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Direct Sellers and Independent Sales Contractors

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated June 2013. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin explains the unique PST registration and collection method that all direct sellers and independent sales contractors (ISCs) must follow.

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Definitions

A **direct seller** is a person who:

- does not regularly make retail sales of exclusive products in BC from an established commercial premises, and
- sells exclusive products to ISCs.

Exclusive products are goods that are acquired, manufactured or produced by a direct seller, and that are primarily offered to a purchaser at a retail sale by an ISC of the direct seller. An exclusive product cannot be liquor, a vehicle, a boat, an aircraft or a manufactured building.

Common examples of exclusive products include:

- health and beauty products (e.g. cosmetics)
- household products
- jewellery
- kitchenware

An **independent sales contractor** (ISC) is an individual who:

- purchases exclusive products from a direct seller or another ISC of the direct seller for resale or for personal use,

- is not an employee or agent of the direct seller, and
- sells or offers to sell the exclusive products at a temporary business premises, the individual's private residence or other non-business premises.

A corporation cannot be an independent sales contractor.

The **suggested retail price** is the price published by the direct seller (e.g. in a catalogue, a price list or similar document) that applies to an exclusive product sold to final purchasers/consumers. In certain cases, the suggested retail price may be a discounted price (e.g. special catalogue inserts). The suggested retail price does not include any taxes.

Direct Sellers

Registration

If you are a direct seller, you **must** register to collect PST on sales of taxable exclusive products. Those sales may be to ISCs or sales directly to purchasers.

For more information on PST registration, see [Bulletin PST 001](#), *Registering to Collect PST*.

Charging, Collecting and Remitting PST

As a direct seller you must collect and remit PST on your sales of exclusive products, including sales to your ISCs **even if the ISC is purchasing the exclusive products for resale**. You must charge your ISCs PST on your suggested retail price of your exclusive products.

For more information, see [Bulletin PST 002](#), *Charging, Collecting and Remitting PST*.

Independent Sales Contractors

Registration

If you are an ISC who only sells exclusive products you **must not** register to collect PST.

Paying PST on Purchases

You must pay PST on your purchases of exclusive products when you purchase the products for resale from a direct seller or another ISC. You must pay PST on the direct seller's suggested retail price of the exclusive products.

Example

You are an ISC who sells kitchenware at parties you host. You purchase the kitchenware from your direct seller at \$5 per item, and sell the kitchenware to your customers at the suggested retail price of \$10 per item.

You must pay \$0.70 in PST ($\$10 \times 7\%$) per item when you purchase the kitchenware from your direct seller.

If your direct seller is **not** registered to collect PST, you do not pay PST to the direct seller on your purchases of exclusive products. Instead, you must self-assess the PST payable on the suggested retail price of the exclusive products using a *Casual Remittance Return* ([FIN 405](#)).

You must remit PST to us on or before the last day of the month following the month in which you purchased the exclusive products in BC, or brought, sent or received delivery of the exclusive products into BC.

Example 1

If you purchased an exclusive product in August from a direct seller in BC and you did not pay PST to the direct seller, you must file a *Casual Remittance Return* (FIN 405) and pay the PST to us no later than September 30.

Example 2

If you had an exclusive product delivered to you in August from your direct seller located in Alberta and you did not pay PST to the direct seller, you must file a *Casual Remittance Return* (FIN 405) and pay the PST to us no later than September 30.

Purchases for Resale From Other ISCs

If you purchase an exclusive product from another ISC for resale, you must pay the PST on that purchase to the other ISC even though that ISC is not registered to collect PST. You will recover that PST when you sell the product to your customer.

Please Note: The other ISC does not have to remit this PST (i.e. they can keep it), provided that they originally paid PST on that exclusive product.

Charging, Collecting and Remitting PST on Sales

You must charge and collect PST when you sell exclusive products to your customers. PST must be charged on the price paid by your customers for your exclusive products. If you pay PST on exclusive products to your direct seller or to another ISC, or self-assess and remit the PST to us, you can keep the PST on your sales collected from your customers.

If you have not paid PST on exclusive products, you must self-assess and remit the PST payable using a *Casual Remittance Return* (FIN 405) (see Paying PST on Purchases above).

If you sell an exclusive product at a higher price than the amount on which you paid PST when you obtained the product, you must remit the additional PST collected using a *Casual Remittance Return* (FIN 405) on or before the last day of the month following the month in which the sale was made.

Example

You are an ISC that sells cosmetics. You purchase lipstick from your direct seller at \$4 per tube, and paid PST to your direct seller based on the suggested retail price of \$12 per tube.

However, you actually sold the lipstick to customers for \$15 per tube, which is \$3 more than the suggested retail price. You must self-assess PST on the additional \$3 as calculated below:

$$\$3 \times 7\% = \$0.21$$

For more information on the requirement to collect and remit PST, see [Bulletin PST 002](#), *Charging, Collecting and Remitting PST*.

Refunds and Credits for ISCs

This section provides information on refunds that are available to ISCs. For general information on PST refunds, including how to apply for a refund and the time limits for doing so, see [Bulletin PST 400](#), *PST Refunds*.

Sales for Less Than the Suggested Retail Price

If you sell an exclusive product at a lower price than the amount on which you paid PST when you obtained the product, or you provide the product to another person at no cost, you may:

- request from your direct seller a refund or credit of the amount of additional PST paid within 180 days of the date you paid the PST, or
- apply to us for a refund of the amount of additional PST paid.

Example

You are an ISC who purchased a household product from a direct seller for \$40. You paid PST to your direct seller based on the suggested retail price of \$75.

You were unable to sell the household product for \$75 and you lowered the selling price to \$65. You may be eligible for a refund or credit of the following amount:

PST paid on the exclusive product: $\$75 \times 7\% = \5.25

PST refund or credit: $(\$75 - \$65) \times 7\% = \$0.70$

Please Note: We cannot issue a refund of less than \$10.

Sales to Exempt Customers

If you sell an exclusive product to a person who qualifies for an exemption (e.g. a First Nation individual or qualifying farmer), you may:

- request from your direct seller a refund or credit of the PST you paid within 180 days of the date you paid the PST, or
- apply to us for a refund of the PST you paid.

Please Note: You need to keep documentation to support why you provided your customer with an exemption.

Exclusive Product Used by ISC, or Given Away

Instead of selling an exclusive product you paid PST on, you used it (personally or in your business) or gave it away, you may be eligible for a refund or credit based on the following formula:

PST refund or credit = PST you paid on the exclusive product – (your cost for the exclusive product x 7%)

Example

You are an ISC who purchased a necklace from your direct seller for \$50. You paid PST to your direct seller based on the suggested retail price of \$250.

You then decide to keep the necklace for personal use. You may be eligible for a refund or credit of the following amount:

PST paid on the exclusive product: $\$250 \times 7\% = \17.50

PST refund or credit: $\$17.50 - (\$50 \times 7\%) = \$14.00$

To receive the refund or credit, you may:

- request from your direct seller a refund or credit within 180 days of the date you paid the PST, or
- apply to us for a refund.

Exclusive Product Returned to Direct Seller

If you return an exclusive product to your direct seller for a refund or credit, you may:

- request from your direct seller a refund or credit of the PST attributable to the refund or credit provided by the direct seller within 180 days of the date you paid the PST, or
- apply to us for a refund of the amount of the PST attributable to the refund or credit provided by the direct seller.

Example

You are an ISC who purchased a makeup brush set from your direct seller for \$100. You paid PST to your direct seller based on the suggested retail price of \$300.

You were unable to sell the makeup brush set and decided to return it to your direct seller, who provided you with an \$80 refund (80% of your cost). You may be eligible for a refund or credit of the following amount:

PST you paid on the exclusive product: $\$300 \times 7\% = \21

PST refund or credit: $\$21 \times 80\% = \16.80

Sale Written off as a Bad Debt

If you sell an exclusive product to a customer on credit, and the account of your customer later becomes uncollectible and is written off as a bad debt, you may be eligible for a full or proportional refund of the amount of PST that you paid to your direct seller.

For information on how to calculate and claim refunds of PST on sales written off as bad debts, **contact us**.

Exclusive Product Not Sold

If you have an exclusive product that you cannot sell or use (personally or in your business), and you cannot return the exclusive product to your direct seller, you may apply to us for a refund of the PST you paid.

Example

You are an ISC who purchased a glass storage container from your direct seller and paid PST on the suggested retail price.

You accidentally dropped the glass storage container, and therefore you cannot sell or use the container. The direct seller will not allow you to return the broken container. You may apply to us for a refund of the PST you paid.



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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

Latest Revision

December 2015

- Added examples to clarify content
 - Added information on the refunds available to ISCs
 - Other minor revisions
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References: *Provincial Sales Tax Act*, sections 1 “direct seller”, “exclusive product”, “independent sales contractor”, “manufactured building”, 28, 37, 99, 141, 168, 171, 176, 179, 180, 189, 190, 202 and 243; Provincial Sales Tax Exemption and Refund Regulation, sections 38, 39, 40, 59, 117, 140-147; Provincial Sales Tax Regulation, sections 72 and 90.