



## Telecommunication Services

### Provincial Sales Tax Act

Latest Revision: The revision bar ( | ) identifies changes to the previous version of this bulletin dated January 2024. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin explains how PST applies to telecommunication services in B.C.

### Table of Contents

Definitions.....	1
Registration Requirements .....	2
Purchases of Telecommunication Services.....	3
Phone Services.....	4
Internet Services.....	9
TV Services .....	14
Network Services.....	15
Dedicated Telecommunication Services .....	16
General Telecommunication Exemptions.....	17
Telecommunication Service Providers.....	22
Packaged Services and Bundled Sales .....	28

### Definitions

**Telecommunication services** for the purposes of PST are any of the following.

- The right, whether exercised or not, to use a telecommunication system to send or receive one or more telecommunications by means of an electronic device ordinarily situated in B.C. This includes services such as phone (mobile or landline), fax, television (TV), radio (including satellite radio), internet access, email, text, and picture and video messaging services.

- Using a telecommunication system to send or receive telecommunications, such as phone calls (mobile or landline), faxes, TV and radio signals, emails and text messages (including where the message is not limited to text) by means of an electronic device ordinarily situated in B.C.
- A dedicated telecommunication service (see Dedicated Telecommunication Services below).
- The right, whether exercised or not, to download, view or access, via a telecommunication system by means of an electronic device ordinarily situated in B.C., the following telecommunications:
  - audio books, music, ringtones (includes text tones and other alert tones) and audio programs (e.g. podcasts and radio programs), and
  - TV programs, movies and other videos.

A purchase of software can be similar to a purchase of a telecommunication service, particularly if accessed through a website. To determine whether PST applies to an online service as a purchase of software, see Website Subscriptions below, and [Bulletin PST 105](#), Software.

A **telecommunication** means signs, signals, writing, images, sound or intelligence of any nature.

A **telecommunication system** means a wire, cable, radio, optical, satellite or other electromagnetic system or similar system, including WiFi, for the transmission, emission or reception of a telecommunication.

An **electronic device** means a device by which a person may send, receive, download, view or access telecommunications, or use software. Examples of electronic devices include computers (desktops, laptops and tablets), telephones, mobile phones, smart phones, portable media players, TVs, radios and satellites.

## **Registration Requirements**

If your business is located in B.C. and, in the ordinary course of your business, you sell or provide telecommunication services in B.C., you must register to collect and remit PST.

If your business is located outside B.C., whether in or outside Canada, and you sell telecommunication services to customers in B.C., you may also be required to register to collect and remit PST.

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

## **Online Marketplace Facilitators and Sellers**

If you sell or provide telecommunication services through an **online marketplace** (e.g. a website or mobile app) operated by an **online marketplace facilitator**, then the online marketplace facilitator is required to register and collect PST on payments they collect through their online marketplace. For more information, see [Bulletin PST 142](#), Online Marketplace Facilitators and Sellers, and Online Marketplace Services.

## **Purchases of Telecommunication Services**

PST at a rate of 7% applies to the purchase of a telecommunication service, unless a specific exemption applies. PST applies to the total purchase price, which includes sign-up, access, airtime, usage, service and other charges related to the use of, or the right to use, the service.

## **Devices Ordinarily Situated in B.C.**

For a telecommunication service to be subject to PST in B.C., the service must be used by an electronic device that is ordinarily situated in B.C. The following principles will help determine where a device is ordinarily situated.

### **Stationary Electronic Devices**

Stationary electronic devices, such as desktop computers or televisions, are ordinarily situated in B.C. if they are located at an address in B.C.

If the location of the device is the same as the billing address, the billing address can be used by the service provider to determine whether PST applies.

If the billing address is different from the location of the device, the service provider should use the address where they provide the service or the Internet Protocol (IP) address of the device instead of the billing address to determine whether PST applies. For example, a company purchases internet access for desktop computers they use at their B.C. office; however, all the bills are sent to their Toronto head office. As the devices are ordinarily situated in B.C., PST applies to the internet services.

### **Mobile Electronic Devices**

Mobile electronic devices, such as mobile phones, are considered to be ordinarily situated in B.C. if they are assigned a B.C. area code (e.g. 250, 604, 778, 236). However, some mobile devices do not have an area code (e.g. a laptop or tablet). If there is no area code or the area code is not known, the service provider must use

another method to determine where the device is ordinarily situated, such as the billing address, IP address or address where the service is provided (e.g. where the internet access is provided).

**Note:** Service providers that do not charge PST because their customer's electronic device is not ordinarily situated in B.C. must keep evidence to show why they did not collect PST.

## **Prepaid Purchase Cards**

A prepaid purchase card is a card, written certificate, or other voucher that is redeemable for a future purchase or lease of goods, software or services, including telecommunication services. Prepaid purchase cards include gift cards and gift certificates.

You do not charge PST on a purchase of prepaid purchase cards because it is a purchase of a store credit a customer may redeem later. When a customer redeems the credit, PST applies to the purchase as if the credit were cash. PST will apply if the item purchased is subject to PST.

**Note:** Prepaid purchase cards that do not provide an option for future purchase are not considered prepaid purchase cards and are taxable at the time of purchase. This includes cards that provide a membership or subscription for online streaming services.

If you are a customer who has paid PST on the purchase of a prepaid purchase card, you may be eligible for a refund of the PST you paid. To apply for a refund, complete an Application for Refund – General ([FIN 355](#)) and provide documentation that supports your claim.

## **Phone Services**

### **Residential**

Residential phone services provided through a public switched telephone network by means of a wire or cable are exempt from PST. This exemption does **not** include mobile phone services (see Mobile or Cellular Devices below).

The exemption for residential phone services applies to phone services provided through a landline, including any installation or activation charges and additional residential services, such as call forwarding, call waiting or call display. However, the exemption does not include any long-distance charges (including flat rates for

long-distance) or any phone services provided by means of the internet, such as Voice over Internet Protocol (VoIP).

In some cases, taxable long-distance phone services are provided together with exempt residential phone services for a single price. For the purposes of PST, this is a bundled sale. The general rule for a bundled sale is that PST applies only to the fair market value of the taxable portion. The fair market value is the retail price that a good or service would normally sell for in the open market.

For example, a monthly residential phone service may include local calling, call waiting, call display and unlimited long-distance within North America. In this case, PST applies to the fair market value of the unlimited long-distance calling within North America.

For more information on bundled sales, see Bundled Sales below.

## **Business**

PST applies to phone services purchased by a business, unless a specific exemption applies. PST applies to the total purchase price for the services, including sign-up or monthly service charges, as well as any additional services purchased, such as call display, call forwarding and call waiting.

## **Mobile or Cellular Devices**

Generally, PST applies to services for mobile devices (e.g. mobile phones, smart phones and tablets) if the mobile device is ordinarily located in B.C. PST applies to the total purchase price, including any activation fees, charges for local airtime, long-distance calls, texts, monthly access charges, call display and voicemail. The exemption for residential phone services does not apply to mobile phones, even if the purchaser has no landline.

PST also applies to:

- data charges for mobile devices (see Internet Services below), and
- prepaid, pay as you go, and top-up cards and charges.

For more information on determining the location of an electronic device, see Devices Ordinarily Situated in B.C. above.

**Note:** PST does not apply to itemized charges for calls or texts on a mobile device if they are both sent **and** received outside B.C., even if the mobile phone is ordinarily situated in B.C. For example, if a person takes their mobile phone to

Alberta and places a call to Ontario, any itemized charge for that call is exempt from PST, even if the mobile phone is ordinarily situated in B.C.

## **Voice over Internet Protocol (VoIP)**

VoIP services are phone services provided to customers through an internet connection. PST applies to VoIP services if they are purchased for use by means of an electronic device ordinarily situated in B.C. VoIP services do not qualify for the residential phone service exemption because they are provided by means of the internet.

## **Prepaid Long-Distance Cards**

Prepaid long-distance cards may be purchased in various dollar amounts (e.g. \$5, \$10, \$20 etc.) from retail outlets, such as grocery and drug stores, and are not linked to a specific phone number or account. PST applies to prepaid long-distance cards purchased in B.C. because they provide the purchaser with the right to make phone calls from a phone ordinarily situated in B.C. and PST is not deducted from the card when a call is made.

## **Payphone Cards**

Payphone cards that are not linked to a specific phone and are used only for payphone calls are not subject to PST when purchased. Any PST due on payphone calls must be deducted from the balance remaining on the card when a call is made.

## **Long-Distance Calling Cards**

Some service providers offer long-distance calling cards that are linked to a customer's landline ordinarily situated in B.C. These cards allow the customer to make long-distance calls through any phone and have the charge billed to their landline. PST applies to any long-distance calls unless the calls are both sent **and** received outside B.C. For example, if you have a calling card that allows you to make calls and bill them to your B.C. landline, you do not pay PST on an itemized call that you place from a landline in Alberta to a landline in Ontario, even though the call will be billed to your B.C. phone.

## **Credit Card Calls**

PST applies to phone calls charged to a credit card if the calls are made from a mobile phone or landline ordinarily situated in B.C. PST applies to the total purchase price for the call, including any per minute and additional fees for the service (e.g. connection charge).

## **Toll-Free Numbers**

Purchases of toll-free numbers such as 1-800 numbers are exempt from PST, unless they are for family or domestic use, or for a teleconference service (in these situations, PST applies to the total purchase price).

## **1-900 Numbers**

PST applies to calls made to 1-900 numbers if the call is billed on the customer's phone bill because the customer is purchasing a telecommunication service.

However, when a customer calls a 1-900 number and is billed directly by the 1-900 service provider (e.g. a credit card number is obtained before the service is provided), PST does not apply to the charge for the information or entertainment service (e.g. psychic consultation or chat line). In this case, the customer is purchasing the information or entertainment service.

1-900 service providers must pay PST on the telecommunication services they purchase to provide their 1-900 services.

## **Paging**

Conventional paging services display telephone numbers or other written messages, or provide brief one-way voice messages. Conventional paging services that only allow the customer to receive messages through a pager are exempt from PST. However, if they also allow the customer to send messages, PST applies to the full purchase price of the paging service.

## **Teleconferencing and Videoconferencing**

PST applies to the purchase of teleconferencing or videoconferencing services if the customer is purchasing the right to use the teleconferencing or videoconferencing service to send or receive a telecommunication by means of an electronic device ordinarily situated in B.C.

The following are examples of taxable and non-taxable teleconferencing services.

### **Example 1 – Taxable**

- Company A purchases teleconferencing services for a teleconference with Company B and Company C.
- Company A will be participating by a phone in B.C.
- Company B and Company C are both located outside B.C. and will be participating on electronic devices ordinarily situated outside B.C.
- Company A is purchasing the right to use a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated in B.C. The teleconference provider is required to collect PST on the purchase by Company A.

### **Example 2 – Non-Taxable**

- Company A purchases teleconferencing services for a teleconference with Company B and Company C.
- Company A will be participating by a phone in Alberta. It will not be using a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated in B.C.
- Company B and Company C are both located outside B.C. and will be participating by phones that are ordinarily situated outside B.C.
- Company A is purchasing the right to use a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated outside B.C. The teleconference provider is not required to collect PST on the teleconference even if the teleconference provider is located in B.C.

### **Example 3 – Non-Taxable**

- Company A purchases teleconferencing services for a teleconference with Company B and Company C.
- Company A will be participating by a phone in Alberta. It will not be using a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated in B.C.
- Company B and Company C are both located inside B.C. and will be participating by phones that are situated inside B.C.
- Company A is purchasing the right to use a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated outside B.C. The teleconference provider is not required to collect PST on the teleconference even if the teleconference provider is located in B.C.

For information on determining where a device is ordinarily situated, see Devices Ordinarily Situated in B.C. above.

## **Internet Services**

### **Internet Access**

Internet services generally provide a customer with access to a number of services, including the ability to access the internet and the ability to send and receive email. Internet services can often be accessed through a number of different electronic devices, such as desktop computers, laptops, tablets and mobile phones.

PST applies to internet services purchased for use on a device that is ordinarily situated in B.C. PST applies to the total purchase price of the services, including sign-up and registration charges, all access charges, and monthly and data fees. For information on determining where a device is ordinarily situated, see Devices Ordinarily Situated in B.C. above.

### **Website Subscriptions**

A subscription website is a website that has pages of content that are only available to subscribers. Content can be varied and may include articles, videos, pictures, audio content, and access to a forum or database. If a website provider charges subscribers for access to a website, whether for a single access or for a fixed period of time (e.g. annually or monthly), the application of PST depends on the content of the website.

**Note:** In many cases, such as subscriptions to online magazines or newspapers, the content includes a combination of taxable (e.g. video) and non-taxable content (e.g. text-only articles). In these cases, see Bundled Sales below.

The following table shows how PST applies to different types of content that may be found on websites.

<b>Website Subscription Content</b>	<b>How PST Applies</b>
Articles that include text only, or text and still photos	Not taxable
Audio books	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational

Website Subscription Content	How PST Applies
	Exemptions below)
Audio clips	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational Exemptions below)
Databases	Generally taxable as software (see Software below)
Electronic books	Not taxable
Forums that include the ability to send messages to other participants through the website (e.g. chat rooms)	Taxable as a telecommunication service
Lectures, presentations, seminars, workshops and similar activities designed for educational purposes, if the participants and the presenter or instructor can communicate with each other in real time using a telecommunication system (e.g. a webinar on creative writing where the participants can ask questions directly to the presenter during the presentation)	Exempt from PST (see Educational Exemptions below)
Movies	Taxable as a telecommunication service
Music (e.g. songs or concerts)	Taxable as a telecommunication service
Pictures, photographs and still images	Not taxable
Podcasts	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational Exemptions below)
Software	Taxable as software (see Software below)
Sporting events (live or recorded)	Taxable as a telecommunication service
TV programming	Taxable as a telecommunication service
Video games	Taxable as software (see Software below)

Website Subscription Content	How PST Applies
Videos or video clips	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational Exemptions below)

## Software

For the purposes of PST, software includes:

- Software or the right to use software that is delivered or accessed by any means
- Software as a Service (SaaS)
- Infrastructure as a Service (IaaS)
- Coded instructions or a right to use coded instructions designed to cause an electronic device to perform a task
- Application programming interfaces (APIs)
- A right under an optional software maintenance agreement to receive software updates if they become available

Generally, if a customer purchases access to a website that provides them with the ability to employ some degree of functionality on the website beyond merely viewing website content, the customer is purchasing a right to access software, which is subject to PST. The following are indicators that a customer is purchasing software and not just access to a series of web page documents.

- The functionality of the website goes beyond merely viewing content.
- The customer can use the website to manipulate files or create new files.
- The website usage agreement specifically states that the customer is obtaining a licence to software.

For more information, see [Bulletin PST 105](#), Software.

## Downloading or Streaming Certain Content

PST applies to charges for the right, whether exercised or not, to download, view or access the following content by means of an electronic device ordinarily situated in B.C.:

- audio books, music, ringtones (includes text tones and other alert tones) and audio programs (e.g. radio broadcasts or podcasts), and
- TV programs, movies and other videos.

PST applies whether the content is downloaded, viewed or accessed on computers, mobile phones, smart phones, tablets, portable media players and TV-based media receivers.

## Web Hosting

Web hosting services generally enable individuals and organizations to make their website available over the internet. At its simplest, web hosting involves the storage of data on a server of the service provider. When a request is received from an electronic device (e.g. a computer) to view the client's website, the host server responds by sending a copy of the client's stored web page to the electronic device.

Web hosting is a type of electronic storage and therefore is considered Infrastructure as a Service. As a result, web hosting is taxable as software. For more information on software and Infrastructure as a Service, see [Bulletin PST 105](#), Software.

PST also applies to other services and products commonly purchased with or as part of web hosting, because they involve the purchase of telecommunication services (e.g. email services), the purchase of additional software (e.g. an interface or control panel for web server management), or the purchase or lease of goods (e.g. the lease of a server). In some cases, PST will apply to the full purchase price and in others, PST will apply to the fair market value of the taxable components under the bundled sales rules. The application of PST depends on the specifics of the transaction.

If you are unsure how PST applies to your specific circumstances, contact us.

For more information on bundled sales, see [Bulletin PST 316](#), Bundled Sales and Leases.

## Domain Registration

Domain registration is the service of registering a domain name that identifies one or more IP addresses with a name that is used to identify particular web pages. Only domain name registrars may register domains. PST does not apply to domain registration services as they are not telecommunication services.

## Data Backup Services

Data backup services are a type of electronic storage and therefore are considered Infrastructure as a Service. As a result, data backup services are taxable as software. For more information on software and Infrastructure as a Service, see [Bulletin PST 105](#), Software.

## Web Design

Web design services generally refer to developing and organizing content on single or multiple web pages to create a website. Web design services may include other web-related services, such as web hosting or domain registration. The web designer may provide the final product of web design services (i.e. the website) to its customers in an intangible format (e.g. file transfer protocol (FTP) or download over the internet), a tangible format (e.g. CD/DVD or USB drive), or both formats.

PST does not apply to web design services that do not include providing software (e.g. web hosting or other electronic storage), a telecommunication service (e.g. audio or video content, including animated video) or goods to customers. For example, PST does not apply to the design of a simple website that provides information about a customer's business if it does not include any audio/video content or software, and is provided to the customer over the internet.

If the web design services include taxable software, telecommunication services or goods, PST applies on any separate charges for the software, telecommunication services or goods. For example, if a customer is charged \$500 for web design services and \$25 for providing the website on a USB drive, PST applies on \$25.

## Incidental Goods

If a web designer creates a website for its customer and charges a single price for the web design services that includes the provision of taxable software, telecommunication services or goods, how PST applies depends on whether the software, telecommunication services or goods are incidental to the non-taxable web design services. Software, telecommunication services or goods are considered incidental and not subject to PST if **both** of the following conditions are met:

- The fundamental and overriding objective of the contract is for the web design services and not the software, telecommunication services or goods
- The total charge to your customer is the same as or only marginally different from what the charge would be if you did not provide the software, telecommunication services or goods

For example, a web designer charges a customer a single price (\$500) for web design services. The website design includes stock video (a value of \$2) and, in addition to providing the customer with the website over the internet, the web designer provides a back-up copy of the website to the customer on a DVD (a value of \$1). In this case, the telecommunication service (i.e. stock video provided electronically) and good (i.e. DVD) are incidental to the web design services because the fundamental and overriding objective of the contract is for the web design services and the total charge is only marginally different from what it would be if the web design did not include the stock video and DVD. As a result, PST does not apply to the \$500 for web design services. However, the web designer pays PST when they acquire the stock video and DVD.

If a web designer charges a single price for web design services that includes the provision of taxable software, telecommunication services or goods, and the taxable portion is not incidental to the web design services as outlined above, the web designer is making a bundled sale. For information on how PST applies to bundled sales, see Bundled Sales below.

## **TV Services**

### **Cable**

PST applies to TV services as they are a telecommunication service. However, basic cable TV services are exempt from PST if provided by means of a wire or cable. Basic cable TV services are the minimum level of TV services that a customer must purchase from a provider to receive any TV services from that provider. The minimum level of service may vary by TV provider and may include a variety of channels, including high definition (HD) or specialized channels. The minimum level of TV services is generally measured in cost to the customer.

For example, a customer purchases TV services from Company A. Company A offers Plan X (\$25), Plan Y (\$50) and Plan Z (\$75):

- If the customer purchases Plan X only, they do not pay PST on the \$25 they pay for the TV service.

- If the customer purchases Plan Z, \$25 is exempt from PST (the value of Plan X) and \$50 is subject to PST.

## **Satellite**

PST applies to TV services provided by satellite. There is no exemption for basic TV services provided by satellite. Therefore, PST applies to the full purchase price of TV services purchased from a satellite provider.

## **Internet TV**

PST applies to TV services provided through an internet connection. There is no exemption for basic TV services provided through an internet connection. Therefore, PST applies to the full purchase price of TV services purchased from an internet TV provider.

Some providers provide both TV and internet services through a single wire or cable. TV services are only considered to be provided through an internet connection if an internet connection is necessary for the provision of the TV services.

## **Pay-Per-View**

PST applies to pay-per-view TV services, such as concerts, sporting events or other forms of entertainment, regardless of how they are provided (e.g. by cable, internet or satellite).

## **Network Services**

A computer network is a collection of computers or computer systems that allows communication and data exchange between computers or systems. A service provider may design, develop, install and manage telecommunication networks that allow a customer to transmit voice and data communications between various locations on the network, such as among the customer's branch offices.

If a service that provides access to such a network includes the right to send and receive telecommunications through an electronic device ordinarily situated in B.C., it is taxable as a telecommunication service. PST applies to the charge to the customer for accessing the network, whether it is a monthly fee or based on usage.

Generally, if a person purchases telecommunication network services that cover multiple jurisdictions, PST applies to the full purchase price if the service includes the right to send and receive telecommunications through an electronic device

ordinarily situated in B.C. PST applies even if the network service also includes the right to send and receive from an electronic device ordinarily situated outside B.C., unless the network is a dedicated telecommunication system (see Dedicated Telecommunication Services below).

## **Dedicated Telecommunication Services**

Dedicated telecommunication services are services that provide exclusive use of a particular telecommunication circuit, line, frequency, channel, partial channel, or other means to send or receive a telecommunication in B.C.

A dedicated telecommunication system is a system that is dedicated to the exclusive use of a person as a result of their purchase of the dedicated telecommunication service.

For example, a business may purchase a dedicated telecommunication service that provides the business with exclusive use of a circuit for phone calls and fax transmissions between its head office in B.C. and a satellite office in Mexico. The only transmissions that travel through that circuit are those between the B.C. and Mexico offices.

With regular, non-dedicated transmission lines, the signals of several different customers are bunched together and transmitted simultaneously. With some services, such as a virtual dedicated service, a customer's data is not transmitted with other signals. The virtual dedicated service is acquired because there is a high degree of integrity in the transmission of the data. However, the line used to transmit one customer's data is also used to transmit other customers' data at different times. A telecommunication service that only provides a customer with temporary exclusive and secure use of a telecommunication circuit, line etc. is not a dedicated telecommunication service. Therefore, virtual dedicated services are not dedicated telecommunication services.

## **Proportional Tax Formula**

If you provide dedicated telecommunication services, you charge PST based on the proportion of the service you provide in B.C. If you provide the entire service in B.C., you charge PST on the total purchase price.

If the service connects electronic devices that are both within B.C. and outside B.C., you charge PST on that portion of the service that you provide in B.C.

You calculate the PST using the following proportional formula:

$$\text{PST} = \text{purchase price} \times \text{PST rate (7\%)} \times (\text{B.C. distance} \div \text{total distance})$$

- purchase price = the purchase price of the dedicated telecommunication service
- B.C. distance = the portion of the distance that is within B.C.
- total distance = the total distance, measured in a direct line, between electronic devices connected to the dedicated telecommunication system, with the distance between any two electronic devices connected to the system included only once in the calculation of total distance

## **Calculating the Distance**

For the purposes of the proportional tax formula, distance means the shortest distance over land and water between electronic devices connected to the system, measured in kilometres. This applies regardless of whether the actual signal travels an indirect route. For example, if the dedicated telecommunication system includes an electronic device that is a satellite, the total distance does not include the distance to and from the satellite. Total distance only includes the most direct distance between earth-based electronic devices that are connected to the system.

## **Combined Dedicated and Non-Dedicated Services**

If you combine dedicated and non-dedicated telecommunication services, you calculate PST as follows.

- You use the proportional tax formula described above to calculate the PST due on the dedicated portion.
- You calculate the PST due on the non-dedicated portion by applying 7% PST to the total purchase price attributable to the non-dedicated portion.

## **General Telecommunication Exemptions**

### **Telecommunications Services Provided in Relation to Accommodation**

Telecommunication services (including phone calls, internet access and in-room movies) are exempt from PST if purchased from an accommodation provider in relation to a purchase of accommodation. For example, separate charges for long-distance phone calls or internet access are exempt from PST if sold by a hotel to a customer that is renting a room at the hotel.

**Note:** Generally, the accommodation provider is required to pay PST if they purchase these telecommunication services from their provider, unless a specific exemption applies. For example, if they purchase internet access, some of which they use for hotel business and some of which they resell to customers, they must pay PST. However, if they purchase in-room movies solely for resale to hotel guests, they may be purchased PST exempt.

PST applies to telecommunication services purchased from an accommodation provider if they are not provided in relation to a sale of accommodation (e.g. they are provided to a customer who is using a room to display merchandise, to entertain, or to hold a meeting, dinner or reception).

## **Emergency Communication Services**

Telecommunication services are exempt from PST if they are part of an emergency communication system purchased from E-Comm Emergency Communications for Southwest British Columbia Incorporated, or the Capital Region Emergency Service Telecommunications Incorporated (CREST) if purchased by any of the following:

- The Government of B.C. or an agent of the Government of B.C.
- A regional district or municipality
- A fire or police department
- The South Coast British Columbia Transportation Authority (TransLink)
- The Victoria Airport Authority
- The British Columbia Ambulance Service
- The Emergency and Health Services
- British Columbia Transit
- The University of Victoria

## **Out-of-Province Telecommunication Services**

Sending or receiving telecommunications by means of an electronic device that is ordinarily situated in B.C. is exempt from PST if the telecommunications are both sent **and** received outside B.C., provided that any charges for the telecommunications are itemized on the customer's invoice.

For example, if a person takes their mobile phone to Alberta and places a call to Ontario, any separate charge for that call is exempt from PST, even if the mobile phone is ordinarily situated in B.C.

## **Educational Exemptions**

Telecommunication services are exempt from PST if they are provided to a purchaser as part of the purchaser's participation in any of the following programs or activities and are provided only to participants of the program or activity by the person offering that program or activity:

- An educational program provided by a qualifying school or other educational institution (see Qualifying Schools below). For example, videos provided as part of an online course offered by a university.
- A training or instructional program designed to develop or improve the knowledge, skills or abilities needed by individuals for a particular trade, occupation or profession. For example, online instructional videos that a tradesperson purchases for professional development requirements.
- A lecture, presentation, seminar, workshop or similar activity designed for educational purposes, if the participants and the presenter or instructor can communicate with each other in real time using a telecommunication system. For example, a webinar on creative writing where the participants can ask questions directly to the presenter during the presentation.

### **Example 1 – Eligible for the educational exemption (university program)**

You enrol in an online medical program from a recognized university. The program is provided solely by the university, is required to fulfill degree requirements, and is available only to those registered in the program.

You do not pay PST on the telecommunication service for the online program.

### **Example 2 – Eligible for the educational exemption (yoga for career development)**

You purchase online yoga classes through a yoga school. The classes are required for you to achieve professional certification as a yoga instructor, are available only to the participants of the training program by the yoga school offering the classes and you can communicate directly with the instructor during each class.

You do not pay PST on the telecommunication services for those classes.

### **Example 3 – Ineligible for the educational exemption (yoga for recreation)**

You purchase online yoga classes. The purpose of the online classes is primarily recreational and the classes include some participants who are not interested in receiving professional certification. Although the experience may help you develop the knowledge and skills to become a yoga instructor and you are able to speak

directly to the instructor during each class, the yoga classes do not constitute official training requirements for professional development.

You must pay PST on the telecommunication services for those classes.

## **Qualifying Schools**

For the purpose of this exemption, a qualifying school or other educational institution, means any of the following:

- A school, francophone school or Provincial school, as defined in the School Act
- An independent school as defined in the Independent School Act
- A school operated by a participating First Nation or a Community Education Authority established by one or more participating First Nations under the First Nations Jurisdiction over Education in British Columbia Act (Canada)
- A school operated by the Nisga'a Nation, or a treaty First Nation, under its own laws
- An institution as defined in the College and Institute Act
- A university
- An institution that holds a designation certificate or an interim designation certificate as defined in the Private Training Act

## **Exemptions for Broadcasting, Exhibition, Sale or Lease**

Charges for the right, whether exercised or not, to download, view or access the following content by means of an electronic device ordinarily situated in B.C. are exempt only if purchased for the purposes set out below:

- audio books, music, ringtones and audio programs, and
- TV programs, movies and other videos.

The telecommunication services described above are exempt from PST if they are purchased for the purpose of:

- Public broadcast by a licensed radio or television broadcaster.
- Making copies of the content of the telecommunication service for:
  - public broadcast by a licensed radio or television broadcaster,
  - public exhibition in a movie theatre or other public venue, or
  - sale or lease.
- Copying or incorporating the content of the telecommunication service into another telecommunication service for:
  - public broadcast by a licensed radio or TV broadcaster,

- public exhibition in a movie theatre or other public venue, or
- sale or lease.
- Copying or incorporating the content of the telecommunication service into goods or software for sale or lease.

## **Photographers and Videographers**

If you produce video recordings for your customers (e.g. at weddings, corporate events or other events) and you provide the video to your customer in a tangible format (e.g. USB drive, memory card, CD or DVD), you charge PST on the total charge your customer pays to receive the video, including your videography services.

However, if you only provide your customer with the video (or the right to access the video) in an intangible format (e.g. over the internet, including by email, FTP, download or other means), you do not charge PST on either the charge for the video or on your videography services, provided that all the following criteria are met:

- you produced the video specifically for your customer under a contract with that customer, and
- your customer does not obtain the video, or copies of the video, in a tangible format.

If the above criteria are not met, PST applies to the total charge your customer pays to receive the video. This is because PST applies to the right, whether exercised or not, to download, view or access video via a telecommunication system by means of an electronic device ordinarily situated in B.C. This includes video that can be downloaded, viewed or accessed over the internet, including by email, FTP, download or other means.

For more information, see [Bulletin PST 126](#), Photographers, Videographers and Photofinishers.

## **Telecommunication Services Purchased From a Small Seller**

If you purchase a telecommunication service from a small seller, the telecommunication service is exempt from PST. For more information on small sellers, see [Bulletin PST 003](#), Small Sellers.

# **Telecommunication Service Providers**

## **Sales**

### **Services**

You charge PST on the sale of taxable telecommunication services. For more information, see the above sections.

### **Equipment**

You charge PST on the sale or lease of equipment to your customers, such as:

- Phones, including mobile phones
- Modems
- Pagers
- Set-top boxes, including digital cable terminals and personal video recorders (PVRs)
- Computers, including desktops, laptops and tablets
- Satellite dishes
- Fax machines
- Accessories (e.g. cases for mobile phones and tablets)

### **Fees for Paper Bills**

You do not charge PST if you charge your customer a fee (e.g. \$2 per month) to receive a paper copy of their bill or invoice even if PST applies to part or all of the telecommunication services purchased by your customer.

**Note:** Even though you charge your customer a fee to receive a paper copy of their bill or invoice, you must pay PST if you obtain these administrative materials because you are not obtaining the materials solely for resale. For more information, see [Bulletin PST 313](#), Administrative Materials.

### **Sales to First Nations**

For information on exemptions for First Nations individuals and bands, see [Bulletin PST 314](#), Exemptions for First Nations.

### **Sales to Members of the Diplomatic and Consular Corps**

You do not charge PST on the sale of telecommunication services and equipment to persons who qualify as members of the diplomatic or consular corps. For information, see [Bulletin CTB 007](#), Exemption for Members of the Diplomatic and Consular Corps.

## **Sales to the Federal Government**

You do not charge PST on the sale of telecommunication services and equipment to federal government departments, boards, agencies or commissions if they provide their PST number. For more information, see [Bulletin CTB 002](#), Sales and Leases to Governments.

## **Sales to Other Retailers**

You do not charge PST on goods and services sold to wholesalers or retailers if they claim they are making the purchase for resale and they provide you with their PST number. If they are a wholesaler or a vendor who has not yet received a PST number, they may claim an exemption by completing a Certificate of Exemption – General ([FIN 490](#)).

If your customer provides their PST number, you must record the PST number on the bill, invoice or receipt (if you issue one) to show why you did not collect the tax. Alternatively, you may record your customer's PST number on a written agreement that you have entered into related to that sale. In cases where an exemption certificate is provided, you must keep a copy of the certificate in your records to show why you did not collect the tax. If you do not keep a record of why you did not collect the tax, you may be assessed the tax, penalty and interest.

This exemption does not apply to small sellers. For more information, see [Bulletin PST 003](#), Small Sellers.

## **Purchases**

### **When to Pay PST**

You must pay PST on the purchase or lease of new or used goods and services that you use in your business, such as:

- Advertising materials, such as flyers and brochures
- Computer hardware and software (unless custom software)
- Goods you purchase to give away as free promotions
- Services to repair your equipment
- Stationery, furniture and office equipment
- Telecommunication equipment you use to provide your services, such as network nodes, switching equipment, servers, hubs and cables
- Telecommunication services you use in your business (e.g. telephone services, email services)
- Telecommunication services you use to provide your telecommunication

services (e.g. satellite transmission services, internet services)

If your supplier does not charge you PST on taxable items, you must self-assess (pay directly to us) the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month you obtained the taxable items. For example, if you purchase a taxable item in April, you must file the return and pay the PST no later than May 31.

### **Online Marketplace Services**

If you sell or provide telecommunication services through an online marketplace facilitator, any services they provide to facilitate your sales through the online marketplace (e.g. listing sales, advertising, storage) are subject to PST. For more information, see [Bulletin PST 142](#), Online Marketplace Facilitators and Sellers, and Online Marketplace Services.

### **When Not to Pay PST**

You do not pay PST on the following:

- Containers and packaging materials that form part of the goods you sell (see [Bulletin PST 305](#), Containers and Packaging Materials).
- Telecommunication services and goods you purchase solely for resale to your customers (see Goods and Services for Resale below).

### **Services and Equipment for Own Use**

If you take taxable equipment from your resale inventory for business or personal use, you must self-assess the PST due on your cost of the equipment. You must also pay PST on telecommunication services you purchase for business or personal use. If you provide telecommunication services for your own use, you must pay PST on taxable goods and services your purchase to provide the service.

For example, a cell phone company may provide cell phones to its employees for business use. While the cell phone company does not pay PST on its own cell air time (because it does not bill itself for that air time), it pays PST on its cost for providing the telecommunication service. These costs include equipment and charges from other telecommunications companies (e.g. a long-distance provider).

If you take taxable equipment from your lease inventory for business or personal use, you must self-assess PST as explained in [Bulletin PST 315](#), Rentals and Leases of Goods.

## **Goods Brought Into B.C.**

You must pay PST if you purchase or lease taxable goods outside B.C. and bring or send them into B.C. or receive them in B.C. You must pay PST on the total amount you pay to bring the goods into B.C., including charges for transportation, customs, excise and any other costs, except the goods and services tax (GST).

If your supplier does not charge you PST at the time of the sale or lease, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using the Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month you brought or sent the goods into B.C. or received the goods in B.C.

For more information, see [Bulletin PST 310](#), Goods Brought Into B.C.

## **Improvements to Real Property**

Real property is land and any items permanently attached to land (e.g. buildings and structures). Materials and equipment that become permanently attached to the land or buildings are called improvements to real property.

The following may qualify as improvements to real property:

- Cables, cable connectors, wiring and wall plates installed in buildings or underground (does not include cable to a TV)
- Fibre optic telecommunication systems, including buried fibre optic cable and access points to install or maintain the cable, and above ground wire and poles to connect users
- Phone jacks
- Satellite dishes permanently affixed to real property
- Scatter antennae that are an integral part of a radio transmission tower
- Telecommunication towers

If you purchase and install the above items for your own use, you pay PST on your cost of the materials and equipment.

If you supply and install the above items for your customer, you are a real property contractor. For more information on real property contracts, see [Bulletin PST 501](#), Real Property Contractors.

## **Goods and Services for Resale**

The following are exempt from PST:

- Telecommunication services (e.g. long-distance, mobile phone, internet access, TV services) you purchase solely for resale to your customers. For example, if you are a long-distance provider and you purchase long-distance minutes from another service provider solely for resale to your customers, you may purchase those long-distance minutes exempt from PST.
- Goods you purchase or bring, send or receive delivery of in B.C. substantially for the purpose of incorporating any software program or telecommunication contained in those goods into:
  - other goods for the purpose of retail sale or lease, or
  - software or a telecommunication service for the purpose of retail sale.
- Goods (e.g. mobile phones, modems, satellite dishes, PVRs or set-top boxes) you obtain solely for sale or lease to your customers.
- Equipment that is bundled as part of a contract that you provide with the purchase of a service. In this case, as the service provider, you are purchasing the equipment solely for resale (e.g. wireless modems or mobile phones provided with purchase of a service).

To purchase these goods and services exempt from PST, give the supplier your PST number or, if you are not registered, a Certificate of Exemption – General ([FIN 490](#)).

## **Telecommunication Services Purchased Substantially for Resale**

If your primary business is selling or providing telecommunication services and you purchase telecommunication services substantially (more than 90%) for resale, you are only required to pay PST on the portion of the telecommunication services that you do not resell or provide to other persons.

You must self-assess the PST that is payable on the portion of the telecommunication services that you do not resell or provide to other persons.

If you have a PST number, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month after the month in which the telecommunication service is purchased.

To purchase the telecommunication services without paying PST to your supplier, give the supplier your PST number or, if you do not have a PST number, a completed Certificate of Exemption – General ([FIN 490](#)).

For example, you make a single purchase of long-distance minutes that are substantially for resale, and a small portion will be used for business calls within your company. You may purchase all of the minutes without paying PST to your supplier and self-assess on the portion that you expect to use yourself. In determining the portion of the purchase price that you should pay PST on, you must make a reasonable estimate of the amount that will be used for a purpose other than resale.

For example:

- You purchased 10,000 long-distance minutes for \$1,000.
- You estimate you will use 500 minutes for your own use, and will resell 9,500 minutes.
- You divide 500 minutes by 10,000 minutes for a total of 5% that you used for a purpose other than resale.
- You multiply 5% X \$1,000 for a total of \$50 (the portion of the purchase price that is subject to PST).
- You multiply \$50 X 7% PST for a total of \$3.50 that you self-assess in PST.

You must later reconcile this estimate to your actual usage. If the reconciliation shows that the portion of the telecommunication service you used for a purpose other than resale is more than the estimated amount, you self-assess the PST as follows:

- If the portion of the telecommunication service used for a purpose other than resale is more than the estimated amount, but the amount used for resale is still more than 90%, you must self-assess PST on the portion of the telecommunication service you use for a purpose other than resale **minus** the amount you already self-assessed. For example, if you self-assessed on 5% of the purchase price, but it turns out that you used 7% of the telecommunication service for a purpose other than resale, you must self-assess on 7% minus the 5% that you already self-assessed ( $7\% - 5\% = 2\% \times \$1,000 \times 7\% \text{ PST} = \$1.40$ ).
- If the portion of the telecommunication service used for resale is 90% or less, you must pay PST on the full purchase price of the telecommunication service minus the amount you already self-assessed. For example, if you self-assessed on 5%, you must self-assess on 95% ( $100\% - 5\% = 95\% \times \$1,000 \times 7\% \text{ PST} = \$66.50$ ).

If you have a PST number, you must self-assess the PST due on your next PST return. If you do not have a PST number, you must self-assess the PST due using a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month after

the month in which the portion of the telecommunication service actually used exceeds the estimated amount.

## **Packaged Services and Bundled Sales**

Telecommunication service providers often package multiple services together for sale at a rate lower than a customer would pay to purchase the same services separately.

For example, a service provider provides the following services:

- Basic residential phone services (\$25 per month)
- Basic cable TV services (\$25 per month)
- Basic internet services (\$25 per month)

When purchased together, the service provider provides a package discount of \$15 from the price a customer would pay if purchased separately.

Some of the packaged services, such as basic cable TV and residential phone services are exempt from PST while the internet services are subject to PST. How PST applies to the package depends on whether the services are itemized on the invoice (see *Services Are Itemized on the Invoice* below), or are provided for a single price (see *Bundled Sales* below).

### **Services Are Itemized on the Invoice**

If exempt services are packaged with taxable services and the services are itemized on the invoice to the customer, the provider must reasonably attribute the discount between the different services to determine the amounts that are taxable and exempt.

#### **Example 1**

The customer's bill lists the following:

- Basic residential phone services (exempt) = \$20 per month
- Basic cable TV services (exempt) = \$30 per month
- Premium internet services (taxable) = \$100 per month
- Total before discount = \$150 per month
- Package discount = \$50 per month

The \$50 discount should be attributed to each of the services by dollar amount on the pre-discounted total price, as follows:

- Basic residential phone services discount ( $\$20 \div \$150 \times \$50$  discount = \$6.67 discount)
- Basic cable TV services ( $\$30 \div \$150 \times \$50$  discount = \$10 discount)
- Basic internet services ( $\$100 \div \$150 \times \$50$  discount = \$33.33 discount)

PST applies as follows:

- \$33.33 is exempt from PST because after the discount is attributed to each of the services by dollar amount, \$33.33 is the purchase price of the exempt basic cable TV ( $\$30 - \$10 = \$20$ ) and residential phone services ( $\$20 - \$6.67 = \$13.33$ ).
- \$66.67 is subject to PST because after the discount is attributed to each of the services by dollar amount, \$66.67 is the purchase price of the taxable internet services ( $\$100 - \$33.33 = \$66.67$ ).

### Example 2

Some service providers also provide additional introductory discounts. For example, in addition to a package discount, for the first 6 months, the customer can purchase basic residential phone services for only \$5 per month at a discount of \$25.

The customer's bill lists the following:

- Basic residential phone services (exempt) = \$5 per month (\$30 after the first 6 months)
- Basic cable TV services (exempt) = \$20 per month
- Internet services (taxable) = \$50 per month
- Total before discount (including the introductory discount) = \$100 per month
- Introductory discount for basic residential phone services = \$25 per month
- Total after the introductory discount for basic residential phone services is applied, but before the package discount: \$75 per month
- Package discount = \$20 per month

For the first 6 months, a reasonable attribution would be as follows:

- Basic residential phone services [ $\$25$  introductory discount **plus** the attributed package discount of \$1.33 (based on  $\$5 \div \$75 \times \$20$  package discount) = \$26.33 discount]
- Basic cable TV services ( $\$20 \div \$75 \times \$20$  package discount = \$5.33 discount)
- Basic internet services ( $\$50 \div \$75 \times \$20$  package discount = \$13.33 discount)

PST applies as follows:

- For the first 6 months, \$18.33 is exempt from PST because after the discount is attributed to each of the services by dollar amount, \$18.33 is the purchase price of the exempt basic cable TV ( $\$20 - \$5.33 = \$14.67$ ) and residential phone services ( $\$30 - \$26.33 = \$3.67$ ).
- \$36.67 is subject to PST because after the discount is attributed to each of the services by dollar amount, \$36.67 is the purchase price of the taxable internet services ( $\$50 - \$13.33 = \$36.67$ ).

**Note:** The above reasonable attribution rule only applies to services that are itemized on the invoice to the customer. If the services are sold together for a single price, the rules outlined in Bundled Sales below, apply.

## Bundled Sales

If you sell taxable and non-taxable goods or services together for a single price, you are making a bundled sale. The general rule for charging PST on a bundled sale is that you charge PST only on the fair market value of the taxable portion. The fair market value is the retail price that a good or service would normally sell for in the open market.

For example, a customer purchases a bundle of services that includes exempt basic cable television services, exempt residential phone services and taxable internet services for a total price of \$60. The invoice does not itemize the individual services; there is only a single charge for \$60. PST applies as follows:

- The taxable component of the bundled sale is the internet services. The fair market value of the taxable component is \$25 because this is the amount that the provider ordinarily charges for this stand-alone service. PST applies on \$25.
- The remaining amount ( $\$60 - \$25 = \$35$ ) is the non-taxable component. \$35 is exempt from PST.

There are a couple of exceptions to the general bundled sale rule outlined above. For example, PST applies to the entire single price for the bundled sale if:

- the fair market value of the taxable component is greater than 90% of the single price and the single price is less than \$500, or
- the non-taxable component is not ordinarily available for sale separately from the taxable component or is not ordinarily provided separately from the taxable component for a price.

For more information, see [Bulletin PST 316](#), Bundled Sales and Leases.



## Need more info?

Online: [gov.bc.ca/pst](http://gov.bc.ca/pst)

Toll free: 1-877-388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

[Subscribe](#) to receive email notifications when B.C. tax information is updated.

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

---

### Latest Revision

February 2024

- Updated to reflect Budget 2024 changes clarifying the definition of software and how PST applies to cloud computing products. The Budget changes are subject to legislative and regulatory approval. As a result of the changes, information about how PST applies to web hosting and data backup services has changed.
  - Clarified how PST applies to access fees for online databases
  - Other minor revisions
- 

References: Provincial Sales Tax Act, sections 1 “accommodation”, “band”, “dedicated telecommunication service”, “dedicated telecommunication system”, “electronic device”, “fair market value”, “First Nation individual”, “non-taxable component”, “online marketplace facilitator”, “online marketplace service”, “prepaid purchase card”, “sale”, “software”, “substantially”, “taxable component”, “taxable service”, “telecommunication”, “telecommunication service”, “telecommunication system”, 26, 29, 49, 81, 82, 104-114, 130-136, 140.1, 141, and 168; Provincial Sales Tax Exemption and Refund Regulation, sections 1 “qualifying school” and 83-88.1; Provincial Sales Tax Regulation, sections 7, 31, 67-71, 72, 79 and 91.