

Taxable Services

Social Service Tax Act

Update: Page 2—Taxable and non-taxable goods or services sold together for a single price

This bulletin provides guidelines on the application of the provincial social service tax to purchases of taxable services in British Columbia. The general social service tax-rate is 7%.

Please note that all persons who sell taxable services are required to be registered as vendors under the *Social Service Tax Act*, and to collect and remit tax on all taxable sales. Persons who are not registered may obtain applications for registration from any Government Agents or Consumer Taxation Branch office or on our Web site at www.rev.gov.bc.ca/ctb.

If you provide taxable services and are uncertain as to the application of the tax to your specific business, please contact your nearest Consumer Taxation Branch office. Branch staff will be pleased to assist you.

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

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APPLICATION OF TAX TO TAXABLE SERVICES

What are Taxable Services?

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

Tangible personal property means personal property that can be seen, weighed, measured, felt or touched, or that is in any other way perceptible to the senses, and includes fixtures, other than prescribed types of fixtures, the production process

and natural or manufactured gas. In addition, for the purposes of the *Social Service Tax Act*, tangible personal property includes software and electricity.

Examples of Taxable Services

The following are examples of services that meet the definition of "taxable service" and are therefore subject to the tax. **This is not a complete list.**

- Furniture repair, re-upholstery, and refinishing.
- Repairs to televisions, stereos, and computers.
- Repairs to business equipment, such as cash registers, photocopiers, and fax machines.
- Automobile maintenance, repairs, painting, and cut polishing.
- Watch repair and maintenance.
- Protective treatments applied to maintain taxable goods, such as fabric protection, rustproofing, and painting.
- Setting up temporary display counters, shelves, booths, and similar items at trade fairs, conventions, etc.
- Maintenance of plants (e.g., pruning) **planted in portable containers.**

What Services are Not Subject to Tax?

Examples of Services That Do Not Meet the Definition of a Taxable Service

Many services are not subject to the tax because they do not meet the definition of "taxable service". Such services include the following, provided they do not include the sale or lease of tangible personal property.

- Repairs to pay telephones that are fixtures under the Act.
- Packaging services.
- Financial services, management services, secretarial services, accounting services, property management and realty services, and information brokerage services.
- Collating, numbering, and folding services.
- Interior decorating, design and engineering services.
- Monitoring services and security services.
- Commercial and residential moving services.
- Seminars and training courses, including materials.

Examples of Exempt and Excluded Services

The following services are not subject to the tax because they are specifically excluded from the definition of taxable service, or they have been specifically exempted from the tax under the regulations.

- Services provided to install tangible personal property that will become real property on installation, such as wall-to-wall carpeting, windows, lighting fixtures, hot water heaters, and built-in appliances (see page 6 - *Fixtures and Real Property*).
- Taxable services that qualify for a specific exemption under the Act or regulations. The services to which this exemption applies are outlined at page 3 of this bulletin.
- Taxable services provided by a person to that person's employer in the course of employment. For example, the repair of a company truck by a company employee would not be subject to the tax (see page 5).

Collecting Tax on Sales of Taxable Services

Determining the Amount on Which Tax Must be Paid

Persons who provide taxable services are required to charge their customers tax on the full purchase price for the service. This includes charges for

parts, labour, travel time, and similar charges that a customer must pay to receive the taxable service. However, it does not include the following charges.

- Federal GST applicable to the service.
- Delivery or shipping charges for the item receiving a taxable service, provided that such charges are **separately** stated on the sales invoice.
- Charges for reimbursement for out-of-pocket travel expenses, such as fuel or accommodation, which are billed on a cost-recovery basis, provided such charges are separately stated on the sales invoice.

Taxable and Non-Taxable Goods or Services 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 a taxable good or service is bundled with a good or service that is not taxable and both are sold for a single price, tax applies only to the fair market value of the taxable item.

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

Collecting and Remitting Tax

Tax must be shown separately on the invoice. However, where tax is due on both the purchase price of an item and on taxable services applied to that item, the two charges may be combined for the purpose of calculating the tax.

The tax is payable at the time the purchase price is paid or when it is payable, whichever is **earlier**. Persons providing the taxable service are required to collect the tax from their customers, and to remit the tax collected with the regular tax return form. Tax reporting periods are established at the time of registration as a vendor.

Purchases by Persons Providing Taxable Services

Exempt Purchases

Persons who provide taxable services are not required to pay tax on their purchases of the following items that are used or consumed in the process of providing a taxable service on which tax is collected. To obtain these items without payment of tax, vendors must quote their registration number to their suppliers.

- Replacement parts and materials that are attached to, or incorporated into, tangible

personal property in the course of providing a taxable service to that property, and where tax will be collected on the taxable service. This includes replacement parts, paint, glue, fabric protector, nails, grease, welding rods, welding self-fluxing rods, or similar materials that remain with the tangible personal property when it is returned to the customer.

- Abrasive paper, emery paper, and other fabric-backed abrasives that are suitable for use by hand or with hand-held tools; grinding wheels and discs; polishing wheels; sand used for sand blasting; steel wool, dies, jigs, moulds, patterns, rotary steel brushes; steel, plastic or glass shot, or similar materials used for blasting clean a surface.
- Materials for packaging the goods for return to the customer after the taxable service has been completed (such as boxes, wrapping paper, and bags), provided that such packaging materials are not returned to, and re-used by, the person providing the service.

Taxable Purchases

Persons providing taxable services are required to pay tax on all tools, equipment, and machinery used in providing the services. This includes hammers, screwdrivers, saws, diagnostic equipment, welders, and paint spraying equipment. Persons providing taxable services are also required to pay tax on all consumable supplies that do not become part of the tangible personal property being serviced, such as paper towels, cleaning solvents, masking tape and paper, and detergents.

Tax also applies to all equipment and materials purchased for business use, such as computers, cash registers, stationery, receipt books, furniture, and display shelves.

EXEMPTIONS FROM THE TAX

Many transactions involving taxable services have been specifically exempted from the tax. This section identifies the exemptions that are available and, where applicable, the procedures that vendors are required to follow when making an exempt sale.

Services Specifically Exempted from Tax

The following taxable services have been specifically exempted from tax by regulation. Persons providing such services are not required to obtain any additional documentation to substantiate non-collection of tax on such sales. However, to justify the exemption, the nature of the service or the item to which the service was provided must be clearly indicated on the sales invoice.

- Services provided by way of motor vehicle towing or battery boosting, but not including battery recharging.
- Services provided by way of diagnosis, test, safety inspection, or estimate, when no installation, assembly, dismantling, adjustment, repair, restoration, reconditioning, refinishing, or maintenance is done.
- Services provided to, or in respect of, the person of an individual, such as hairdressing, massage, manicures, dental work, and dance lessons.
- Services related to the erecting, constructing, assembling, or dismantling of scaffolding, formwork, hoarding or other temporary protective coverings, construction cranes or temporary power or other utilities used in the construction, demolition, adjustment, repair, renovation, restoration, or maintenance of real property or a fixture (see page 6 - *Fixtures and Real Property*).
- Services provided to the following goods if designed for household use: refrigerators, stoves, ovens (including microwave ovens and convection ovens), clothes washers, clothes dryers, dish washers, freezers, vacuums, rug cleaners, sewing machines, rugs and carpets, draperies, and curtains.
- Services related to clothing and footwear.
- Services provided to an animal, such as fitting horseshoes, pet grooming, or veterinary services.
- Services provided to manufactured homes used for residential purposes, as described in section 3.18 of the regulations to the Act.
More Info: [Bulletin SST 014 Sales of Manufactured Homes for Residential Use](#).
- Services provided to a fixture (see page 6 - *Fixtures and Real Property*).
- Cleaning services, such as laundry and dry cleaning services, janitorial services, engine shampoos, and car washes and waxes.

Please Note: The exemption for the items listed above applies only to charges for taxable services. Where the service includes the sale of a part, tax must be collected on the full charge to the customer for parts.

Services Provided to Exempt Tangible Personal Property

Most tangible personal property that is exempt under the Act or regulations with respect to

purchases or leases is also exempt with respect to taxable services. This includes services provided to the following exempt items.

- Equipment designed for use by persons with a permanent disability or handicap.
- Self-contained smoke and fire alarm devices priced at under \$250.
- Books.
- Aircraft powered by a turbine and parts for such aircraft.
- Non-motorized two-wheeled bicycles.
- Prescribed safety equipment.
- Portable buildings.
- Devices used in the transportation of persons with a permanent disability or handicap.
- Children's clothing and footwear.
- Vessels over 500 tons.
- Natural gas or propane conversion kits.

Persons providing taxable services to such items are not required to obtain any additional documentation to substantiate non-collection of tax on such sales.

However, to justify the exemption, the nature of the service or the item to which the service was applied must be clearly indicated on the sales invoice.

Taxable Services Provided to Equipment Eligible for the Production Machinery and Equipment Exemption

Effective July 31, 2001, taxable services provided to exempt production machinery and equipment are exempt from tax.

To claim the exemption for services provided to exempt production machinery and equipment, eligible customers must complete a *Certificate of Exemption - Production Machinery and Equipment* ([FIN 453/M](#)). The machinery or equipment for which the services are provided must be documented on the certification. It is not sufficient for the customer to simply state “*production machinery and equipment*” or “*repairs*”. The machinery or equipment for which the services are provided must be specifically identified. Subsequent services provided to the same customer and equipment may be made on the strength of this certificate.

It is your responsibility as a seller or lessor to ensure that the documentation provided by a customer claiming exemption is complete. Where the documentation is not complete, or exemption is incorrectly being claimed on consumables or materials to make parts, you must collect the tax.

You must retain the completed exemption certificate or purchase order in your records to verify that exemption was claimed on taxable services for which tax was not collected. Provided you have such documentation, you will not be held liable for tax not collected on those transactions even if it is subsequently determined that your customer was not eligible for the exemption, or the items purchased or leased did not qualify for exemption.

Service providers are not required to pay tax on purchases of parts and materials used in providing the service if those parts become attached to, and remain with, the machinery and equipment. You may purchase such items exempt from tax by quoting your vendor registration number to your supplier.

Parts Used in Providing Taxable Services

The Act also contains an exemption for parts used in the repair of the exempt tangible personal property listed above. Therefore, persons providing taxable services to any of the exempt equipment are not required to collect tax on the services or parts used in providing the service.

Items Specifically Excluded From Being Exempt

The purchase or lease of the following items is exempt from tax under the Act. However, they have been specifically excluded from exemption with respect to taxable services. Therefore, when taxable services are provided to these items, tax must be collected on the full charge to the customer for both the parts and the services, unless the item otherwise qualifies for exemption under the Act.

- Household goods and equipment brought into the province by new residents (settlers' effects).
- Tangible personal property that has been repossessed, or that is leased under a sale-leaseback arrangement.
- Business assets that have been acquired without payment of tax under the provisions of section 3.14 or 3.14.1 of the regulations.

Sales to Farmers, Fishers, and Aquaculturists

Persons who qualify as *bona fide* farmers, *bona fide* fishers, or *bona fide* aquaculturists are exempt from tax on purchases or leases of equipment and materials as prescribed in the regulations. They are also exempt from payment of tax on charges for taxable services provided to those exempt items.

Persons who provide taxable services to farmers or fishers should obtain a copy of [Bulletin SST 023 Farmers](#), [Bulletin SST 025 Bona Fide Commercial Fishers](#), or [Bulletin SST 050 Exemption for Bona Fide Aquaculturists](#). These bulletins outline qualifications for these exemptions, list the items that are exempt, and provide instructions for making exempt sales.

When taxable services are sold to persons claiming exemption as a farmer, fisher, or aquaculturist, the vendor must verify the person's eligibility for exemption by obtaining the appropriate *Certificate of Exemption*. The certificate must be completed by the purchaser and retained by the seller to substantiate non-collection of tax on that sale. Future exempt sales to the same customer may be made on the strength of this certificate.

Services Provided by Employees

Services provided by a person to that person's employer in the course of employment are not subject to tax. For example, repairs to office equipment performed by company staff are not subject to the tax. This applies even if, for accounting purposes, the employee bills the employer for services performed. However, the employer is required to pay tax on the parts and materials purchased or taken out of stock and used in the repair. (See also *Taxable Services Provided by a Related Company* below)

Services Provided by Contract Workers

Charges for taxable services performed by **contract workers** are subject to the tax. Contract workers are not employees for the purpose of this exemption. Tax applies to the total amount paid to the contract worker. Contract workers are required to register as vendors and collect tax on the services they provide.

Where the contract worker provides both taxable and non-taxable services for one price, tax applies according to the rules regarding taxable and exempt goods and services sold together as a package (see page 2). If, however, the charges are stated separately on the invoice, tax only applies to the charge for taxable services.

Goods Held for Resale or Lease

Persons who are registered vendors or lessors under the Act are not required to pay tax on purchases of taxable services applied to goods that will be resold or leased. For example, a registered automobile dealer is not required to pay tax on charges for repairs to automobiles held in the dealer's resale or lease inventory. To substantiate non-collection of tax on such sales, the person providing the taxable service must record the

customer's registration number on the sales invoice.

Resale of Taxable Services

Repairers of tangible personal property occasionally send their customer's equipment to a third party for repairs. In such situations, the repairers may purchase the repairs without payment of tax by quoting their registration number to their suppliers. Repairers are required to collect tax on the charge to their customers for the repairs.

Taxable Services Provided to Non-Residents

In general, taxable services purchased by non-residents while they are visiting British Columbia are subject to the tax. However, tax does not apply to the charge for services where goods are brought or sent into the province solely to receive taxable services and, immediately after receiving the services, are removed from the province. To substantiate non-collection of tax on such sales, the person providing the service must obtain documentation verifying the circumstances of the sale.

When available, shipping invoices or bills of lading showing the date the equipment was shipped into British Columbia and the date it was shipped from the repairer's shop to an out-of-province location will be accepted as verification. If shipping invoices are not available, a written statement, signed by the customer, must be obtained.

The statement must contain the customer's certification that the equipment has been brought into the province solely to receive taxable services, and that it will be removed from the province as soon as the taxable services have been applied.

Where this documentation is not available, tax must be collected on the full charge for the taxable service. The customer may apply for a refund of the tax paid, provided adequate documentation verifying the circumstances of the purchase accompany the refund claim.

Taxable Services Provided by a Related Company

Where employees of a corporation provide taxable services to tangible personal property owned or leased by a related corporation, the charge for the service is not subject to tax if the companies are closely related corporations as defined under section 3.14 of the regulations.

More Info: [Bulletin SST 092 Transfer of Business Assets Between Closely Related Parties](#)

Purchases by Indians or Indian Bands

Indians and Indian Bands are exempt from tax on purchases of taxable services that are provided on reserve land. This applies to property that is owned or leased by Indians or Indian Bands.

More Info: [Bulletin SST 046](#) *Exemptions for Indians and Indian Bands.*

Members of the Diplomatic and Consular Corps

Under international protocol agreements, members of the diplomatic and consular corps are exempt from provincial tax. As a result, tax does not apply to purchases of taxable services by persons qualifying as members of the diplomatic and consular corps.

More Info: [Bulletin GEN 006](#) *Exemption for Members of the Diplomatic Corps: Instructions to Vendors and Operators.*

SERVICE CONTRACTS, EXTENDED WARRANTIES, AND MAINTENANCE AGREEMENTS

The application of tax to service contracts, extended warranties, and maintenance agreements depends on the nature of the contract, as outlined below.

Taxable Contracts

Tax must be collected from the purchaser on the following types of service contracts, warranties, or maintenance contracts:

- The purchase of the contract is a mandatory condition of the purchase or lease of the tangible personal property. This includes warranties that are included in the purchase price of tangible personal property, such as a three-year warranty on the purchase of a motor vehicle.
- The contract is optional, but provides for scheduled or preventative maintenance or a specified number of services. This includes contracts where the schedule depends on the ongoing condition of the equipment. These contracts are considered to be a prepayment for taxable services.

Persons providing taxable mandatory or optional coverage are not required to pay tax on their costs for any parts or taxable services provided under the terms of the agreement. If the taxable services are provided by a third party, tax does not apply to the charge to the person providing the coverage.

Exempt Contracts

Tax does not apply to purchases of optional contracts that do not include scheduled or

preventative maintenance, and where services are provided only when required, such as an equipment malfunction.

Sellers providing exempt optional coverage are required to pay tax on their costs for any parts and any taxable services provided under the terms of the agreement. If a third party provides the taxable services, tax applies to the charge to the business providing the coverage.

Replacement Under Manufacturer's Warranty

Where tangible personal property or a part is replaced free of charge under a manufacturer's warranty, tax does not apply to the replacement part or to the taxable services provided to install the replacement part. This means that there is no tax collection or remittance obligation on the manufacturer or installer of the equipment.

Contract Includes Taxable and Exempt Services

Where a maintenance contract includes both taxable and exempt services for a single price, tax applies according to the rules regarding taxable and exempt goods and services sold together as a package (see page 2).

Limited Coverage

If there is a limit to what is covered under the warranty, tax applies to any charge to the customer for taxable services over the covered limit. For example, if a warranty covers the first \$200 of repairs, tax is payable on the purchaser's \$100 portion of a \$300 charge.

FIXTURES AND REAL PROPERTY

Real Property

The Act imposes social service tax on tangible personal property and specified services. It does not impose tax on real property, such as land and buildings. Therefore, services to construct, adjust, repair, renovate, restore, or maintain real property are not subject to the tax.

Examples of services to real property which are not subject to the tax are: house painting or wallpapering; roofing, plumbing, and electrical work; applying protective treatments to wall-to-wall carpeting; and repairing built-in appliances, furnaces, and water heaters.

More Info: [Bulletin SST 072](#) *Contractors and Subcontractors: Improvements to Realty.*

Fixtures

While sales or leases of fixtures, other than prescribed fixtures, are subject to tax, taxable

services provided to machinery, equipment and apparatus that qualify as fixtures under the *Social Service Tax Act* are exempt from tax.

A "fixture" is defined as machinery, equipment or apparatus that is:

- (a) a fixture at common law, and
- (b) used directly in the manufacture, production, processing, storage, handling, packaging, display, transportation, transmission or distribution of tangible personal property or in the provision of a service.

To qualify as a fixture at common law the item must:

- be substantially affixed to, or installed in, land or a building in such a way as to lose its separate identity; and
- be attached or installed for the better use of the building or land, rather than for the better use of the equipment as chattel.

Fixtures include equipment that is bolted onto the floor or walls, or bolted to a counter that, by virtue of its being affixed to the building, is part of real property. Equipment that is simply tacked or lightly nailed into place for stability or convenience, that is mobile and that rests in place by virtue of its own weight (i.e., free standing), does not qualify as a fixture. Equipment that is attached to real property only by connection to a utility, such as a gas line, water line, or electrical system, also does not qualify as a fixture.

Some free standing equipment may qualify as a fixture under the Act, provided the item meets the above criteria, such as a large unmounted conveyor belt that moves goods in a production facility and is integral to the production process.

More Info: [Bulletin SST 078](#) *Fixtures*.

On-Site Repairs

To qualify for the exemption, the taxable service must be performed on-site. This means that the service must be performed on the item while it is attached to real property, or if the item to be repaired is detached from the real property for the purpose of facilitating the repair, kept within the immediate area. For example, repairs to a built-in cabinet while attached to the wall, or detached from the wall but kept in the home, would qualify for the exemption from tax.

Persons providing taxable services to eligible fixtures or real property are not required to obtain any special documentation to substantiate non-collection of tax on that sale. However, the contract or sales invoice must clearly indicate the equipment or item that was serviced.

Off-site Repairs to Fixtures and Real Property

Where tangible personal property that becomes real property on installation, or an item that qualifies as a fixture, is removed from the real property and transported to an off-site location for repair (e.g., to the repair shop), tax applies to the charge for the repair. Charges for removal and re-installation are not subject to the tax if such charges are separately stated on the sales invoice.

Off-Site Location: Means the repairer's place of business or other location away from the normal location of the item being repaired. The repairer's van, however, if parked on the customer's property or immediately in front on the street, does not constitute an off-site location.

Where a service company has set up a "repair shop" at an industrial site (e.g., at a mine), that location is considered to be "off site" even though it may be physically close by. If the item can be repaired near where it is attached, tax does not apply. However, if it must be transported to the repair shop, tax applies.

SPECIFIC APPLICATIONS OF THE TAX

Manufacturing or Processing

Manufacturing or processing raw materials into a finished product is not a taxable service, but the retail sale of a manufactured product is taxable. Manufacturing and processing labour where the customer provides the material is also not taxable.

The application of tax to manufacturing and processing, such as film processing, furniture making, engraving, firing ceramics, cutting or machining customer-owned materials, and video tape production, is therefore not affected by the imposition of tax on taxable services.

Tax continues to apply to the total charge for the finished product.

More Info: [Bulletin SST 054](#) *Manufacturers*.

Out-of-Province Repairs

Where a person who resides or carries on business in British Columbia sends tangible personal property out of the province primarily to have taxable services applied to the property, tax must be paid on the charge for the services. The purchaser is required to self-assess the tax payable and remit the tax at the time the tangible personal property returns to British Columbia.

If there are no separate charges for the materials used in the service (e.g., repair parts), tax does not apply on the shipping or delivery charges related to the taxable service. Where there are separate charges for the materials (e.g., repair parts) and the

service, tax applies to both the purchase price of the taxable service and the purchase price of the materials. Since transportation costs are included in the definition of purchase price for tangible personal property brought into the province for use, tax also applies to that portion of the incoming transportation charges that the materials' cost bears to the total out-of-province repair charge.

Where tangible personal property is sent out of the province primarily for use outside the province, any taxable service it receives while it is being used outside the province is not subject to the tax.

Conveyances Qualifying for Proportional Tax

Some conveyances used in the province for interprovincial trade are eligible for payment of tax on proportional formulas based on the percentage of use in the province. **Proportional tax formulas do not apply to purchases of taxable services.**

Where taxable services are purchased in the province for interprovincial conveyances, tax is payable on the full charge for the service. Tax does not apply to taxable services purchased outside the province for conveyances qualifying for payment of tax on proportional formulas.

More Info: [Bulletin SST 073](#) *Tax on Multijurisdictional Vehicles.*

Equipment Qualifying for Payment of Tax on the 1/3 Formula

Equipment not eligible for the production and machinery equipment exemption (discussed on page 4), and which is brought into the province for temporary use, is eligible for payment of tax on a 1/3 formula. The 1/3 formula does not apply to purchases of taxable services. Tax is payable on the full charge for taxable services provided to the equipment while it is in the province.

More Info: [Bulletin SST 098](#) *Equipment Brought into the Province for Temporary Use (1/3 Formula).*

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 While there, you can subscribe to our free electronic update service.

References: *Social Service Tax Act*, Sections 1(i), 5, 6, 41, 42 and 69.1, 76(k), 77(c); *Regulations* 2.45, 2.46, 2.47, 2.48, 12, 13.1-13.12, 16.