

## Contacts:

**National Indirect Tax  
Leader**  
**Robert Demers**  
514-393-5156

**Quebec and Atlantic**  
**Robert Demers**  
514-393-5156

**Ontario**  
**Michael Matthews**  
613-751-5310

**Toronto**  
**Rory Pike**  
416-874-3330

**Danny Cisterna**  
416-601-6362

**Doug Myrden**  
416-601-6197

**Prairies**  
**Dean Grubb**  
604-640-3266

**British Columbia**  
**Janice Roper**  
604-640-3353

## Related links:

[\*\*Canadian Indirect Tax –  
archive\*\*](#)

[\*\*Deloitte Tax Services\*\*](#)

[\*\*Update your  
subscription\*\*](#)

## Canadian Indirect Tax News

### BC PST transitional rules

October 16, 2012 (12-7)

The British Columbia (BC) government announced the transitional rules on the return to the BC Provincial Sales Tax (PST). These rules work in conjunction with the transitional rules released by the federal government to eliminate the Harmonized Sales Tax (HST) in BC.

The BC transitional rules for residential properties were released in February this year. Details of those rules can be found in our previous publication, [\*\*Return to BC PST: Transitional rules for residential properties.\*\*](#)

It is important to note that the transitional measures were released by way of a bulletin and draft legislation has not yet been released. The legislation must be tabled and passed by the legislature, and this will not likely occur until January 2013.

#### Importance of the transitional rules

The transitional rules provide guidance on determining the application of tax to transactions in BC straddling the April 1, 2013 re-implementation date. Unlike when the HST was introduced, the new transitional rules do not have a pre-implementation date to begin accounting for the new tax before April 1, 2013. In general, both the federal and BC governments have chosen to transition back to the GST and PST regime in a more simplistic manner: Invoices for goods and services are generally subject to HST if paid or payable prior to April 1, 2013, and subject to GST and PST if paid or payable on or after April 1, 2013, with certain exceptions.

#### Transitional rules

In the following sections, we will outline the general transitional rules, along with examples of applying these rules. We will also provide some planning tips for businesses in commercial activities that are entitled to claim input tax credits (ITCs). Such businesses can typically benefit by incurring expenditures under the HST regime, as unlike the PST, this tax is refundable as an ITC.

For consumers, there is little planning that can be done, as they will generally be indifferent between buying most items under the HST or the PST regime. This is because most goods are subject to the same rate of tax either way. However, delaying the purchase of non-PST taxable goods and services until April 1, 2013 or later will be advantageous.

### **Sale of goods (i.e., tangible personal property (TPP))**

PST will apply to consideration for TPP that is due on or after April 1, 2013 and is not paid before April 1, 2013. Note that, similar to GST, consideration is generally due at the earlier of when an invoice is issued or dated.

#### Example

If a customer purchases office equipment in March 2013 and the supplier raises an invoice on April 1, 2013, the equipment is subject to PST, because the consideration is payable on or after April 1, 2013.

#### ***Planning tip***

*Consider making capital purchases prior to April 1, 2013, or paying for the purchases prior to that date, regardless of when delivery takes place or possession transfers.*

#### *Exceptions*

If the ownership or possession of the goods is transferred to the purchaser or if the seller delivers goods to the purchaser on approval, consignment, or a sale-and-return basis and the purchaser acquires ownership of the goods or makes them available to another person (other than the seller), then, generally, PST is payable at the end of the month immediately following the month in which that event takes place. However, PST is not applicable if:

1. The end of the month immediately following the month in which that event takes place is before April 1, 2013; and
2. All or any portion of the consideration has not been paid or become due on that day.

#### Example

If a customer purchases office furniture in February 2013 and takes delivery of the furniture in that month, without making or having to make a payment until June 2013, then PST does not apply to the purchase. Even though the amount is payable after April 1, 2013, the end of the month immediately following the month in which delivery took place is March 31, 2013 (i.e., before April 1, 2013).

#### ***Planning tip***

*When entering into agreements to purchase goods, where goods will be delivered prior to a payment obligation, consider arranging for the delivery or possession to take place on or before February 28, 2013. This will ensure that regardless of when the payment is actually due, PST will not apply.*

### **Lease of goods (i.e., TPP)**

PST will apply on leases of goods in BC where the lease payment becomes due on or after April 1, 2013 and is not paid before April 1, 2013.

#### Example

If a customer leases a photocopier under a 3-year agreement starting January 1, 2013, with monthly lease payments due at the first of each month, then PST only applies to the lease payments starting April 1, 2013.

***Planning tip***

*When leases span the April 1, 2013 date, consider structuring the terms of such leases to maximize amounts payable prior to that date so as to minimize PST payable.*

For leases of goods brought or sent into BC on or after April 1, 2013, PST will apply on the date the goods are brought or sent into BC. If goods are brought or sent into BC prior to April 1, 2013, PST will still apply to the consideration in respect of the lease of goods due on or after April 1, 2013 and not paid before April 1, 2013.

Example

If a company leased computer equipment in Alberta and, subsequently, moved the equipment for use in BC in March 2013, PST will be applicable on the lease payments starting on April 1, 2013.

**Goods brought into BC that are delivered by a seller within Canada**

PST applies to the consideration in respect of the purchase that becomes due on or after April 1, 2013 and is not paid before April 1, 2013.

Example

If a piece of equipment is shipped to a customer in BC by an Alberta seller in March 2013 and the payment is due in April 2013, the equipment is subject to PST.

***Planning tip***

*When planning to purchase capital assets from outside of BC, regardless of when the goods are scheduled to arrive in BC, consider negotiating the terms of payment to be due or paid before April 1, 2013.*

**Goods brought into BC that are delivered by a seller outside Canada**

For goods brought, sent or delivered into BC on or after April 1, 2013 from outside of Canada, PST will apply.

Example

If a business orders computer equipment from a supplier in the United States in March 2013 and the equipment is processed by Customs on or after April 1, 2013, PST will apply on the equipment.

***Planning tip***

*When arranging for shipment of goods from outside Canada, consider negotiating the shipment terms so that the goods arrive in BC before April 1, 2013.*

**Goods used in improvements to real property**

Goods purchased or imported by a contractor for the purpose of fulfilling certain supply-and-install contracts will attract PST based on the general rules for goods acquired in the province, brought into the province from a seller within Canada, or imported, as the case may be.

However, it is important to note that a special rule ensures that PST will apply even where the goods do not attract tax under the general rules, if those same goods will be used in such a manner that they no longer constitute personal property (i.e., they become improvements to real property) on or after April 1, 2013.

### Example

A flooring contractor has a contract to install new flooring in a house. The contractor purchases the materials in BC in February 2013 and installs them in the house on or after April 1, 2013. Even where the consideration for the materials was due and paid before April 1, 2013, PST will apply to the purchase price of the flooring, because it was used to improve real property on or after April 1, 2013.

Similar rules apply to goods incorporated into real property that is subject to tax under the New Housing Transition Tax and Rebate Act (or would be subject to tax under that Act if ownership or possession transferred before April 1, 2015).

#### **Planning tip**

*As there is a specific rule to ensure that materials used after April 1, 2013 attract PST even where the tax would not apply under the general rules, there are limited planning opportunities in this area. Builders may consider installing or using materials to make improvements to real property before April 1, 2013. Alternatively, they may consider structuring contracts to ensure that the commercial customer is responsible for PST and then advise the customer to acquire the materials before April 1, 2013.*

### Transactions with out-of-province vendors

The following table depicts when PST will be payable on goods and services imported into BC.

	When consideration is due on or after April 1, 2013 and is not paid before that date	When goods entered the province on or after April 1, 2013 <sup>2</sup>	When goods <sup>3</sup> are incorporated into real property, on or after April 1, 2013
<b>Delivered into BC from Canadian vendor</b>	<ul style="list-style-type: none"><li>• TPP<sup>1</sup></li><li>• Leases of TPP (brought in before April 1, 2013)</li><li>• TPP used in improvements to real property</li><li>• Innovative Clean Energy (ICE) fund levy (0.4%)</li></ul>	<ul style="list-style-type: none"><li>• Leases of TPP</li><li>• Related services<sup>4</sup></li></ul>	<ul style="list-style-type: none"><li>• TPP used in improvements to real property where consideration is due or paid before April 1, 2013</li></ul>
<b>Brought into BC or delivered into BC from non-Canadian vendor</b>	<ul style="list-style-type: none"><li>• Leases or TPP (brought in before April 1, 2013)</li></ul>	<ul style="list-style-type: none"><li>• TPP<sup>1</sup></li><li>• Leases of TPP</li><li>• TPP used in improvements to real property</li><li>• Related services<sup>4</sup></li><li>• ICE fund levy (0.4%)</li></ul>	<ul style="list-style-type: none"><li>• TPP used in improvements to real property where the goods entered into BC before April 1, 2013</li></ul>

<sup>1</sup> There is an exception when consideration is due later than the end of the month following the month when ownership or possession of the TPP transfers

<sup>2</sup> This may be based on entry date or date of accounting under the Customs Act

<sup>3</sup> This relates to certain supply-and-install contracts. Similar rules apply to certain TPP incorporated into property subject to tax under the New Housing Transition Tax and Rebate (or

would be if ownership or possession transferred before April 1, 2015)

<sup>4</sup>This applies where goods are sent outside BC primarily for the purpose of having related services provided and are, subsequently, brought back into BC

### **Software**

The transitional rules for software depend on where the software is used or located:

- The purchase of software for use on or with electronic devices ordinarily situated in BC for personal or business use will be subject to PST, when the consideration becomes due on or after April 1, 2013 and is not paid before April 1, 2013.
- If a business purchases software for use on or with electronic devices owned or leased by or on behalf of the business, some of which are ordinarily situated inside BC and some of which are ordinarily situated outside BC, the software will be subject to PST, based on the portion of use of the software in BC, if the consideration becomes due on or after April 1, 2013 and is not paid before April 1, 2013.
- If a business purchases software for use on or with electronic devices owned or leased by or on behalf of the business ordinarily situated outside BC and, subsequently, changes the use such that it uses the software on electronic devices, owned or leased, ordinarily situated in BC, the software will be subject to PST based on the portion of use of the software in BC, where the change of use occurs on or after April 1, 2013.

#### Example:

On February 15, 2013, a business purchases accounting software. At the time of purchase, the business is not acquiring the software for use on computers ordinarily situated in BC. However, on August 1, 2013, the business starts using the software on computers ordinarily situated in BC. PST applies to the portion of the purchase price of the software attributable to the use of the software in BC on or after August 1, 2013.

#### ***Planning tip***

*Consider purchasing software or software update packages for use in BC, or partially in BC, with all of the consideration due before April 1, 2013. This will ensure that no PST would apply to the use of the software in BC, because the consideration for the software will become due before April 1, 2013.*

### **Related services**

Services are considered “related services” if they are services provided to TPP. PST will apply to consideration for related services supplied in BC, if it becomes due on or after April 1, 2013 and is not paid before April 1, 2013.

Where a related service is purchased outside BC by a person who resides, ordinarily resides or carries on business in BC, because:

- The goods are taken or sent out of BC primarily for the purpose of having a related service provided in respect of the goods; and
- The goods are subsequently brought, sent or received into BC after the related service has been provided,

PST will apply, if the goods re-enter BC after April 1, 2013.

#### Example

On March 11, 2013, a company carrying on business in BC takes drilling equipment from BC to Alberta primarily for the purpose of having the drilling equipment repaired. The repaired drilling equipment is shipped back to BC on April 10, 2013. PST applies to the purchase price of the repairs.

#### ***Planning tip***

*Consider bringing all equipment that is undergoing maintenance or repair in other provinces back into BC before April 1, 2013.*

#### **Accommodation**

PST will apply at the rate of 8% to the purchase of accommodation in BC (hotel, motel, bed and breakfast, etc.) on the consideration that becomes due on or after April 1, 2013 and is not paid before April 1, 2013. (Note: the Hotel Room Tax Act, which previously taxed the purchase of accommodation, has been repealed. As well, the application of the up to 2% Municipal and Regional District Tax on the purchase price of accommodation will be unaffected by the re-implementation of the PST and repeal of the Hotel Room Tax Act.)

#### Example

On March 27, 2013, a person checks into a hotel to stay for 6 nights. The consideration for the accommodation is due at the time of check-out on April 2, 2013. PST applies to the full purchase price of the 6 nights of accommodation. (Note: if the consideration was due at the time of check-in, no PST would apply.)

#### ***Planning tip***

*Consider paying at check-in for accommodation that spans April 1, 2013. Consider pre-paying (not deposit) at time of booking for accommodation after April 1, 2013.*

#### **Legal services**

PST will apply to consideration that is due on or after April 1, 2013 and is not paid before April 1, 2013.

#### Example

Legal services are provided by a lawyer in BC in March 2013, and the lawyer issues an invoice for the legal services on or after April 1, 2013. PST applies to the purchase price of the legal services, even though the services were rendered prior to April 1, 2013.

#### ***Planning tip***

*Consider invoicing for legal services rendered prior to April 1, 2013 by March 31, 2013, to avoid paying PST.*

#### **Other taxes in relation to goods**

##### *Telecommunication services*

PST will apply to consideration in respect of the purchase of telecommunication services that become due on or after April 1, 2013 and are not paid before April 1, 2013.

##### *Passenger vehicle rental tax*

The \$1.50 per day passenger vehicle rental tax will apply to a passenger vehicle that is leased in BC for more than 8 consecutive hours and less than 28 consecutive days. PST will apply to consideration in respect of the lease for the days after April 1, 2013.

### Example

A passenger vehicle is leased from March 27 to April 6, 2013, and consideration becomes due on the return of the vehicle on April 6, 2013. The \$1.50 per day passenger vehicle rental tax applies to the lease of the passenger vehicle for April 1 to April 6, 2013.

### *Tax on energy products to raise revenue for Innovative Clean Energy Fund*

The Provincial Sales Tax Act will impose a 0.4% tax on energy products to raise revenue for the Innovative Clean Energy Fund. Electricity will not be subject to this tax.

If the energy products are purchased in BC or delivered into BC by the seller from within Canada, PST will apply to consideration that becomes due on or after April 1, 2013 and is not paid before April 1, 2013. If the seller is from outside Canada, PST will apply if the energy product is brought or sent into BC, or delivered into BC by the seller or imported on or after April 1, 2013.

### **How we can help**

Deloitte can assist you and your business in preparing and planning for the transition back to the BC PST. Please call any of the contacts listed on this document to discuss your requirements.

---

[Home](#) | [Security](#) | [Legal](#) | [Privacy](#)

30 Wellington Street West  
P.O. Box 400  
Stn Commerce Court  
Toronto ON M5L 1B1 Canada

© Deloitte & Touche LLP and affiliated entities.  
TM/MC © Used under license from the Canadian Olympic Committee, 2011.

This publication is produced by Deloitte & Touche LLP as an information service to clients and friends of the firm, and is not intended to substitute for competent professional advice. No action should be initiated without consulting your professional advisors. Your use of this document is at your own risk.

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 8,000 people in 56 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. Deloitte & Touche LLP, an Ontario Limited Liability Partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

[www.deloitte.ca](http://www.deloitte.ca)  
**Unsubscribe**

 **Deloitte RSS feeds**

Please add "@deloitte.ca" to your safe senders list to ensure delivery to your inbox and to view images.

