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Small Sellers

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated February 2016. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information on the criteria to qualify as a small seller for the purposes of the PST. This bulletin also provides information on the responsibilities of small sellers.

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Overview

You must register to collect and remit PST if you regularly:

- sell or lease taxable goods in BC,
- provide four or more units of accommodation in BC, or
- provide legal services, related services (services to taxable goods), software or telecommunication services in BC.

Some businesses outside BC are also required to register.

For more information on registering for the PST, see [Bulletin PST 001](#), *Registering to Collect PST*.

You are not required to register if you qualify as a small seller. As a small seller, you do not charge or collect PST on sales; however, you are also ineligible for certain PST exemptions, such as the exemption for goods obtained solely for resale or for incorporation into other goods for resale.

If you qualify as a small seller, you have the option of registering to collect and remit PST. Registering for PST can be advantageous because it allows you to obtain goods solely for resale (or for incorporation into other goods for resale) exempt from PST. If you choose to register, you will no longer be considered a small seller and must charge and collect PST.

Definitions

In this bulletin, eligible goods, software and services means:

- All goods except liquor, vehicles, boats or aircraft
- Software (see [Bulletin PST 105](#), *Software*)
- Related services (see [Bulletin PST 301](#), *Related Services*)
- Legal services (see [Bulletin PST 106](#), *Legal Services*)
- Telecommunication services (see [Bulletin PST 107](#), *Telecommunication Services*)

Who Qualifies as a Small Seller?

You are a small seller if you meet **all** of the following criteria:

- You are located in BC but do not maintain established business premises and do not regularly make retail sales from established commercial premises (see Established Commercial Premises or Established Business Premises below)
- You sell eligible goods, software or services at retail
- You have \$10,000 or less in gross revenue from all retail sales of eligible goods, software and services for the previous 12 months, and your estimated gross revenue from all retail sales of eligible goods, software and services for the next 12 months is \$10,000 or less
- You do not sell:
 - vehicles, boats or aircraft in the ordinary course of your business
 - accommodation (or offer to sell accommodation) in the ordinary course of business
 - liquor, except under a special event permit or at an auction (for information on how PST applies in these situations, see [Bulletin PST 300](#), *Special Event Liquor Permits* and [Bulletin PST 320](#), *Liquor Sold at Auctions*)
- You are not:
 - a lessor (see [Bulletin PST 315](#), *Rentals and Leases of Goods*)
 - an independent sales contractor (see [Bulletin PST 004](#), *Direct Sellers and Independent Sales Contractors*)
 - a contractor who supplies and affixes, or installs, goods that become part of real property (see [Bulletin PST 501](#), *Real Property Contractors*)

Established Commercial Premises or Established Business Premises

If you maintain established business premises or you regularly sell eligible goods, software or services, or lease goods, from established commercial premises, you do not qualify as a small seller, even if your gross revenue is \$10,000 or less.

Established Commercial Premises

Established commercial premises is a recognized location where your customers purchase goods, software or services, or lease goods, including:

- A store front location, including retail stores in malls and strip malls
- Retail stores operated by a non-profit or charitable organization
- A consignment store
- A kiosk located in a shopping mall, recreation centre, convention or conference centre, club or similar location

- A stall or table in an outdoor location generally rented for sales or leases (e.g. a bazaar, flea-market, amusement park or fairgrounds)
- A store front attached to a residential building
- An established studio (e.g. pottery or painting studio) on residential property, which is advertised and where customers can come to make purchases
- A space (or room) in a house designated for the purpose of making sales or leases (e.g. you operate a hair salon in your home and the salon is advertised to clients who come there to receive hair styling and purchase hair care products)

You may still qualify as a small seller if you only occasionally make retail sales from established commercial premises. However, you need to meet all other criteria as a small seller, including having \$10,000 or less in gross revenue from all retail sales in the previous 12 months and having \$10,000 or less in estimated gross revenue from all retail sales in the next 12 months.

Example 1 – Selling Regularly from a Commercial Premises

You sell eligible goods once a month from a temporary kiosk in a public market space. You do not qualify as a small seller, even if your gross revenue from the sales is \$10,000 or less for the previous 12 months.

Example 2 – Selling Occasionally from a Commercial Premises

You sell eligible goods once a year inside a store at a strip mall and the rest of your sales are made from home (and you do not have a storefront or space designated for sales at your home). You qualify as a small seller provided you meet all the other above criteria for a small seller.

Example 3 – Selling Occasionally from a Commercial Premises

You sell eligible goods three times a year from a kiosk in your local recreation centre. You qualify as a small seller provided you meet all the other above criteria for a small seller.

Established commercial premises do **not** include:

- A school parking lot or similar location not generally recognized as a place for the sale of goods or services
- A church, hall or similar location not generally recognized as a place for the sale of goods and services
- A personal residence if there is no storefront or space designated for sales or leases maintained at the residence

Example 4 – Selling from a Non-Commercial Premises

You sell eligible goods 6 times a year from a folding table set up in a school parking lot. You qualify as a small seller provided you meet all the other criteria listed above and your gross revenue from the sales is \$10,000 or less.

Example 5 – Selling from a Non-Commercial Premises

You have a garage sale at your residence. You qualify as a small seller provided you meet all the other criteria listed above and your gross revenue from the sales is \$10,000 or less.

Example 6 – Selling from a Non-Commercial Premises

You sell eligible goods from your residence through online sales and do not maintain a storefront location or a designated space for making sales or leases in your residence. You

qualify as a small seller provided you meet all the other criteria listed above and your gross revenue from the sales is \$10,000 or less.

If you are unsure of whether your sales are being made from commercial premises on a regular basis, please contact us.

Established Business Premises

Established business premises is a recognized location for general business activities, including:

- A business office in a strip mall
- A business office in an office building
- Other locations designated for business or industrial use (e.g. ground floor offices in an apartment building)
- A designated space in the home used for a home office where you also maintain a storefront or make sales or leases to customers (e.g. a home office where you meet clients and provide legal services)

Established business premises do **not** include:

- Office space occupied by a charity, non-profit or benevolent organization (these are not business premises as the organization itself does not intend to make a profit; however, if the organization operates a storefront from the office, the location is an established commercial premises)
- A designated space in the home used for a home office or to make crafts or hobby items for sale, provided you do not also operate a storefront from the home (e.g. a workshop in your basement where you make wood carvings that you sell online or at the occasional garage sale is not an established business premises)

If you maintain established business premises, you do not qualify as a small seller even if your gross revenue for the previous 12 months is \$10,000 or less.

Example 7 – Selling from a Non-Business Premises

You sell eligible services from your home office by online sales only. You do not maintain a storefront, do not meet potential customers at the home, and do not make in-person sales from the home. You qualify as a small seller provided you meet all the other criteria listed above and your gross revenue from the sales is \$10,000 or less.

Calculating Gross Revenue

To calculate your retail sales of eligible goods, software and services for the previous 12 months, you need to include sales of both taxable and exempt goods, software and services, even if the retail sales occur outside BC or outside Canada. You do not include wholesale sales of eligible goods, software and services.

To determine if your gross revenue from all retail sales in the previous 12 months is \$10,000 or less, you need to calculate and keep track of your monthly gross sales.

You also need to keep a cumulative total of your sales. You calculate your gross revenue from all retail sales in the previous 12 months based on the immediately preceding 12 consecutive months, not on a calendar year. If at any time your gross revenue from all retail sales in the previous 12 months exceeds \$10,000, you must register for PST.

Example 8 – Calculating Gross Revenue

You make stained glass window decorations and picture frames (eligible goods) from your home to sell at craft fairs. Your gross revenue from all retail sales in the previous 12 months included \$1,000 in picture frames, \$3,000 in window decorations and \$300 in repair services to stained glass.

Your gross revenue from all retail sales in the previous 12 months is:

| | |
|-----------------------|----------------|
| Picture frames | \$1,000 |
| Window decorations | 3,000 |
| Stained glass repairs | <u>300</u> |
| Total | \$4,300 |

You qualify as a small seller because your gross revenue from all retail sales of eligible goods, software and services in the previous 12 months is \$10,000 or less (assuming the other criteria are also met, including that your estimated revenue in the next 12 months is \$10,000 or less).

Example 9 – Calculating Gross Revenue

You sell candles at a church craft market, and your estimated revenue in the next 12 months at all times is \$10,000 or less. Your actual sales in 2015 and 2016 are:

| Sales By Month | 2015 | 2016 |
|----------------|---------|---------|
| July | \$2,000 | \$3,500 |
| August | \$2,000 | \$3,500 |
| November | \$3,000 | \$3,000 |
| December | \$2,000 | \$3,000 |

Until June 30, 2016, you qualify as a small seller because your gross revenue from all retail sales in the previous 12 months is \$10,000 or less.

| | |
|---------------|----------------|
| July 2015 | \$2,000 |
| August 2015 | 2,000 |
| November 2015 | 3,000 |
| December 2015 | <u>2,000</u> |
| Total | \$9,000 |

In July 2016 your gross revenue from all retail sales in the previous 12 months exceeds \$10,000.

| | |
|---------------|-----------------|
| August 2015 | \$2,000 |
| November 2015 | 3,000 |
| December 2015 | 2,000 |
| July 2016 | <u>3,500</u> |
| Total | \$10,500 |

As of July 31, 2016 your gross revenue from all retail sales in the previous 12 months exceeds \$10,000. Therefore, you are no longer a small seller and you must register to collect and remit PST.

Note: If your gross revenue from all retail sales in the previous 12 months is close to exceeding \$10,000, or you estimate your future gross revenue will be close to exceeding \$10,000, you may want to register in advance to collect and remit PST.

Closing Your PST Account

If you choose to no longer be registered to collect and remit the PST and want to close your PST account, submit a closure request:

- Online using [eTaxBC](#)
- By submitting a *Request to Close Provincial Sales Tax Account* ([FIN 357](#))

You must file and pay all tax returns up to the closure date, even if a return is nil.

You may close your PST account if:

- you have been registered to collect and remit PST for at least one year,
- your gross revenue from all retail sales in the previous 12 months is \$10,000 or less,
- your estimated gross revenue from retail sales of eligible goods, software and services for the next 12 months is \$10,000 or less,
- your PST account is up to date (i.e. you have no outstanding PST returns or balance due with the ministry), and
- you meet all the criteria as a small seller.

If your application is approved, you will be notified by letter that, effective the date of the letter, your PST account is closed and you are now a small seller. You must collect PST until the effective date of your account closure as set out in your letter of cancellation.

Responsibilities of Small Sellers

If you qualify as a small seller and choose not to register for PST, you need to be aware of the following requirements.

Sales of Goods and Services

If you are a small seller, you must not charge and collect PST on your sales of goods, software or services. Your customers are exempt on these purchases.

However, if you inadvertently charge and collect an amount as PST in error (e.g. you bill PST on your sales invoice and collect it from your customer as PST), you must remit the PST using a *Casual Remittance Return* ([FIN 405](#)). You must remit the PST on or before the last day of the month following the month you collected the PST. For example, if you collect PST in June, you must file the return and remit the PST collected no later than July 31. You must not refund the PST your customer paid; they need to apply to us for a refund.

Sales of Liquor, Vehicles, Boats or Aircraft

If you are a small seller and sell liquor under a special event permit or at auctions, or you sell a vehicle, boat or aircraft (e.g. you are selling your vehicle because you have purchased a new one), the purchaser is still required to pay PST on these items. In some cases, you are still required to collect and remit the PST.

For more information on sales of liquor under a special event permit or at auctions, see [Bulletin PST 300](#), *Special Event Liquor Permits* and [Bulletin PST 320](#), *Liquor Sold at Auctions*.

For sales of vehicles, the purchaser must pay PST either to ICBC or directly to us, depending on if and when they register the vehicle. For more information, see [Bulletin PST 308](#), *PST on Vehicles*.

For sales of boats and aircraft, the purchaser must self-assess (pay directly to us) PST on the purchase price using a *Casual Remittance Return* ([FIN 405](#)).

Note: If you sell liquor (except under a special event permit or at an auction), or sell vehicles, boats or aircraft in the ordinary course of business, you do not meet the criteria of a small seller and you must register to collect and remit PST.

Purchases by Small Sellers

As a small seller, you are ineligible for the following exemptions from PST. If you choose to register to collect and remit PST, the exemptions would be available to you. For more information on the exemptions, see the bulletins referenced below.

▪ **Goods and Services for Resale**

You must pay PST on goods, software and services you purchase for resale, such as candles you repackage and sell at craft shows. You pay PST on the purchase price of the goods, software and services when you buy them from your supplier (see [Bulletin PST 208](#), *Goods for Resale*).

Note: If you later register to collect and remit PST, you can apply for a refund of the PST you paid on goods, software and services you purchased for resale as a small seller if, at the time you sold the goods:

- you were registered to collect and remit PST, and
- you collected and remitted PST on the sale.

▪ **Goods Incorporated into Other Goods for Resale**

You must pay PST when you obtain goods and software solely for processing, fabricating, manufacturing, attaching, or incorporating into other goods for resale, such as:

- Art supplies used to make paintings or other artwork
- Craft supplies, such as wax and wicks used to make candles
(see [Bulletin PST 208](#), *Goods for Resale*)

- **Containers and Packaging Materials**

You must pay PST when you obtain containers and packaging materials solely for packaging the goods you sell (see [Bulletin PST 305](#), *Containers and Packaging Materials*).

- **Goods Used to Provide Services**

You must pay PST on parts and materials you obtain solely for attaching to, or incorporating into, goods in the course of providing a related service to those goods, such as wood used to replace a table leg while providing repair services to a table (see [Bulletin PST 301](#), *Related Services*).

Other Exemptions that Do Not Apply to Small Sellers

- Certain materials used by printers or publishers in a printing or publishing process (see [Bulletin PST 109](#), *Printers and Publishers*)
- Chemical substances, catalysts and direct agents (see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*)
- Film, photographic paper and chemicals for use in developing film by commercial photographers, photofinishers and photograph processors (see [Bulletin PST 126](#), *Photographers, Videographers and Photofinishers*)
- Production machinery and equipment (see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*)
- Recordings of a motion picture production or an audio production in specific circumstances (see [Bulletin PST 107](#), *Telecommunication Services*)
- Software incorporated into other software or goods for resale or re-licensing (see [Bulletin PST 105](#), *Software*)
- Software or modified software sold as part of a business sold as a going concern (see [Bulletin PST 105](#), *Software*)

Goods Brought Into BC

As a small seller, you must pay PST if you purchase or lease taxable goods outside BC and bring, send or receive the goods in BC. You must pay PST on the total amount you pay to bring the goods into BC, including charges for transportation, customs, excise and any other costs, except the goods and services tax (GST).

If your supplier does not charge you PST at the time of the sale or lease, 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 you brought, sent or received the goods into BC.

Books and Records

As a small seller, you must keep sufficient books and records of all your sales of eligible goods, software and services for at least five years.

Need more info?

Online: gov.bc.ca/pst

Toll free in Canada: 1 877 388-4440

Email: 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.

Latest Revision

September 2017

- Clarified who qualifies as a small seller and expanded examples
 - Clarified the meaning of a business premises
 - Other minor revisions
-

References: *Provincial Sales Tax Act*, sections 1, “eligible tangible personal property”, “retail sale”, “small seller”, “taxable service”, 89-91, 112, 114, 121, 135, 136, 141, 143, 145, 161, 168, 169, 175, 182.2, 183, 186 and 203; *Provincial Sales Tax Exemption and Refund Regulation*, sections 38, 40, 59, 68 and 117; *Provincial Sales Tax Regulation*, sections 73.1, 77, 88.1, 88.2 and 89.