, are subject to the tax.

PURCHASES AND LEASES FOR BUSINESS USE

Packaging Materials

The business is required to pay tax on its cost of packaging materials, such as, wrapping paper, garment bags, and cardboard, that are used or consumed in providing the dry-cleaning or laundry service.

Packaging materials that are included with a product rented or sold and which becomes the property of the customer may be obtained by the business without payment of tax by quoting its vendor registration number to suppliers.

Rental and Resale Stock

Registered vendors may obtain products solely for rental or resale without payment of tax by quoting their registration number to their suppliers.

Alteration Material

If tax is collected from customers on separate charges for zippers, buttons, thread, or other materials used in altering or repairing garments, the business may obtain such items without payment of tax by quoting its vendor registration number to its suppliers. If such items are not charged to the customer, then the business is required to pay tax on its cost of materials used in providing this service.

Equipment and Supplies

Businesses operating in British Columbia are required to pay social service tax on equipment, furnishings, and supplies purchased or leased for their own use. This includes machinery, equipment, cash registers, display racks and cases, tables, chairs, stationery, and similar items.

Taxable Services

Tax may also apply to any charges for services to install, assemble, dismantle, repair, adjust, restore, recondition, refinish, or maintain machinery and equipment used by the business in providing its service.

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

Remitting the Tax Due on Purchases

If goods or services are acquired for business use without payment of the tax to the supplier, the business is responsible for remitting the tax due on the purchase price to the Minister of Finance. If the products are acquired from an out-of-province supplier, the purchase price includes charges for customs, excise, transportation, or any other costs incurred prior to use in the province, but does not include the GST.

If the business is registered as a vendor, the tax due on purchases must be included with its next tax return. If the business is not required to register as a vendor, the tax due on purchases must be immediately remitted to the Minister of Finance.

Tax reporting forms and information on remitting the tax may be obtained from any Consumer Taxation Branch or Government Agents office.

NEED MORE INFO?

This bulletin is provided for convenience and guidance. If you still 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, 2, 2.04, 2.1, 3, 4(1) and Regulation 2.45(b)