

Application of Tax to Sales and Purchases Made by Caterers

Social Service Tax Act

UPDATED: December 2005

Clarified how tax applies when liquor is sold for a single price with other taxable or non-taxable goods or services

The application of social service tax, also called the provincial sales tax (PST), to sales and purchases made by caterers is outlined below. For the purpose of the *Social Service Tax Act*, caterers are engaged in the business of preparing and serving meals or other food and beverages. This may take place on the caterer's own premises, premises selected by the customer, or on some other premises, such as a hall or banquet room.

Caterers who also operate a restaurant business may wish to obtain a copy of [Bulletin SST 027](#), *Application of Tax to Sales and Purchases Made by Restaurants and Similar Establishments*.

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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TAXABLE SALES AND RENTALS

Tangible Personal Property

Sales and rentals of tangible personal property are subject to PST at 7% of the purchase or rental price, unless the item sold or rented is specifically exempt under this act.

When the service offered by the caterer includes the sale or rental of tangible personal property

(e.g., flowers, guest book, speaker's podium and hall decorations) and their individual cost is itemized on the sales invoice, the caterer must collect PST from the customer on those items. The caterer may obtain such items without payment of the PST by quoting the caterer's registration number to the suppliers.

TAXABLE SERVICES

Application

The *Social Service Tax Act* defines a taxable service as any service to install, assemble, dismantle, repair, adjust, restore, recondition, refinish or maintain tangible personal property.

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

Displays and Decorations

Taxable services include setting up and removing decorations such as streamers, flowers and other displays. The caterer may obtain these items without payment of the PST by quoting the caterer's registration number to the supplier.

Photographs and Video Tapes

PST applies to the total charge to the customer for photographs or videotapes. This includes charges for travelling expenses, labour, sitting fees and any other charge the customer must pay to acquire the photographs or videotape.

More Info: [Bulletin SST 053](#), *Photographers and Photofinishers*.

NON-TAXABLE SALES AND SERVICES

Food and Non-Alcoholic Beverages

Sales of food products, including prepared meals, bottled water, candies and non-alcoholic beverages are not subject to the PST.

Cleaning Services

When a caterer provides a cleaning service as part of the catering contract, the cleaning service is exempt if itemized or invoiced separately from taxable services.

If the cleaning service is not itemized or invoiced separately from other taxable goods or services, and the invoice is for a single price, please see the section PACKAGED GOODS AND SERVICES below.

SALES OF ALCOHOLIC BEVERAGES

PST Rate

PST at the rate of 10% must be collected on the purchase price of all sales of alcoholic beverages. Alcoholic beverages are defined as any beverage with an alcohol content of greater than 1%, including draft beer, bottled beer, wine, coolers, ciders, spirits, hard liquor, liqueurs and all mixed drinks that contain more than 1% alcohol content.

Special Occasion Licence

When alcohol is sold under a Special Occasion Licence issued by the Liquor Distribution Branch, the person(s) acquiring the licence is required to pay an amount equal to the additional PST collectible on the expected proceeds of liquor sales. The sponsors of the event may reimburse themselves from the PST collected on the subsequent sale of liquor by the glass or bottle.

More Info: [Bulletin SST 097](#), *Sales of Liquor Under a Special Occasion Licence*

PACKAGED GOODS AND SERVICES

At times, taxable and non-taxable goods or services are 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 taxable goods, including liquor, are bundled with goods or services that are not taxable and both are sold for a single price, PST applies only to the fair market value of the taxable items. However, special rules do apply.

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

PURCHASES MADE BY CATERERS

Caterers are the ultimate consumers of supplies that they purchase for their own use in carrying out their business. As these items do not become part of the product sold, caterers must pay PST on the full purchase price of such supplies. Purchases that are subject to the PST include:

- alcoholic beverages given away at no charge
- bills, cheques, invoices etc.
- cash register rolls
- cleansers
- coasters
- cooking equipment
- crockery (e.g., china, cups, saucers, plates)
- customer food checks
- cutlery
- doilies
- matches
- menus and menu strips
- paper towels
- patty paper
- place mats
- plate racks
- report forms

- restaurant equipment and furniture
- soap (all types)
- timecards
- toothpicks
- tray covers

Caterers may purchase their supplies of packaging materials and disposable containers without payment of PST, provided such items are considered to become part of the product sold, and in effect, become the property of the customer at no extra cost. Such supplies include:

- bags used to wrap food for the customer
- cocktail picks
- cocktail serviettes
- corn skewers (disposable)
- cups – paper, plastic, styrofoam
- dishes (disposable only)
- fish and chips bags and boxes
- pan liners, perga, soufflé cups
- paper napkins
- parchment paper used to wrap take-out food
- spoons – plastic or wooden (disposable)
- stir sticks
- straws
- swizzle sticks
- wax paper and plastic wrap when used for take-out food

EXEMPTION FOR PRODUCTION MACHINERY AND EQUIPMENT

Caterers do not qualify as manufacturers under the exemption for production machinery and equipment. Therefore, equipment and supplies purchased by caterers is not exempt from PST, unless specified above or by other legislation.

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 call toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

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*, Section 1, 6(2), 7 and 69.1 and Regulations 2.4, 2.46(g), 12 and 13.10