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When to Charge and Collect PST

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated June 2015. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information to help businesses understand when they must charge and collect PST, including on lease payments and sales on credit.

For information on how to report and pay (remit) PST and municipal and regional district tax (MRDT), including reporting periods, due dates and commission rates, see our [Reporting and Paying Tax](#) webpage.

When to Charge and Collect PST

If you are registered (or are required to be registered) to collect PST, you must charge and collect PST at the time the PST is payable by the purchaser, unless a specific exemption applies. For information about PST exemptions, see [Bulletin PST 200](#), *PST Exemptions and Documentation Requirements*.

Generally, the purchaser must pay the PST at the same time the purchase or lease price, or any portion of the purchase or lease price, is paid or becomes due, whichever is earlier. A purchase or lease price, or any portion of the purchase or lease price, generally becomes due the **earliest** of:

- the day you first issue an invoice for the sale or lease,
- the date of the invoice,
- the day you would have, but for undue delay, issued the invoice, and
- the day your customer must pay the purchase or lease price under a written agreement.

Note: You must report and pay to us all PST you have charged, whether or not you have actually collected it from your customer.

Leases, Licences and Similar Arrangements

In the case of goods, software or services sold or provided by way of a lease, licence or similar arrangement under a written agreement, you must charge and collect PST at the same time the purchaser of the good or service is required to pay the purchase or lease price under that agreement.

Example:

On March 1, 2016, you lease a piece of equipment to your customer under a written agreement in which they must make lease payments of \$500 on the first of each month for a 12-month period. A \$500 portion of the lease price becomes due on the first of each month. Therefore, the PST you must charge and collect on the first of each month is 7% of \$500.

Charging PST Before the Purchase Price Becomes Due or is Paid

In certain circumstances you must charge PST before the purchase price for the goods becomes due or is paid. For example, if you make a sale on credit where the purchaser takes possession of the goods now but pays one year later, you need to charge PST before your customer's payment is due.

This requirement applies when all or any portion of the purchase price has not been paid or has not become due on or before the last day of the month immediately following the first month in which:

- the ownership or possession of the goods transfers to the purchaser, or
- if you deliver the goods to the purchaser on approval, consignment or sale-and-return basis or similar terms, the purchaser becomes the owner of the goods or makes the goods available to someone else.

In these circumstances, you must charge PST on any portion of the purchase price that had not yet become due or been paid by the last day of the month immediately following the month the purchaser takes ownership or possession of the goods or makes the goods available to someone else.

Example:

In July 2015, you sell a couch to your customer. They take ownership of the couch in July 2015, but the full purchase price does not become due until July 2016. You will not be issuing an invoice until July 2016. The PST on the full purchase price of the couch is payable by your customer on August 31, 2015.

As an alternative to the above example, assume your customer is required to make monthly payments for the couch from July 2015 to July 2016, and you issue invoices for the payments on a monthly basis. Although a portion of the purchase price becomes due each month, your customer has already taken possession of the couch. In this situation, you must charge PST on:

- the invoice amount for July 2015, and
- the remainder of the purchase price that had not yet become due or been paid as of August 31, 2015 (the month immediately following the month they took ownership).



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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

June 2016

- Removed information on how to report and pay (remit) PST and MRDT, including reporting periods, due dates and commission rates. You can now find this information on our [Reporting and Paying Tax](#) webpage.
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References: *Provincial Sales Tax Act*, sections 1, “collector”, 28 and 33.