



# Provincial Sales Tax (PST) Bulletin

Bulletin PST 212

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## LNG Canada Project Exemption

### Provincial Sales Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated October 2018. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin provides information on the PST exemptions that apply to certain goods, services and software obtained for use in LNG Canada Development Inc.'s (LNG Canada) liquefied natural gas (LNG) project in Kitimat, B.C. These exemptions are effective October 2, 2018.

### Table of Contents

Definitions.....	2
The LNG Canada Project.....	2
Exemptions .....	4
Change in Use.....	9
Taxable Goods.....	12
Claiming the Exemption .....	12
Refunds .....	14

## **Definitions**

In this bulletin:

- **Cut-off date** means the earliest of:
  - October 2, 2025
  - The date LNG Canada's first two liquefaction trains have been operated for the purposes of producing LNG
  - The date LNG Canada's first two liquefaction trains, in the opinion of the director, are capable of producing LNG
- **Goods** mean tangible personal property as defined in the Provincial Sales Tax Act. Tangible personal property is personal property that can be seen, weighed, measured, felt or touched, or that is in any other way perceptible to the senses, and includes:
  - Natural or manufactured gas
  - Heat
  - Affixed machinery
  - An improvement to real property or part of an improvement to real property that is removed from the site at which it is affixed or installed, while it is removed from that site
- **Obtain** means:
  - purchase or lease in B.C.,
  - bring or send into B.C.,
  - receive in B.C., or
  - receive as a gift.
- **Primarily** means more than 50%
- **Substantially** means more than 90%

## **The LNG Canada Project**

The LNG Canada project consists of the following activities:

- Constructing the LNG facility
- Equipping the LNG facility for initial operation
- Constructing anchorages, berthing areas and water access routes for the LNG facility, including placing navigational aids

- Constructing the Terminal A extension (see below)
- Carrying out environmental measures

## **LNG Facility**

The LNG facility is the facility to be constructed by LNG Canada. It consists of the LNG plant in the District of Kitimat as well as improvements to land below or next to the LNG plant that is to be used for the operations of the LNG plant.

The LNG facility does not include:

- A pig trap, a natural gas pipeline upstream of a pig trap, or goods or improvements to real property used primarily in relation to a natural gas pipeline upstream of a pig trap
- A pipeline used to transport LNG, natural gas liquids or natural gas from the LNG plant or the LNG facility, except a pipeline used for loading LNG or natural gas liquids for shipment or transmitting LNG for regasification
- A vehicle or vessel that is used to transport LNG or natural gas liquids from the LNG plant of LNG facility

The LNG plant consists of the following goods and improvements to real property that are:

1. Part of a series of systems used or intended to be used for liquefying natural gas, including goods and improvements used or intended to be used for:
  - delivering natural gas to the series of systems
  - receiving or measuring natural gas delivered to the series of systems
  - removing natural gas liquids from natural gas and separating those liquids
  - storing natural gas liquids
2. Part of the series of systems referred to above and used or intended to be used for storing LNG
3. Part of a series of systems used or intended to be used for one or more of the following purposes if the series of systems immediately follows the series of systems referred to in bullet 1 above:
  - measuring LNG or natural gas liquids that are to be loaded for shipment or transmitted for regasification
  - loading LNG or natural gas liquids for shipment
  - supporting the loading of LNG or natural gas liquids for shipment
  - transmitting LNG for regasification
4. Used or intended to be used to generate electrical power if the electrical power is to be used primarily for the series of systems referred to in bullet 1 above

5. Necessary for complying with health, safety and environmental standards required by law in relation to the use or intended use of the goods and improvements described above

## **Terminal A Extension**

The Terminal A extension project is the project specified in certificate T15-01 issued under the Environmental Assessment Act. This project involves the construction of a new wharf for the Rio Tinto Alcan facility adjacent to the LNG facility. A number of environmental measures are also required for the Terminal A extension project. The construction of the Terminal A extension and carrying out any related environmental measures are activities included in the scope of the LNG Canada project.

## **Environmental Measures**

Environmental measures are actions required by law to mitigate or otherwise offset impacts on fish or wildlife or their habitats, or offset impacts on the environment generally, from the activities carried out for the project.

## **Exemptions**

### **Goods**

You may obtain goods exempt from PST for use primarily for the purposes of the project during the relevant period. The relevant period begins on the date you obtain the goods for that purpose and ends on the earliest of:

- The cut-off date
- Two years after you obtain the goods
- The date you sell or dispose of the goods
- If the goods are leased, the date you stop leasing the goods

**Note:** Not all goods qualify for the LNG Canada project exemption (see Taxable Goods below).

To qualify for this exemption, you must obtain the goods before the cut-off date. However, you do not have to use the goods on the project site, as long as they are used primarily for the purposes of the project.

For the purposes of the exemption, goods you obtain to affix, or install, so they become part of real property are considered to be completely used once they are affixed or installed. Therefore, while the relevant period for those goods may end after they are affixed or installed, the exemption applies if they are obtained for

use primarily for the purposes of the project from the time they are obtained through to the time when they are affixed or installed. For more information on goods that become part of real property, see [Bulletin PST 501](#), Real Property Contractors.

**Note:** Goods do not have to be obtained for use directly in the construction of the LNG facility for them to be considered obtained for use primarily for the purposes of the project (e.g. cranes, bulldozers, welders). Goods obtained for the main purpose of constructing anchorages, berthing areas and water access routes for the LNG facility, or the Terminal A extension, are also considered to be obtained for use primarily for the purposes of the project.

**Example 1:**

You are the general contractor for the project. You purchase a radio-frequency identification (RFID) personal tracking system that allows you to monitor the location of everyone on the LNG facility work site for security, safety and attendance tracking purposes. The RFID system is considered to be purchased for the purposes of constructing the LNG facility because the only reason you purchased the system was to construct the facility. You expect it will be used for the relevant period of two years (and beyond). Therefore, you may purchase the system exempt from PST.

**Example 2:**

You are a construction contractor hired to install structural beams at the LNG plant. You purchase a tower crane to install the beams. The crane will be located at the LNG plant in Kitimat for three years and then moved to Vancouver where it will be used to build a condominium tower.

You may purchase the crane exempt from PST because it will be used primarily for the purposes of the project for the relevant period of two years. When you start to use the crane to build the Vancouver condominium, you are not required to self-assess PST (see Change in Use below).

**Example 3:**

You are an excavating company hired to excavate an area to prepare a foundation for a security building located at the LNG facility. You purchase an excavator with the intention of using it at the LNG facility for one month and then moving it to an unrelated job for three years.

You must pay PST when you purchase the excavator because it will not be used primarily for the purposes of the project for the relevant period of two years.

**Example 4:**

You are contracted to build a worker accommodation camp near Burns Lake along the Coastal GasLink (CGL) natural gas pipeline that will supply natural gas to the LNG facility. The accommodation camp will house workers who are constructing the CGL pipeline.

You must pay PST on equipment you use to build the camp because the CGL pipeline is not part of the LNG Canada project.

**Example 5:**

You are a metal foundry in Vancouver. You are hired to cast metal parts that you will sell to a contractor to install at the LNG plant. In order to fulfill the contract, you must build a new concrete building to store the castings before they are shipped to Kitimat for installation. The main purpose of the new building is to store the metal castings.

Building materials such as concrete and rebar will become part of real property once they are installed. You may purchase building materials to construct the storage building exempt from PST because you obtained them primarily for the purposes of the LNG Canada project.

**Example 6:**

You are a sole proprietor plumbing contractor hired to install toilets in LNG Canada's Cedar Valley Lodge workforce accommodation facility.

The toilets will become part of real property once they are installed. You may purchase the toilets exempt from PST because you obtained them primarily for the purposes of the LNG Canada project.

**Example 7:**

You are hired to drill pilings at the Terminal A site. You own a piling rig you will use to fulfill the contract. You will use the piling rig to drive piles for Terminal A for three years. A month into the contract a part breaks on the rig and you purchase a replacement part that will stay with the rig.

You may purchase the part exempt from PST because it will be used primarily for the purposes of the project for the relevant period of two years.

**Example 8:**

You are an Alberta based company hired to clear an area of land where the LNG plant will be constructed. You will bring bulldozers and excavators into B.C. to complete the work. The bulldozers and excavators will be used to clear the land for ten months, moved to an unrelated project elsewhere in B.C. for four months, and then return to do additional clearance work for the LNG plant for another ten months.

You may bring the bulldozers and excavators into B.C. without paying PST because you will use them primarily for the purposes of the project for the relevant period of two years after you bring them into the province.

**Example 9:**

You are contracted to supply and install modules for the production trains at the LNG facility. As primary components of the LNG plant, the modules will remain on site permanently.

The modules will become part of real property once they are installed. You may obtain the modules exempt from PST because you obtained them primarily for the purposes of the LNG Canada project.

**Example 10:**

You will be conducting dredging operations for the purposes of constructing a water access route for the LNG facility. To mitigate any impact on fish habitat, you are required by law to use a silt boom to control silt and sediment. You purchase a new silt boom that you will only use to construct the water access route. You expect this will take nine months after which you will sell the silt boom.

You may purchase the silt boom exempt from PST because you purchased it primarily for the purposes of the project (specifically carrying out environmental measures) during the relevant period. In this case the relevant period is the point when you purchase the silt boom to the point when you sell it.

## Software

You may obtain software for the project exempt from PST if the software is:

- for use primarily to operate, control or monitor the LNG plant, or
- to operate particular machinery or equipment for use primarily to operate, control or monitor the LNG plant.

You must obtain the software before the cut-off date for the exemption to apply.

### Example 1:

You purchase a software licence for software that will monitor the temperature in a natural gas liquids storage tank. This is the only way you will use the software.

You may purchase the software exempt from PST because it will be used primarily to monitor the LNG plant.

### Example 2:

You purchase word processing software for use on laptops located in the security office of the LNG plant.

You must pay PST on the software because it does not operate, control or monitor the LNG plant.

## Services

You may purchase related services for the project exempt from PST if they are provided:

- before the cut-off date, and
- to exempt goods that were obtained for use primarily for the purposes of the project during the relevant period for those goods.

For information on related services, see [Bulletin PST 301](#), Related Services.

### Example:

You are a contractor constructing a storm water retention pond at the LNG facility. You purchased a diesel genset exempt from PST because you bought it for use primarily for the purposes of the project over the next two years. After a year of use the genset breaks down and you hire a mechanic to repair the machine.

You may purchase the service to repair the genset exempt from PST.

The following services do not qualify for this exemption and are subject to PST unless another exemption applies:

- Legal services (see [Bulletin PST 106](#), Legal Services)
- Accommodation (see [Bulletin PST 120](#), Accommodation)
- Telecommunication services (see [Bulletin PST 107](#), Telecommunication Services)

**Note:** Not all services are subject to PST (e.g. real property construction labour, accounting services, security guard services). For more information, see [Bulletin PST 301](#), Related Services.

## **Change in Use**

If you use exempt goods primarily for the purposes of the project during the relevant period for those goods, you may use the goods for any purpose after the relevant period without paying PST. However, if you obtain goods exempt and they are not used primarily for the purposes of the project during the relevant period for those goods, PST applies as of the date the goods are no longer used primarily, or able to be used primarily, for the purposes of the project.

If PST applies to goods you own, you must calculate and self-assess (pay directly to us) PST on the greater of the depreciated value or 50% of the original purchase price (see Calculating Depreciation below). This calculation must be done separately for each item.

If you obtain software exempt from PST and later use it for a taxable purpose, PST applies as of the date you use it for a taxable purpose. For information on how to calculate the PST due, see [Bulletin PST 105](#), Software.

For leased goods, you must self-assess PST as follows.

- **For the lease period that includes the date you first used the goods:** You must self-assess PST on the portion of the lease price attributable to the portion of that lease period. The portion of the lease period is based on the number of days remaining in the lease period divided by the total number of days of that lease period.
- **For all remaining lease periods:** You must self-assess PST on the lease price attributable to each lease period. This applies even if you later use the goods for a purpose that would have been an exempt purpose.

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 following the month in which you used the goods or software for a taxable purpose.

**Example 1:**

You purchase a jackhammer exempt from PST because you obtained it primarily for use in constructing the LNG facility during the next two years. You use it in constructing the LNG facility for six months and then decide to use the jackhammer on an unrelated road construction project.

When the jackhammer is reassigned to the road project, you don't know if it will return to the LNG Canada project. Eventually, the jackhammer is used on the road project for twelve months. While you plan to return the jackhammer to the LNG Canada project, it is no longer possible that the jackhammer can be used primarily for the purposes of the project during the relevant two-year period.

You must self-assess PST on the jackhammer's depreciated value after it has been used on the road project for twelve months.

**Example 2:**

You purchase a generator exempt from PST because you obtained it primarily for use in powering construction tools at the LNG facility site during the next two years. You use it for that purpose for ten months and then decide to permanently reassign the generator to your general equipment inventory for use in unrelated projects.

Because you know the generator is no longer for use primarily for the purposes of the project during the relevant two-year period, PST applies.

You must self-assess PST on the generator's depreciated value at the time it is reassigned to your general equipment inventory.

**Example 3:**

You purchase an excavator exempt from PST for use in constructing Terminal A. You use the excavator for that purpose for two years and then use the excavator in a mining operation in south-eastern B.C.

You are not required to self-assess PST on the excavator. The excavator is permanently exempt from PST because it was used primarily for the purposes of the project during the relevant two-year period.

#### Example 4:

You enter into an 18-month lease for a telehandler. The lease is exempt from PST because when you enter into the lease you intend to use the telehandler primarily in constructing the LNG facility for the entire lease period. However, after 8 months you start to use the telehandler exclusively at a lumber mill in Salmon Arm for purposes unrelated to the LNG Canada project. The telehandler will not be returning to the LNG Canada project.

You must self-assess PST on the lease price attributable to each of the 10 lease periods remaining after the telehandler is transferred to the lumber mill.

### Calculating Depreciation

The depreciated value is determined on a straight-line basis as follows:

$$\text{Depreciated value} = \text{Purchase price} - [\text{purchase price} \times \text{depreciation rate}]$$

You may only calculate the depreciated value on the following types of equipment using the depreciation rates listed below. Goods not listed below cannot be depreciated.

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment	30% per year, plus 2.5% per 30-day period for partial years
Aircraft	25% per year, plus 2.0833% per 30-day period for partial years
Other equipment, furnishings and affixed machinery	20% per year, plus 1.667% per 30-day period for partial years

To calculate the depreciation rate, follow these steps.

1. Calculate the number of whole years between the date you acquired the goods and the date you used them for a taxable purpose.
2. After calculating #1 above, calculate the number of days remaining in the partial year (if any) between the date you acquired the goods and the date you used them for a taxable purpose. Both the first and last days should be counted.
3. Divide the number of days calculated under #2 by 30 and round to the nearest whole number (0.5 and above is rounded up to 1). This is the number of 30-day periods.

4. Calculate the depreciation rate by multiplying the applicable rates in the table above by the number of years and 30-day periods.

## **Taxable Goods**

The following do not qualify for the LNG Canada project exemption:

- Vehicles designed to be ordinarily used on a public highway, except bulldozers, backhoes and excavators that qualify for the project exemption (e.g. pick-up trucks, crane trucks, cement trucks, transport trucks, cars, buses and similar vehicles remain taxable)
- Railway rolling stock, locomotive engines and non-turbine, non-electric aircraft
- Software, except software that is exempt as explained above

## **Claiming the Exemption**

To claim the exemption, you must, at or before the time of sale or lease, provide your supplier with a completed Certificate of Exemption – LNG Canada Project ([FIN 495](#)).

This requirement applies whether or not you have a PST number (i.e. you cannot use your PST number instead of the Certificate of Exemption – LNG Canada Project ([FIN 495](#))).

However, you do have the option of using an alternative certification (see below).

You must complete all parts of the Certificate of Exemption – LNG Canada Project ([FIN 495](#)). Where a description of the items purchased or leased is required, you must list each item. It is not enough to simply state “equipment”. For example, if you are purchasing drills, lathes, saws, drill bits and bolts, you list each as a specific item on the certificate.

If you are purchasing related services for exempt project goods, specify what goods the related service will be provided to. For example, state “repair services for a forklift” and not just “repairs”.

When you purchase or lease a large quantity of goods, you may attach an itemized list or a copy of the purchase order to the completed certificate.

The purchase order must clearly describe the goods being purchased or leased and it must indicate which goods are exempt.

Generally, you are required to provide a completed certificate to the supplier for each purchase or lease. However, when you are making frequent purchases or leases of the same item(s) from the same supplier, you may provide one completed certificate to the supplier along with a list of item(s) you are claiming an exemption for. You can make future exempt purchases or leases of the same item(s) from that supplier based on the one certificate, provided the information on the certificate is still correct. You must complete a new exemption certificate if the information has changed.

You only use the Certificate of Exemption – LNG Canada Project ([FIN 495](#)) to claim a project exemption. This certificate does not replace the Certificate of Exemption – General ([FIN 490](#)) or the Certificate of Exemption – Production Machinery and Equipment ([FIN 492](#)).

## Suppliers

If you do not obtain a completed Certificate of Exemption – LNG Canada Project ([FIN 495](#)) or an alternative to the exemption certificate (see below) at or before the time of the sale or lease, you must charge and collect the PST on that sale or lease and remit it to us with your return for the reporting period. If your customer provides the required information after the sale or lease but within 180 days from the sale or lease, you may refund or credit the PST you charged. For more information on providing refunds and credits to your customers, see [Bulletin PST 400](#), PST Refunds.

**Note:** If your customer claims this exemption with an exemption certificate and it is later found they did not qualify for the exemption, your customer is liable for any tax, interest and penalties associated with the purchase or lease. However, if you had reason to believe your customer was not entitled to the exemption (e.g. the item purchased was not eligible for a project exemption or your customer mentioned the equipment was actually for use unrelated to the project) and you provided the exemption, you may also be subject to an assessment.

## Alternative to the Exemption Certificate

As an alternative to using the Certificate of Exemption – LNG Canada Project ([FIN 495](#)), you may develop your own certification, provided all the required information and the declaration statement from the exemption certificate are included.

Providing the required information and the declaration statement in an electronic format is acceptable if the format includes an electronic signature. An electronic

signature may include an electronic acceptance or agreement of the declaration statement, or a statement indicating that transmitting the information and declaration electronically by the purchaser or lessee is agreement of the declaration.

## **Refunds**

If you are eligible for the LNG Canada project exemption and you paid PST on exempt goods, software, or related services for exempt goods, you may be eligible for a refund.

### **Requesting a Refund from your Supplier**

If you paid PST to your supplier on exempt goods, software or related services for exempt goods, because you did not provide a completed Certificate of Exemption – LNG Canada Project ([FIN 495](#)) at the time of sale or lease, your supplier may provide you with a refund or credit of the PST paid if you provide a completed certificate within 180 days from the date the PST was charged.

### **Requesting a Refund from Us**

To apply for a refund from us, provide us with a completed Application for Refund – General ([FIN 355](#)) and the required supporting documentation listed in the form instructions. Send your refund application and supporting documents to the address provided on the application form.

We must receive your refund claim within four years from the date you paid the PST. If you receive a refund from your supplier, you cannot also apply for a refund from us. For more information, see [Bulletin, PST 400](#), PST Refunds.

**Note:** Only the person who paid the tax is eligible for a refund. We consider the person who purchased the goods, software or services to be the person who paid the tax. If a person who is not eligible applies for a refund, we will disallow the refund and the eligible person can apply. For more information, see [Notice 2014-007](#), Who Can Claim a Refund.



## 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)

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

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### Latest Revision

October 2022

- Clarified that electric aircraft are not taxable goods
  - Revised to reflect that, effective April 1, 2019, electricity is fully exempt from PST for all purchasers
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References: Provincial Sales Tax Act, sections 1 “tangible personal property”, “software”, “use”, “substantially”, 10, 25, 37, 49, 82, 82.01, 105, 109, 119, 140.1, 145, 146, 147, 148, 152, 153; Provincial Sales Tax Exemption and Refund Regulation, sections 1 “obtain”, 120.3-120.64, 124.2 and Schedule 6; Provincial Sales Tax Regulation, sections 10, 21, 48, 48.1 and 59.