



Provincial Sales Tax (PST) Notice

Notice 2022-003

Issued: February 2022

Revised: July 2022

Provincial Sales Tax on Fossil Fuel Combustion Systems and Heat Pumps Provincial Sales Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this notice dated March 2022. For a summary of the changes, see Latest Revision at the end of this document.

Effective April 1, 2022, the PST rate on the purchase or lease price of fossil fuel combustion systems will increase from 7% to 12%. In addition, **effective April 1, 2022**, heat pumps will be exempt from PST.

If you sell fossil fuel combustion systems, ensure your point-of-sale systems are updated to charge the increased rate of 12%, effective April 1, 2022.

This notice also briefly explains how transitional provisions apply to contractual agreements involving fossil fuel combustion systems and heat pumps. If you are eligible for a refund, complete an Application for Refund of Provincial Sales Tax (PST) – Fossil Fuel Combustion System or Heat Pump ([FIN 355/FFHP](#)).

Fossil Fuel Combustion Systems

The PST rate increase from 7% to 12%, effective April 1, 2022, applies to fossil fuel combustion systems that heat or cool indoor spaces or water. A fossil fuel combustion system:

- Is a system that may rely on, in all or in part, the combustion of coal, kerosene, heavy fuel oil, heating oil, natural gas or propane and is designed, in all or in part, for indoor use and is a:
 - central forced air furnace
 - unit heater
 - fireplace

- boiler
- storage water heater
- instantaneous water heater
- air conditioner
- similar system to those listed above

And

- Includes any parts or components that are part of the system on the initial purchase of the system.

A fossil fuel combustion system does not include a heat pump.

How Are Parts or Components Determined to be Part of the Fossil Fuel Combustion System?

Parts or Components Sold at the Same Time as the Fossil Fuel Combustion Unit But Not Included with the Unit

If parts or components are sold at the same time as the fossil fuel combustion unit, but sold separately, and are not included with the fossil fuel combustion unit (such as when it comes from the manufacturer), the applicable PST rate on those parts and components is 7%.

Example

You sell a fossil fuel combustion unit (e.g. a natural gas furnace unit) in B.C. on or after April 1, 2022. Some parts or components that you sell with the unit are not included by the manufacturer with the unit. These parts or components are not considered part of the unit on the initial purchase of the unit. You charge 12% PST on the fossil fuel combustion unit and 7% PST on these parts and components. These parts or components may include a generic thermostat, copper fittings, sheet metal ductwork, water or multi-use piping, electrical and control wiring, circulation pumps, air filtration parts or humidifiers.

Example

You sell a fossil fuel combustion unit (e.g. a natural gas hot water tank) in B.C. on May 15, 2022. At the same time, you sell your customer several pieces of venting/flue pipe, copper pipe to connect the water supply, solder and flux, a gas appliance connector and thread seal tape. The venting pipe, copper pipe, solder, flux, gas connector and sealing tape are off the shelf products and not packaged with or made by the hot water tank manufacturer. In this case, you charge 12% PST on the natural gas hot water tank and you charge 7% PST on the venting pipe, copper pipe, solder, flux, gas connector and sealing tape.

Example

You sell a fossil fuel combustion unit (e.g. a natural gas fireplace) in B.C. on September 23, 2022. At the same time, you sell your customer a fireplace blower. The fireplace blower is not included by the manufacturer with the fireplace, and you often sell them separately. In this case, you charge 12% PST on the fireplace and you charge 7% PST on the blower.

Parts or Components Included with the Fossil Fuel Combustion Unit

If the parts or components come with the fossil fuel combustion unit (e.g. they are included when the unit comes from the manufacturer), then these parts or components are considered part of the unit, and the applicable PST rate on those parts and components is 12%.

Example

You sell a fossil fuel combustion unit (e.g. natural gas furnace) in B.C. on or after April 1, 2022, and parts or components (e.g. a thermostat, condensate trap) and various installation components (e.g. screws, snap bushings, etc.) are included by the manufacturer with the natural gas furnace. You charge 12% PST on the unit and the parts that are included with that unit by the manufacturer.

Example

You sell a fossil fuel combustion unit (e.g. natural gas hot water tank) in B.C. on April 29, 2022. The manufacturer includes with the tank a temperature and pressure relief valve and discharge pipe. The valve and discharge pipe are part of the natural gas hot water tank system, so you charge 12% PST on the unit and the included parts.

Example

You sell a fossil fuel combustion unit (e.g. natural gas fireplace) in B.C. on May 15, 2022. The manufacturer includes with the fireplace a firebox, faux media (logs, coal, pebbles), fire front, burner, fire box liner, ignition components (such as pilot burner and spark electrode), grate assembly and controls. The manufacturer does not include the gas supply pipe (and associated valves) and the venting pipe. In this case, you charge 7% PST on the gas supply pipe, associated valves and venting pipe. You charge 12% PST on the fireplace and its included components.

Parts or Components Sold as a Separate Sale from the Fossil Fuel Combustion Unit

If parts or components for a fossil fuel combustion unit are sold as a separate sale from the fossil fuel combustion unit, you charge 7% PST on those parts and components.

Example

You sell a fossil fuel combustion unit (e.g. natural gas furnace) in B.C. on May 17, 2022. On May 30, 2022, you sell your customer a thermostat for the unit and sheet metal duct work. You charge 12% PST on the natural gas furnace you sell on May 17, 2022, and you charge 7% PST on the thermostat and sheet metal duct work you sell on May 30, 2022.

Transitional Provisions for Contractors

No Additional Tax Owing

You do not have to self-assess (pay to us) the additional 5% PST if:

- before April 1, 2022, you purchase, receive delivery of, or send or bring into B.C., a fossil fuel combustion system, and
- you have a written agreement with your customer dated before February 23, 2022, to affix or install the system on or after April 1, 2022.

Refund Provision for Contractors

You may apply to us for a refund of 5% PST if:

- on or after April 1, 2022, you purchase, receive delivery of, or send or bring into B.C., a fossil fuel combustion system,
- you have a written agreement with your customer dated before February 23, 2022, to affix or install a fossil fuel combustion system, and
- you paid 12% PST on the purchase price of the system.

Refund Provision for Customers

Your customer may apply to us for a refund of 5% PST paid on the purchase price of a fossil fuel combustion system if:

- you have an agreement with your customer that your customer pays the PST,
- you have a written agreement with your customer dated before February 23, 2022, to affix or install a fossil fuel combustion system,
- on or after April 1, 2022, you purchase, receive delivery of, or send or bring into B.C., the fossil fuel combustion system, and
- 12% PST was paid on the purchase price of the system.

Note: If you are eligible for a refund, complete an Application for Refund of Provincial Sales Tax (PST) – Fossil Fuel Combustion System or Heat Pump ([FIN 355/FFHP](#)). An application for a refund of PST paid on a fossil fuel combustion system must be made within four years from the date the tax was paid.

Transitional Situation Where Contractors Will Owe Additional PST

You must self-assess (pay to us) an additional 5% PST if:

- before April 1, 2022, you purchase, receive delivery of, or send or bring into B.C., a fossil fuel combustion system,
- you pay 7% PST on that system,
- you do not have a written agreement with a customer dated before February 23, 2022, to install the system, and
- you affix or install the system on or after April 1, 2022.

You must self assess the additional 5% by the last day of the month following the month the fossil fuel combustion system is installed.

Example

You purchase a natural gas furnace in B.C. before April 1, 2022, and pay 7% PST to your supplier. After February 23, 2022, you enter into a contract with a customer to install the furnace on May 1, 2022. You must self-assess an additional 5% PST on the furnace because you did not have a contract with your customer before February 23, 2022, and you installed the furnace on or after April 1, 2022. In this example, you must self assess the 5% on or before June 30, 2022.

Heat Pumps

Effective April 1, 2022, heat pumps are exempt from PST. This exemption also applies to any parts or components included as part of the heat pump unit or hybrid heat pump unit on the initial purchase of the unit.

Heat pumps include:

- electric heat pumps,
- renewable fuel powered heat pumps,
- fossil fuel powered heat pumps, and
- hybrid heat pumps that are single factory-integrated units that combine a heat pump and a furnace, boiler, water heater or similar system.

How Are Parts or Components Determined to be Part of the Heat Pump Unit?

Parts or Components Sold at the Same Time as the Heat Pump But Not Included with the Heat Pump Unit

If parts or components are sold at the same time as the heat pump, but sold separately, and are not included with the heat pump unit (such as when it comes from the manufacturer), the applicable PST rate on those parts and components is 7%.

Example

You sell a heat pump unit (e.g. a mini-split heat pump) in B.C. on or after April 1, 2022. Some parts or components that you sell with the unit are not included by the manufacturer with the unit. These are not considered parts or components included as part of the unit on the initial purchase of the unit. You charge 7% PST on these parts and components. These parts or components may include electrical wiring and breakers to connect the heat pump to electricity.

Example

You sell a central heat pump in B.C. on May 31, 2022. An indoor air handler/fan coil and outdoor compressor come together with the heat pump from the heat pump manufacturer. At the same time, you sell your customer generic refrigerant lines (copper lines) to connect the air handler and the compressor, sheet metal duct work and duct work fasteners to connect the heat pump's air handler to the existing duct work in the building. The copper lines, sheet metal ducting and fasteners are from a different manufacturer than the one who made the heat pump and could be used in a variety of applications. You charge 7% PST on the copper lines, sheet metal duct work and fasteners. The central heat pump, indoor air handler/fan coil and outdoor compressor are PST exempt.

Example

You sell a central heat pump in B.C. on August 2, 2022. The heat pump includes an indoor air handler/fan coil and outdoor unit (compressor/condenser). Separately, but at the same sale, you sell your customer an upgraded digital smart thermostat. Both the heat pump and the thermostat are made by the same manufacturer, but the thermostat is not included or packaged with the heat pump (e.g. you can purchase the heat pump without upgrading the thermostat or you could buy the thermostat on its own). In this case, the heat pump (and its outdoor and indoor components) is PST exempt. You charge 7% PST for the smart thermostat.

Example

You sell a central heat pump and natural gas furnace as a dual fuel heating/cooling system in B.C. on May 4, 2022. The heat pump and furnace are physically separate units that share the same duct work. The heat pump is PST exempt and you charge 12% PST on the natural gas furnace (see Fossil Fuel Combustion Systems above).

Parts or Components Included with the Heat Pump Unit

If parts or components are included with the heat pump unit (e.g. they are included when the unit comes from the manufacturer), then both the heat pump and those parts and components are PST exempt.

Example

You sell a mini-split heat pump in B.C. on June 21, 2022. As part of the unit, the manufacturer includes the wall component (air handler), the external component (compressor/condenser), the refrigerant lines connecting the two, and a remote (temperature) control for the unit. The air handler, compressor/condenser, refrigerant lines and remote are PST exempt.

Example

You sell a central heat pump in B.C. on July 1, 2022. The heat pump includes an indoor air handler and outdoor unit (compressor/condenser). The unit also includes a digital smart thermostat. The thermostat is packaged from the manufacturer with the heat pump and there is no option to not buy it. In this case, the heat pump (outdoor and indoor components), including the thermostat, is PST exempt.

Example

You sell an electric central heat pump with a factory-integrated natural gas back-up in B.C. on April 20, 2022. The natural gas back-up and electric heat pump is a single factory-integrated unit. In this case, the entire unit is PST exempt as a heat pump.

Parts or Components Sold as a Separate Sale From the Unit

If parts or components are sold as a separate sale from a heat pump, then the applicable PST rate on those parts and components is 7%.

Example

You sell a heat pump to your customer in B.C. on June 30, 2022. On July 1, 2022, you sell the same customer electrical wiring for the heat pump. The heat pump is PST exempt and you charge 7% PST on the wiring.

Example

You sell an air handler for your customer's existing heat pump unit in B.C. on May 3, 2022. You charge 7% PST on the air handler.

Note: Parts and components used to repair or refurbish heat pumps are not exempt. The applicable PST rate on those parts and components is 7%.

Transitional Provisions for Contractors

Refund Provision for Contractors

You may apply to us for a refund of PST you paid on the purchase price of a heat pump if:

- you purchase, receive delivery of, or bring or send into B.C., a heat pump before April 1, 2022, and
- you affix or install the heat pump on or after April 1, 2022.

Refund Provision for Customers

Your customer may be able to apply to us for a refund of the 7% PST they paid on the purchase price of a heat pump if:

- you have an agreement with your customer that your customer pays the PST,
- you purchase, receive delivery of, or bring or send into B.C., a heat pump before April 1, 2022, and
- you affix or install the heat pump on or after April 1, 2022.

To be eligible for a refund, your customer must have an agreement with you to both supply and install the heat pump. If your customer purchased a heat pump from you and hired another contractor to install it, or installed it themselves, they are not eligible.

Note: If you are eligible for a refund, complete an Application for Refund of Provincial Sales Tax (PST) – Fossil Fuel Combustion System or Heat Pump ([FIN 355/FFHP](#)). An application for a refund of PST paid on a heat pump must be received by us on or before April 1, 2026.



Need more info?

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Email: CTBTaxQuestions@gov.bc.ca

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

Latest Revision

July 2022

- Added a link to the Application for Refund of Provincial Sales Tax (PST) – Fossil Fuel Combustion System or Heat Pump (FIN 355/FFHP)
 - Clarified the refund provision for customers
 - Clarified the definition of heat pump
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