

## Goods Purchased from Out-of-Province Suppliers

### *Social Service Tax Act*

**Update: Budget 2004 change to tax on  
gifts from outside of British Columbia**

Under the *Social Service Tax Act*, tax applies to the full purchase or lease price of goods brought into British Columbia for use, as well as on some services provided outside the province. This bulletin outlines the procedures for businesses and individuals to calculate and remit the tax payable on purchases or leases from out-of-province suppliers.

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.rev.gov.bc.ca](http://www.rev.gov.bc.ca)

#### ***IN THIS ISSUE...***

- ***Purchases of Tangible Personal Property***
- ***Calculating the Tax Due***
- ***Remitting the Tax***
- ***Failure to Comply***

### **PURCHASES OF TANGIBLE PERSONAL PROPERTY**

#### **FOR OWN BUSINESS USE**

Businesses operating in British Columbia must pay tax on the purchase or lease price of all goods acquired outside British Columbia for use or consumption in their business operations in the province. If the seller does not collect the British Columbia social service tax due, the purchaser must remit the tax to the Consumer Taxation Branch at the time the goods are brought into the province. This applies to goods such as operating supplies, tools, and equipment that are used in the operation of the business.

#### **FOR RESALE OR LEASING PURPOSES**

Businesses are not required to pay tax on items purchased or leased outside the province that are brought into British Columbia solely for resale or lease to others. However, the business must collect tax on the subsequent retail sale or lease of these items.

#### **FOR PERSONAL USE**

Individuals must also pay tax on the purchase or lease price of goods acquired from another province or outside Canada.

**MORE INFO:** [Bulletin SST 013, \*Collection of British Columbia Tax on Non-commercial Goods Imported by British Columbia Residents at International Borders.\*](#)

#### **GIFTS FROM OUTSIDE OF BRITISH COLUMBIA**

Residents of British Columbia are required to pay social service tax on the fair market value of gifts purchased outside of the province for use in British Columbia where:

- the donor of the gift is a British Columbia resident, and
- sales tax, other than GST, has not been paid to another jurisdiction.

This change does not affect gifts purchased in BC, received from non-residents, or transferred from the estate of a deceased.

**MORE INFO:** [Bulletin SST 118, \*Out-of-Province Purchases: Goods for Personal Use.\*](#)

### **CALCULATING THE TAX DUE**

#### **PURCHASES**

Social service tax must be calculated on the total amount paid to the out-of-province supplier to

acquire title to the goods, including charges for materials, labour, manufacturing, and processing, but excluding the GST. Customs, excise, transportation, service, and other expenses incurred by the purchaser prior to use of the goods in this province must also be included in the total on which tax is calculated.

Environmental levies do not apply to new pneumatic tires and new lead-acid batteries purchased from an out-of-province retailer.

### LEASES

Social service tax must be calculated on the total amount paid to the lessor for the right to use the goods, including the rental payment, down payment, licence or royalty fee, and lease registration fee, as well as any charges to the lessee for customs, transportation, service, and other similar costs incurred by the lessee prior to the use of the goods in the province, but not including the GST. Lessees are not required to pay environmental levies on new pneumatic tires or new lead-acid batteries included with the item leased.

## REMITTING THE TAX

### REGISTERED BUSINESSES

Businesses registered as vendors should remit the tax due on out-of-province purchases and leases with their regular tax return form. The amount of tax due on such purchases and leases should be indicated in the appropriate area of the form.

### NON-REGISTERED BUSINESSES AND INDIVIDUALS

Businesses and individuals not registered as vendors should obtain 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**) available from any Consumer Taxation Branch or Government Agents office, or on the branch's Web site at [www.rev.gov.bc.ca/ctb](http://www.rev.gov.bc.ca/ctb). Instructions for remitting the tax due are provided on the form.

### OUT-OF-PROVINCE SELLERS

Sellers located outside British Columbia that meet certain conditions specified under the Act are required to register with the branch and collect tax on sales to British Columbia individuals and businesses.

**MORE INFO:** [Bulletin SST 074, Out-of-Province Sellers](#).

## FAILURE TO COMPLY

### AUDIT AND INSPECTION OF BUSINESS RECORDS

The branch monitors compliance with the requirements of the *Social Service Tax Act* through an audit and inspection program. Each year, the records of businesses operating in British Columbia are examined to ensure that all taxes due to the province have been remitted. When non-compliance is established, the taxpayer is assessed the tax due plus interest. In some cases, penalty charges are applied.

### 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.rev.gov.bc.ca](http://www.rev.gov.bc.ca) While there, you can subscribe to our free electronic update service.**

**References:** *Social Service Tax Act, Section 1, 11, 21, 93.*