



Provincial Sales Tax (PST) Notice

Notice 2023-005

Issued: June 2023

Notice to Providers and Purchasers of Cloud Software and Services

Provincial Sales Tax Act

On March 10, 2023, the B.C. Supreme Court issued a judgment on how provincial sales tax (PST) applies to certain cloud computing services and software-related support services (see [Hootsuite Inc. v. British Columbia \(Finance\), 2023 BCSC 358](#)).

In relation to cloud computing, the court ruled that the cloud storage and cloud computing services in that case were not taxable. The court concluded that the fundamental nature of the transaction was the purchase of an on-demand computer infrastructure service. The court further treated the operating system as a software program but concluded it was not used in B.C. and would be incidental to the service.

In relation to support services, the court ruled that the support services in the case were not taxable. The court concluded that the fundamental nature of the service was for technical expertise rather than taxable software or telecommunication services. The court went on to rule that the support services did not contain a software program and that the services were not used in B.C. The court also ruled that any software or telecommunication service that potentially were part of the non-taxable technical support services were incidental to those services.

How PST Applied Before the Decision

Generally, prior to the March 2023 decision, the Ministry considered cloud computing services (such as software as a service, remote storage and computing capacity) to be either the right to access taxable software programs, a taxable telecommunication service, or both. While all support services were not taxable, if the support services included a non-incidental right to use software or a telecommunication service, the support service was considered taxable either in whole or part.

Our Response

In response to the decision, Government intends to introduce legislation as part of Budget 2024. If the legislation is enacted, it will retroactively support how the PST was administered prior to the court decision, thereby enhancing certainty for service providers and their customers by clarifying how PST applies to remote access to software, cloud computing services, online support services and other associated services.

The Ministry recommends that cloud computing service providers and their customers continue to follow the guidance outlined in our public information. For more information, see [Bulletin PST 105](#), Software, and [Bulletin PST 107](#), Telecommunication Services.

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