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BC PST and retailers: Point-of-sale exemptions

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New information on point-of-sale tax exemptions

We have just obtained new information on the requirements for retailers in order to support certain point-of-sale tax exemptions under the new BC Provincial Sales Tax (PST) that is set to return in just under two weeks, on April 1, 2013.

Children's clothing exemptions

Children's sized clothing and shoes are unconditionally exempt from PST. There are specific rules on which sizes of clothing and shoes qualify under this provision. In addition, however, adult sized clothing and shoes may be exempt from PST when purchased for a child under the age of 15 years. In order for the retailer to grant this point-of-sale exemption, the purchaser will be required to fill out an individual certificate (**FIN 425**) which the retailer will be required to keep on file for the four year audit period. The certificate will include the following information:

- Full name, address and telephone number of the purchaser
- Full name of the child for whom the clothing or shoes are being purchased
- Purchase price of each item
- Date of transaction, transaction number and description of purchase
- Certification and signature of purchaser

This certification process is much more onerous than that under the previous Social Service Tax Act (SSTA) in that there is one certificate per customer, rather than the previous listing of transactions that use to be acceptable. Also, it requires both the purchaser's name and the child's name. It appears that the amount of paperwork to be kept could be voluminous for some retailers.

It will also be acceptable to use an electronic certification (i.e., one built into the point-of-sale cash register system) such that receipts will be printed with the required certification that the customer fills out. For retailers with a large volume of sales related to children, this may be a better option in the long run. Some retailers were using this type of certification under the SSTA. However, it is important to remember that adjustments to the programming may be required to include the child's name, a piece of information that was not previously required.

School supplies

Certain specific items may be purchased exempt of PST when obtained for use by a student. In order to provide this exemption, the retailer need only receive a verbal declaration from the purchaser. In order to substantiate the exemption to an auditor, the retailer will simply be required to show that the items were coded as taxable within the retailer's system and that the exemption was made by way of a cashier override. It will be assumed then that the cashier obtained the appropriate verbal declaration.

For school supplies that are obtained by a qualifying school, school board or similar authority, a retailer will be required to keep a detailed list or purchase order from the school specifying the items being purchased for use in instructing students.

Status Indians

When selling to status Indians or Indian bands, goods may be sold exempt of PST if they are delivered on a reserve and the retailer retains evidence of purchase by such eligible persons. This evidence can be in the form of a schedule identifying the transaction, the status Indian card number of the purchaser and the fact that the goods were delivered on a reserve.

Watch for additional information

Additional information relating to the new PST is expected to be made available over the next 2 weeks. We recommend that readers check the [government website](#) regularly for updates.

Janice Roper, Vancouver

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