

Ministry of Finance

Tax Bulletin



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Bulletin CTB 002

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Sales and Leases to Governments

Carbon Tax Act, Motor Fuel Tax Act, Provincial Sales Tax Act, Tobacco Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated February 2017. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin explains how BC's sales taxes apply to sales and leases to the Government of Canada, Government of BC, municipal governments and First Nations governments. BC's sales taxes include the carbon tax, motor fuel tax, provincial sales tax (PST), municipal and regional district tax (MRDT – an up to 3% additional tax that applies to sales of short-term accommodation in participating areas of BC), and tobacco tax. This bulletin also generally explains how the federal goods and services tax (GST) applies to sales to the Government of BC.

This bulletin does not include information on exemptions that may be available to governments or government departments that are also in the business of making sales and leases of goods and services in BC.

BC Sales Taxes

Government of Canada

PST and MRDT

Generally, the Government of Canada is exempt from paying PST on sales and leases of goods and services as long as the relevant department of the federal government provides its PST number. This exemption also applies to the \$1.50 per day passenger vehicle rental tax and the 0.4% tax on energy products (ICE Fund tax).

Federal government departments often refer to the PST number as the “exemption number”.

All federal government departments may claim the PST exemption. There are some federal boards, agencies and commissions that do not qualify and must pay PST. The federal entities that do not qualify are listed in [Schedule I](#) of the *Federal-Provincial Fiscal Arrangements Act* (Canada), and in Part I and Part II of [Schedule III](#) of the

Financial Administration Act (Canada). If a federal entity is not listed on either of these schedules, they qualify for exemption.

The exemption does not extend to purchases by third parties, such as those by employees of either the federal government or an eligible federal entity.

The Government of Canada, all federal Crown corporations and agencies, and their employees must pay MRDT on sales of short-term accommodation in participating areas of BC. For more information, see [Bulletin PST 120](#), *Accommodation*.

Carbon Tax, Motor Fuel Tax and Tobacco Tax

The Government of Canada, all federal boards, agencies and commissions, and their employees must pay carbon tax, motor fuel tax and tobacco tax.

Provincial and Municipal Governments

The Government of BC, BC Crown corporations, and municipal governments, and their employees must pay carbon tax, motor fuel tax, PST, MRDT and tobacco tax, unless a specific exemption applies.

Provincial governments other than BC are exempt from carbon tax, motor fuel tax, PST, MRDT and tobacco tax. However, sales to territories are not exempt from sales taxes. Territories must pay carbon tax, motor fuel tax, PST, MRDT and tobacco tax.

First Nations Governments

For the purposes of BC's sales taxes, there are two categories of First Nations governments in BC. Tax applies differently to them as outlined below:

1. **First Nations governments that qualify as a band under the *Indian Act* (Canada)**
First Nations governments in this category are exempt from paying carbon tax, motor fuel tax, PST, MRDT and tobacco tax if the sale occurs on **First Nations land**. For more information, see:
 - [Bulletin PST 314](#), *Exemptions for First Nations*,
 - [Bulletin MFT-CT 002](#), *Sales to First Nations and the Fuel Tax Exemption Program*,
 - [Bulletin PST 120](#), *Accommodation*, and
 - [Retailing Tax-Exempt Tobacco](#)
2. **First Nations governments that have a treaty in effect with Canada and BC that sets out a different taxation structure**
Currently, the following First Nations governments are in this category:
 - The Nisga'a Nation
 - The Tsawwassen First Nation

- The Maa-nulth First Nations
- Tla'amin (Sliammon) First Nation

Treaty First Nations governments must pay carbon tax, motor fuel tax, PST, MRDT and tobacco tax, unless a specific exemption applies. Under certain circumstances, these First Nation governments may apply for a refund of certain taxes paid. For more information, see the following:

- [Nisga'a Nation Taxation Agreement](#) and [Amendment Agreement](#)
- [Tsawwassen First Nation Tax Treatment Agreement](#) and [Amendment Agreement](#)
- [Maa-nulth First Nations Tax Treatment Agreement](#) and [Amendment Agreement](#)
- [Tla'amin Tax Treatment Agreement](#)

Federal Goods and Services Tax (GST)

All BC government ministries, agencies, boards, commissions and Crown corporations pay GST on their purchases of taxable goods and services.

For information on how GST applies to governments, see the Canada Revenue Agency (CRA) guide RC4022, *General Information for GST/HST Registrants*, available on the [CRA](#) website.

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

Latest Revision

November 2017

- Added information on territories not being exempt from BC provincial sales taxes.
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