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Telecommunication Services

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated February 2014. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin explains how the PST applies to telecommunication services in BC.

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Definitions

Telecommunication services for the purposes of the PST are any of the following.

- The right, whether exercised or not, to utilize a telecommunication system to send or receive one or more telecommunications by means of an electronic device ordinarily situated in BC. This includes services such as phone (mobile or landline), fax, television (TV), radio (including satellite radio), Internet access, email, text, and picture and video messaging services.
- Utilizing a telecommunication system to send or receive telecommunications, such as phone calls (mobile or landline), faxes, TV and radio signals, emails and text messages (including where the message is not limited to text) by means of an electronic device ordinarily situated in BC.
- A dedicated telecommunication service (see Dedicated Telecommunication Services below).

- The right, whether exercised or not, to download, view or access, via a telecommunication system by means of an electronic device ordinarily situated in BC, the following telecommunications:
 - audio books, music, ringtones (includes text tones and other alert tones) and audio programs (e.g. podcasts and radio programs), and
 - TV programs, movies and other videos.

Please note: A service that is not a telecommunication service may still be taxable as software. Software means a software program that is delivered or accessed by any means, or the right, whether accessed or not, to use a software program that is delivered or accessed by any means. A purchase of software can be similar to a purchase of a telecommunication service, particularly if accessed through a website. To determine whether PST applies to an online service as a purchase of software, see Website Subscriptions below, and [Bulletin PST 105, Software](#).

A **telecommunication** means signs, signals, writing, images, sound or intelligence of any nature.

A **telecommunication system** means a wire, cable, radio, optical, satellite or other electromagnetic system or similar system, including WiFi, for the transmission, emission or reception of a telecommunication.

An **electronic device** means a device by which a person may send, receive, download, view or access telecommunications, or use software. Examples of electronic devices include computers (desktops, laptops and tablets), telephones, mobile phones, smart phones, portable media players, TVs, radios and satellites.

Purchases of Telecommunication Services

PST at a rate of 7% applies to the purchase of a telecommunication service, unless a specific exemption applies. PST applies to the total purchase price, which includes sign-up, access, airtime, usage, service and other charges related to the use of, or the right to use, the service.

Devices Ordinarily Situated in BC

For a telecommunication service to be subject to PST in BC, the service must be utilized by means of an electronic device that is ordinarily situated in BC. The following principles will help determine where a device is ordinarily situated.

Stationary Electronic Devices

Stationary electronic devices, such as desktop computers or televisions, are ordinarily situated in BC if they are located at an address in BC.

If the location of the device is the same as the billing address, the billing address can be used by the service provider to determine whether PST applies.

If the billing address is different from the location of the device, the service provider should use the address where they provide the service or the Internet Protocol (IP) address of the device instead of the billing address to determine whether PST applies. For example, a company purchases Internet access for desktop computers they use at their BC office; however, all the

bills are sent to their Toronto head office. As the devices are ordinarily situated in BC, PST applies to the Internet services.

Mobile Electronic Devices

Mobile electronic devices, such as mobile phones, are considered to be ordinarily situated in BC if they are assigned a BC area code (e.g. 250, 604, 778, 236). However, some mobile devices do not have an area code (e.g. a laptop or tablet). If there is no area code or the area code is not known, the service provider must use another method to determine where the device is ordinarily situated, such as the billing address, IP address or address where the service is provided (e.g. where the Internet access is provided).

Please note: Service providers that do not charge PST because their customer's electronic device is not ordinarily situated in BC must keep evidence to show why they did not collect PST.

Phone Services

Residential

Residential phone services provided through a public switched telephone network by means of a wire or cable are exempt from PST. This exemption does **not** include mobile phone services (see Mobile or Cellular Devices below).

The exemption for residential phone services applies to phone services provided through a landline, including any installation or activation charges and additional residential services, such as call forwarding, call waiting or call display. However, the exemption does not include any long distance charges (including flat rates for long distance) or any phone services provided by means of the Internet, such as Voice over Internet Protocol (VoIP).

In some cases, taxable long distance phone services are provided together with exempt residential phone services for a single price. For the purposes of the PST, this is a bundled sale. The general rule for a bundled sale is that PST applies only to the fair market value of the taxable portion. The fair market value is the retail price that a good or service would normally sell for in the open market.

For example, a monthly residential phone service may include local calling, call waiting, call display and unlimited long distance within North America. In this case, PST applies to the fair market value of the unlimited long distance calling within North America.

For more information on bundled sales, see Bundled Sales below.

Business

PST applies to phone services purchased by a business, unless a specific exemption applies. PST applies to the total purchase price for the services, including sign-up or monthly service charges, as well as any additional services purchased, such as call display, call forwarding and call waiting.

Mobile or Cellular Devices

Generally, PST applies to services for mobile devices (e.g. mobile phones, smart phones and tablets) if the mobile device is ordinarily located in BC. PST applies to the total purchase price, including any activation fees, charges for local air time, long distance calls, texts, monthly access charges, call display and voicemail. The exemption for residential phone services does not apply to mobile phones, even if the purchaser has no landline.

PST also applies to:

- data charges for mobile devices (see Internet Services below), and
- prepaid, pay as you go, and top-up cards and charges.

For more information on determining the location of an electronic device, see Devices Ordinarily Situated in BC above.

Please note: PST does not apply to itemized charges for calls or texts on a mobile device if they are both sent **and** received outside of BC, even if the mobile phone is ordinarily situated in BC. For example, if a person takes their mobile phone to Alberta and places a call to Ontario, any itemized charge for that call is exempt from PST, even if the mobile phone is ordinarily situated in BC.

Voice over Internet Protocol (VoIP)

VoIP services are phone services provided to customers through an Internet connection. PST applies to VoIP services if they are purchased for use by means of an electronic device ordinarily situated in BC. VoIP services do not qualify for the residential phone service exemption because they are provided by means of the Internet.

Prepaid Long Distance Cards

Prepaid long distance cards may be purchased in various dollar amounts (e.g. \$5, \$10, \$20 etc.) from retail outlets, such as grocery and drug stores, and are not linked to a specific phone number or account. PST applies to prepaid long distance cards purchased in BC because they provide the purchaser with the right to make phone calls from a phone ordinarily situated in BC and PST is not deducted from the card when a call is made.

Payphone Cards

Payphone cards that are not linked to a specific phone and are used only for payphone calls are not subject to PST when purchased. Any PST due on payphone calls must be deducted from the balance remaining on the card when a call is made.

Long Distance Calling Cards

Some service providers offer long distance calling cards that are linked to a customer's landline ordinarily situated in BC. These cards allow the customer to make long distance calls through any phone and have the charge billed to their landline. PST applies to any long distance calls unless the calls are both sent **and** received outside of BC. For example, if you have a calling card that allows you to make calls and bill them to your BC landline, you do not pay PST on an itemized call that you place from a landline in Alberta to a landline in Ontario, even though the call will be billed to your BC phone.

Credit Card Calls

PST applies to phone calls charged to a credit card if the calls are made from a mobile phone or landline ordinarily situated in BC. PST applies to the total purchase price for the call, including any per minute and additional fees for the service (e.g. connection charge).

Toll-Free Numbers

Purchases of toll-free numbers such as 1-800 numbers are exempt from PST, unless they are for family or domestic use, or for a teleconference service (in these situations, PST applies to the total purchase price).

1-900 Numbers

PST applies to calls made to 1-900 numbers if the call is billed on the customer's phone bill because the customer is purchasing a telecommunication service.

However, when a customer calls a 1-900 number and is billed directly by the 1-900 service provider (e.g. a credit card number is obtained before the service is provided), PST does not apply to the charge for the information or entertainment service (e.g. psychic consultation or chat line). In this case, the customer is purchasing the information or entertainment service.

1-900 service providers must pay PST on the telecommunication services they purchase to provide their 1-900 services.

Paging

Conventional paging services display telephone numbers or other written messages, or provide brief one-way voice messages. Conventional paging services that only allow the customer to receive messages through a pager are exempt from PST. However, if they also allow the customer to send messages, PST applies to the full purchase price of the paging service.

Teleconferencing and Videoconferencing

PST applies to the purchase of teleconferencing or videoconferencing services if the customer is purchasing the right to use the teleconferencing or videoconferencing service to send or receive a telecommunication by means of an electronic device ordinarily situated in BC.

The following are examples of taxable and non-taxable teleconferencing services.

Example 1 – Taxable

- Company A purchases teleconferencing services for a teleconference with Company B and Company C.
- Company A will be participating by a phone in BC.
- Company B and Company C are both located outside BC and will be participating on electronic devices ordinarily situated outside BC.
- Company A is purchasing the right to utilize a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated in BC. The teleconference provider is required to collect PST on the purchase by Company A.

Example 2 – Non-Taxable

- Company A purchases teleconferencing services for a teleconference with Company B and Company C.
- Company A will be participating by a phone in Alberta. It will not be utilizing a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated in BC.
- Company B and Company C are both located outside BC and will be participating by phones that are ordinarily situated outside BC.
- Company A is purchasing the right to utilize a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated outside of BC. The teleconference provider is not required to collect PST on the teleconference even if the teleconference provider is located in BC.

Example 3 – Non-Taxable

- Company A purchases teleconferencing services for a teleconference with Company B and Company C.
- Company A will be participating by a phone in Alberta. It will not be utilizing a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated in BC.
- Company B and Company C are both located inside BC and will be participating by phones that are situated inside BC.
- Company A is purchasing the right to utilize a telecommunication system to send or receive telecommunications by means of an electronic device ordinarily situated outside of BC. The teleconference provider is not required to collect PST on the teleconference even if the teleconference provider is located in BC.

For information on determining where a device is ordinarily situated, see Devices Ordinarily Situated in BC above.

Internet Services

Internet Access

Internet services generally provide a customer with access to a number of services, including the ability to access the Internet and the ability to send and receive email. Internet services can often be accessed through a number of different electronic devices, such as desktop computers, laptops, tablets and mobile phones.

PST applies to Internet services purchased for use on a device that is ordinarily situated in BC. PST applies to the total purchase price of the services, including sign-up and registration charges, all access charges, and monthly and data fees. For information on determining where a device is ordinarily situated, see Devices Ordinarily Situated in BC above.

Website Subscriptions

A subscription website is a website that has pages of content that are only available to subscribers. Content can be varied and may include articles, videos, pictures, audio content, and access to a forum or database. If a website provider charges subscribers for access to a website, whether for a single access or for a fixed period of time (e.g. annually or monthly), the application of PST depends on the content of the website.

The following table shows how PST applies to different types of content that may be found on websites.

Please note: In many cases, such as subscriptions to online magazines or newspapers, the content includes a combination of taxable (e.g. video) and non-taxable content (e.g. text-only articles). In these cases, see Bundled Sales below.

Website Subscription Content	How PST Applies
Articles that include text only, or text and still photos	Not taxable
Audio books	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational Exemptions below)
Audio clips	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational Exemptions below)
Databases	Generally not taxable. However, may be taxable as a purchase of software (see Software below)
Electronic books	Not taxable
Forums that include the ability to send messages to other participants through the website (e.g. chat rooms)	Taxable as a telecommunication service
Lectures, presentations, seminars, workshops and similar activities designed for educational purposes, if the participants and the presenter or instructor can communicate with each other in real time using a telecommunication system (e.g. a webinar on creative writing where the participants can ask questions directly to the presenter during the presentation).	Exempt from PST (see Educational Exemptions below)
Movies	Taxable as a telecommunication service
Music (e.g. songs or concerts)	Taxable as a telecommunication service
Pictures, photographs and still images	Not taxable
Podcasts	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational Exemptions below)
Software	Taxable as software (see Software below)
Sporting events (live or recorded)	Taxable as a telecommunication service
TV programming	Taxable as a telecommunication service
Video games	Taxable as software (see Software below)
Videos or video clips	Taxable as a telecommunication service (may qualify for the educational exemptions outlined in Educational Exemptions below)

Software

For the purposes of the PST, software means a software program that is delivered or accessed by any means, or the right, whether exercised or not, to use a software program that is delivered or accessed by any means. Generally, if a customer purchases access to a website that provides them with the ability to employ some degree of functionality on the website beyond merely viewing website content, the customer is purchasing a right to access software, which is subject to PST. The following are indicators that a customer is purchasing software (and not just access to a series of web page documents).

- The functionality of the website goes beyond merely viewing content.
- The customer can use the website to manipulate files or create new files.
- The website usage agreement specifically states that the customer is obtaining a license to software.

For more information, see [Bulletin PST 105, Software](#).

Downloading or Streaming Certain Content

PST applies to charges for the right, whether exercised or not, to download, view or access the following content by means of an electronic device ordinarily situated in BC:

- audio books, music, ringtones (includes text tones and other alert tones) and audio programs (e.g. radio broadcasts or podcasts), and
- TV programs, movies and other videos.

PST applies whether the content is downloaded, viewed or accessed on computers, mobile phones, smart phones, tablets, portable media players and TV-based media receivers.

Web Hosting

Web hosting services generally enable individuals and organizations to make their website available over the Internet. At its simplest, web hosting services involve the storage of data on a server of the service provider. When a request is received from an electronic device (e.g. a computer) to view the client's website, the host server responds by sending a copy of the client's stored webpage to the electronic device.

The scope of web hosting services varies greatly. The purchase of web hosting services may include the purchase of telecommunication services, the purchase of software, or the purchase and lease of goods along with the purchase of other services.

If the services are limited to the storage of the customer's web content on the service provider's server so that the customer's website is available over the Internet with no other services provided, PST does not apply to the purchase of the web hosting service. In this case, the service provider may be required to pay PST on their purchase of goods, software and services, including telecommunication services, used in the course of providing the service.

However, PST applies to many services purchased as web hosting services because they involve the purchase of telecommunication services (e.g. email services), the purchase of software (e.g. an interface or control panel for web server management), or the purchase or lease of goods (e.g. the lease of a server). In some cases, PST will apply to the full purchase price and in others PST will apply to the fair market value of the taxable components under the bundled sales rules. The application of PST depends of the specifics of the transaction.

If you are unsure how PST applies to your specific circumstances, please contact us.

For more information on bundled sales, see [Bulletin PST 316](#), *Bundled Sales and Leases*.

Auction or Shopping Sites

Some third-party websites provide a venue for sellers to sell goods and services, either at a set price or by facilitating an auction.

While some third-party website providers (the “providers”) do not charge sellers for selling their goods or services, others charge fees to the seller. These fees may be in the form of a set fee per item sold or listed, a monthly subscription fee to sell an unlimited number of items or a commission that is a percentage of the sale price of an item.

Whether PST applies to the fees the provider charges the seller depends on the service being provided.

Software

In most cases, the seller of the goods is purchasing the right to use a software program that:

- allows the seller to enter information about their goods (e.g. description, pictures and price) into a database,
- takes the seller’s information and creates a listing, and
- enters the listing into a searchable database that displays the goods for sale to potential buyers.

The software may also include additional functionality, such as the ability to communicate with purchasers, revise listings, or manage goods for sale (e.g. sales reports). As a result, any fee the provider charges the seller for this service (e.g. flat monthly fee, per item fee, commission etc.) is taxable as a purchase of software if purchased for use on an electronic device ordinarily situated in BC.

For more information on how PST applies to software, see [Bulletin PST 105](#), *Software*.

Telecommunication Services

There may be some situations where the provider is not supplying software to the seller of the goods, but is providing them with a telecommunication service. For example, the seller sends information about the goods (e.g. description, pictures and price) to the provider via email. The provider creates a listing in its database and provides the seller with the ability to send and receive messages with potential buyers and purchasers through its website. However, the seller has no ability to create or modify their listings.

Because the provider is not providing the right to use software, but is providing the right to send and receive telecommunications by means of a telecommunication system, PST applies to the charge for the service if it is purchased for use on an electronic device ordinarily situated in BC. However, in this case the provider is also providing a non-taxable service (e.g. creating a listing for the seller) resulting in a bundled sale. For more information on how PST applies to bundled sales, see *Bundled Sales* below.

Non-taxable Services

There may also be situations where the service provider is not selling software or a telecommunication service, but only a non-taxable service. For example, the seller provides the goods to the provider who creates an online listing for the goods, responds to inquiries from

potential purchasers, takes payment for the goods (remitting a portion to the seller) and ships the goods to the purchaser. In this case, the provider is using telecommunication services and software in providing a non-taxable service to the seller of the goods.

Domain Registration

Domain registration is the service of registering a domain name that identifies one or more IP addresses with a name that is used to identify particular web pages. Only domain name registrars may register domains. PST does not apply to domain registration services as they are not telecommunication services.

Data Backup Services

Data backup services are exempt from PST if provided to a customer for the purpose of backing up the customer's data that is installed on an electronic device.

Web Design

Web design services generally refer to developing and organizing content on single or multiple web pages to create a website. Web design services may include other related services, such as web hosting or domain registration. The web designer may provide the final product of web design services (i.e. the website) to its customers in an intangible format (e.g. FTP or download over the Internet), a tangible format (e.g. CD/DVD or USB drive), or both formats.

PST does not apply to web design services that do not include providing software, a telecommunication service (e.g. audio or video content, including animated video) or goods to customers. For example, PST does not apply to the design of a simple website that provides information about a customer's business if it does not include any audio / video content or software, and is provided to the customer over the Internet.

If the web design services include taxable software, telecommunication services or goods, PST applies on any separate charges for the software, telecommunication services or goods. For example, if a customer is charged \$500 for web design services and \$25 for providing the website on a USB drive, PST applies on \$25.

Incidental Goods

If a web designer creates a website for its customer and charges a single price for the web design services that includes the provision of taxable software, telecommunication services or goods, how PST applies depends on whether the software, telecommunication services or goods are incidental to the non-taxable web design services. Software, telecommunication services or goods are considered incidental and not subject to PST if **both** of the following conditions are met:

- The fundamental and overriding objective of the contract is for the web design services and not the software, telecommunication services or goods.
- The total charge to your customer is the same as or only marginally different from what the charge would be if you did not provide the software, telecommunication services or goods.

For example, a web designer charges a customer a single price (\$500) for web design services. The website design includes stock video (a value of \$2) and, in addition to providing the customer with the website over the Internet, the web designer provides a back-up copy of the website to the customer on a DVD (a value of \$1). In this case, the telecommunication service (i.e. stock video provided electronically) and good (i.e. DVD) are incidental to the web design services because the fundamental and overriding objective of the contract is for the web design services and the total charge is only marginally different from what it would be if the web design

did not include the stock video and DVD. As a result, PST does not apply to the \$500 for web design services. However, the web designer pays PST when they acquire the stock video and DVD.

If a web designer charges a single price for web design services that includes the provision of taxable software, telecommunication services or goods, and the taxable portion is not incidental to the web design services as outlined above, the web designer is making a bundled sale. For information on how PST applies to bundled sales, see Bundled Sales below.

TV Services

Cable

PST applies to TV services as they are a telecommunication service. However, basic cable TV services are exempt from PST if provided by means of a wire or cable. Basic cable TV services are the minimum level of TV services that a customer must purchase from a provider to receive any TV services from that provider. The minimum level of service may vary by TV provider and may include a variety of channels, including high definition (HD) or specialized channels. The minimum level of TV services is generally measured in cost to the customer.

For example, a customer purchases TV services from Company A. Company A offers Plan X (\$25), Plan Y (\$50) and Plan Z (\$75):

- If the customer purchases Plan X only, they do not pay PST on the \$25 they pay for the TV service.
- If the customer purchases Plan Z, \$25 is exempt from PST (the value of Plan X) and \$50 is subject to PST.

Satellite

PST applies to TV services provided by satellite. There is no exemption for basic TV services provided by satellite. Therefore, PST applies to the full purchase price of TV services purchased from a satellite provider.

Internet TV

PST applies to TV services provided through an Internet connection. There is no exemption for basic TV services provided through an Internet connection. Therefore, PST applies to the full purchase price of TV services purchased from an Internet TV provider.

Some providers provide both TV and Internet services through a single wire or cable. TV services are only considered to be provided through an Internet connection if an Internet connection is necessary for the provision of the TV services.

Pay-Per-View

PST applies to pay-per-view TV services, such as concerts, sporting events or other forms of entertainment, regardless of how they are provided (e.g. by cable, Internet or satellite).

Network Services

A computer network is a collection of computers or computer systems that allows communication and data exchange between computers or systems. A service provider may design, develop, install and manage telecommunication networks that allow a customer to

transmit voice and data communications between various locations on the network, such as among the customer's branch offices.

If a service that provides access to such a network includes the right to send and receive telecommunications through an electronic device ordinarily situated in BC, it is taxable as a telecommunication service. PST applies to the charge to the customer for accessing the network, whether it is a monthly fee or based on usage.

Generally, if a person purchases telecommunication network services that cover multiple jurisdictions, PST applies to the full purchase price if the service includes the right to send and receive telecommunications through an electronic device ordinarily situated in BC. PST applies even if the network service also includes the right to send and receive from an electronic device ordinarily situated outside of BC, unless the network is a dedicated telecommunication system (see Dedicated Telecommunication Services below).

Dedicated Telecommunication Services

Dedicated telecommunication services are services that provide exclusive use of a particular telecommunication circuit, line, frequency, channel, partial channel, or other means to send or receive a telecommunication in BC.

A dedicated telecommunication system is a system that is dedicated to the exclusive use of a person as a result of their purchase of the dedicated telecommunication service.

For example, a business may purchase a dedicated telecommunication service that provides the business with exclusive use of a circuit for phone calls and fax transmissions between its head office in BC and a satellite office in Mexico. The only transmissions that travel through that circuit are those between the BC and Mexico offices.

With regular, non-dedicated transmission lines, the signals of several different customers are bunched together and transmitted simultaneously. With some services, such as a virtual dedicated service, a customer's data is not transmitted with other signals. The virtual dedicated service is acquired because there is a high degree of integrity in the transmission of the data. However, the line used to transmit one customer's data is also used to transmit other customers' data at different times. A telecommunication service that only provides a customer with temporary exclusive and secure use of a telecommunication circuit, line etc. is not a dedicated telecommunication service. Therefore, virtual dedicated services are not dedicated telecommunication services.

Proportional Tax Formula

If you provide dedicated telecommunication services, you charge PST based on the proportion of the service you provide in BC. If you provide the entire service in BC, you charge PST on the total purchase price.

If the service connects electronic devices that are both within BC and outside of BC, you charge PST on that portion of the service that you provide in BC.

You calculate the PST using the following proportional formula:

$$\text{PST} = \text{purchase price} \times \text{PST rate (7\%)} \times (\text{BC distance} \div \text{total distance})$$

- purchase price = the purchase price of the dedicated telecommunication service
- BC distance = the portion of the distance that is within BC
- total distance = the total distance, measured in a direct line, between electronic devices connected to the dedicated telecommunication system, with the distance between any two electronic devices connected to the system included only once in the calculation of total distance

Calculating the Distance

For the purposes of the proportional tax formula, distance means the shortest distance over land and water between electronic devices connected to the system, measured in kilometres. This applies regardless of whether the actual signal travels an indirect route. For example, if the dedicated telecommunication system includes an electronic device that is a satellite, the total distance does not include the distance to and from the satellite. Total distance only includes the most direct distance between earth-based electronic devices that are connected to the system.

Combined Dedicated and Non-Dedicated Services

If you combine dedicated and non-dedicated telecommunication services, you calculate PST as follows.

- You use the proportional tax formula described above to calculate the PST due on the dedicated portion.
- You calculate the PST due on the non-dedicated portion by applying 7% PST to the total purchase price attributable to the non-dedicated portion.

General Telecommunication Exemptions

Telecommunications Services Provided in Relation to Accommodation

Telecommunication services (including phone calls, Internet access and in-room movies) are exempt from PST if purchased from an accommodation provider in relation to a purchase of accommodation. For example, separate charges for long distance phone calls or Internet access are exempt from PST if sold by a hotel to a customer that is renting a room at the hotel.

Please note: Generally, the accommodation provider is required to pay PST if they purchase these telecommunication services from their provider, unless a specific exemption applies. For example, if they purchase Internet access, some of which they use for hotel business and some of which they resell to customers, they must pay PST. However, if they purchase in-room movies solely for resale to hotel guests, they may be purchased PST exempt.

PST applies to telecommunication services purchased from an accommodation provider if they are not provided in relation to a sale of accommodation (e.g. they are provided to a customer who is using a room to display merchandise, to entertain, or to hold a meeting, dinner or reception).

Emergency Communication Services

Telecommunication services are exempt from PST if they are part of an emergency communication system purchased from E-Comm Emergency Communications for Southwest British Columbia Incorporated, or the Capital Region Emergency Service Telecommunications Incorporated (CREST) if purchased by any of the following:

- the Government of BC or an agent of the Government of BC
- a regional district or municipality
- a fire or police department
- the South Coast British Columbia Transportation Authority (TransLink)
- the Victoria Airport Authority
- the British Columbia Ambulance Service
- the Emergency and Health Services
- British Columbia Transit
- the University of Victoria

Out-of-Province Telecommunication Services

Sending or receiving telecommunications by means of an electronic device that is ordinarily situated in BC is exempt from PST if the telecommunications are both sent **and** received outside BC, provided that any charges for the telecommunications are itemized on the customer's invoice.

For example, if a person takes their mobile phone to Alberta and places a call to Ontario, any separate charge for that call is exempt from PST, even if the mobile phone is ordinarily situated in BC.

Educational Exemptions

Telecommunication services are exempt from PST if they are provided to a purchaser as part of the purchaser's participation in any of the following programs or activities and are provided only to participants of the program or activity by the person offering that program or activity:

- An educational program provided by a qualifying school or other educational institution. For example, videos provided as part of an online course offered by a university.
- A training or instructional program designed to develop or improve the knowledge, skills or abilities needed by individuals for a particular trade, occupation or profession. For example, online instructional videos that a tradesperson purchases for professional development requirements.
- A lecture, presentation, seminar, workshop or similar activity designed for educational purposes, if the participants and the presenter or instructor can communicate with each other in real time using a telecommunication system. For example, a webinar on creative writing where the participants can ask questions directly to the presenter during the presentation.

Exemptions for Broadcasting, Exhibition, or Sale or Lease

Charges for the right, whether exercised or not, to download, view or access the following content by means of an electronic device ordinarily situated in BC are exempt only if purchased for the purposes set out below:

- audio books, music, ringtones and audio programs, and
- TV programs, movies and other videos.

The telecommunication services described above are exempt from PST if they are purchased for the purpose of:

- Public broadcast by a licensed radio or television broadcaster.
- Making copies of the content of the telecommunication service for:
 - public broadcast by a licensed radio or television broadcaster,
 - public exhibition in a movie theatre or other public venue, or
 - sale or lease.
- Copying or incorporating the content of the telecommunication service into another telecommunication service for
 - public broadcast by a licensed radio or TV broadcaster,
 - public exhibition in a movie theatre or other public venue, or
 - sale or lease.
- Copying or incorporating the content of the telecommunication service into goods or software for sale or lease.

Photographers and Videographers

If you produce video recordings for your customers (e.g. at weddings, corporate events or other events) and you provide the video to your customer in a tangible format (e.g. USB drive, memory card, CD or DVD), you charge PST on the total charge your customer pays to receive the video, including your videography services.

However, if you only provide your customer with the video (or the right to access the video) in an intangible format (e.g. over the Internet, including by email, FTP, download or other means), you do not charge PST on either the charge for the video or on your videography services, provided that all the following criteria are met:

- you produced the video specifically for your customer under a contract with that customer, and
- your customer does not obtain the video, or copies of the video, in a tangible format.

If the above criteria are not met, PST applies to the total charge your customer pays to receive the video. This is because PST applies to the right, whether exercised or not, to download, view or access video via a telecommunication system by means of an electronic device ordinarily situated in BC. This includes video that can be downloaded, viewed or accessed over the Internet, including by email, FTP, download or other means.

For more information, see [Bulletin PST 126](#), *Photographers, Videographers and Photofinishers*.

Telecommunication Service Providers

Sales

Services

You charge PST on the sale of taxable telecommunication services. For more information, see the above sections.

Equipment

You charge PST on the sale or lease of equipment to your customers, such as:

- phones, including mobile phones
- modems
- pagers
- set-top boxes, including digital cable terminals, and personal video recorders (PVRs)
- computers, including desktops, laptops, and tablets
- satellite dishes
- fax machines
- accessories (e.g. cases for mobile phones and tablets)

Fees for Paper Bills

You do not charge PST if you charge your customer a fee (e.g. \$2 per month) to receive a paper copy of their bill or invoice even if PST applies to part or all of the telecommunication services purchased by your customer.

Please note: Even though you charge your customer a fee to receive a paper copy of their bill or invoice, you must pay PST if you obtain these administrative materials because you are not obtaining the materials solely for resale. For more information, see [Bulletin PST 313](#), *Administrative Materials*.

Sales to First Nations

For information on exemptions for First Nations individuals and bands, see [Bulletin PST 314](#), *Exemptions for First Nations*.

Sales to Members of the Diplomatic and Consular Corps

You do not charge PST on the sale of telecommunication services and equipment to persons who qualify as members of the diplomatic or consular corps. For information, see [Bulletin CTB 007](#), *Exemption for Members of the Diplomatic and Consular Corps*.

Sales to the Federal Government

You do not charge PST on the sale of telecommunication services and equipment to federal government departments, boards, agencies or commissions if they provide their PST number. For more information, see [Bulletin CTB 002](#), *Sales and Leases to Governments*.

Sales to Other Retailers

You do not charge PST on goods and services sold to wholesalers or retailers if they claim they are making the purchase for resale and they provide you with their PST number. If they are a wholesaler or a vendor who has not yet received a PST number, they may claim an exemption by completing a *Certificate of Exemption – General* ([FIN 490](#)).

If your customer provides their PST number, you must record the PST number on the bill, invoice or receipt (if you issue one) to show why you did not collect the tax. Alternatively, you may record your customer's PST number on a written agreement that you have entered into related to that sale. In cases where an exemption certificate is provided, you must keep a copy of the certificate in your records to show why you did not collect the tax. If you do not keep a record of why you did not collect the tax, you may be assessed the tax, penalty and interest.

This exemption does not apply to small sellers. For more information, see [Bulletin PST 003, Small Sellers](#).

Purchases

When to Pay PST

You pay PST on the purchase or lease of new or used goods and services that you use in your business, such as:

- Advertising materials, such as flyers and brochures
- Computer hardware and software (unless custom software)
- Goods you purchase to give away as free promotions
- Services to repair your equipment
- Stationery, furniture and office equipment
- Telecommunication equipment you use to provide your services, such as network nodes, switching equipment, servers, hubs and cables
- Telecommunication services you use in your business (e.g. telephone services, email services)
- Telecommunication services you use to provide your telecommunication services (e.g. satellite transmission services, Internet services)

If the supplier does not charge you PST on the above items, 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 you purchased or leased the taxable items. For example, if you purchase a taxable item in August, you must file the return and pay the PST no later than September 30.

When Not to Pay PST

You do not pay PST on the following:

- Containers and packaging materials that form part of the goods you sell (see [Bulletin PST 305, Containers and Packaging Materials](#)).
- Telecommunication services and goods you purchase solely for resale to your customers (see Goods and Services for Resale below).

Services and Equipment for Own Use

If you take taxable equipment from your resale or lease inventory and use it for business or personal use, you must self-assess PST on your cost of the equipment. You must also pay

PST on telecommunication services you purchase for business or personal use. If you provide telecommunication services for your own use, you must pay PST on taxable goods and services your purchase to provide the service.

For example, a cell phone company may provide cell phones to its employees for business use. While the cell phone company does not pay PST on its own cell air time (because it does not bill itself for that air time), it pays PST on its cost for providing the telecommunication service. These costs include electricity, equipment and charges from other telecommunications companies (e.g. a long distance provider).

Goods from Out-of-Province Suppliers

If you purchase or lease taxable goods from an out-of-province supplier, you 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 the supplier does not charge you PST at the time of the sale or lease, you must self-assess the PST due. If you have a PST number, 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 the *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you received the goods into BC.

Improvements to Real Property

Real property is land and any items permanently attached to land (e.g. buildings and structures). Materials and equipment that become permanently attached to the land or buildings are called improvements to real property.

The following may qualify as improvements to real property:

- cables, cable connectors, wiring and wall plates installed in buildings or underground (does not include cable to a TV)
- fibre optic telecommunication systems, including buried fibre optic cable and access points to install or maintain the cable, and above ground wire and poles to connect users
- phone jacks
- satellite dishes permanently affixed to real property
- scatter antennae that are an integral part of a radio transmission tower
- telecommunication towers

If you purchase and install the above items for your own use, you pay PST on your cost of the materials and equipment.

If you supply and install the above items for your customer, you are a real property contractor. For more information on real property contracts, please see [Bulletin PST 501](#), *Real Property Contractors*.

Goods and Services for Resale

The following are exempt from PST:

- Telecommunication services (e.g. long distance, mobile phone, Internet access, TV services) you purchase solely for resale to your customers. For example, if you are a long-distance provider and you purchase long-distance minutes from another service provider solely for resale to your customers, you may purchase those long distance minutes exempt from PST.

- Goods you purchase or bring, send or receive delivery of in BC substantially for the purpose of incorporating any software program or telecommunication contained in those goods into:
 - other goods for the purpose of retail sale or lease, or
 - software or a telecommunication service for the purpose of retail sale.
- Goods (e.g. mobile phones, modems, satellite dishes, PVRs or set-top boxes) you obtain solely for sale or lease to your customers.
- Equipment that is bundled as part of a contract that you provide with the purchase of a service. In this case, as the service provider, you are purchasing the equipment solely for resale (e.g. wireless modems or mobile phones provided with purchase of a service).

To purchase these goods and services exempt from PST, give the supplier your PST number or, if you are not registered, a *Certificate of Exemption – General* ([FIN 490](#)).

Telecommunication Services Purchased Substantially for Resale

If your primary business is selling or providing telecommunication services and you purchase telecommunication services substantially (more than 90%) for resale, you are only required to pay PST on the portion of the telecommunication services that you do not resell or provide to other persons.

You must self-assess the PST that is payable on the portion of the telecommunication services that you do not resell or provide to other persons.

If you have a PST number, 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 after the month in which the telecommunication service is purchased.

To purchase the telecommunication services without paying PST to your supplier, give the supplier your PST number or, if you do not have a PST number, a completed *Certificate of Exemption – General* ([FIN 490](#)).

For example, you make a single purchase of long-distance minutes that are substantially for resale, and a small portion will be used for business calls within your company. You may purchase all of the minutes without paying PST to your supplier and self-assess on the portion that you expect to use yourself. In determining the portion of the purchase price that you should pay PST on, you must make a reasonable estimate of the amount that will be used for a purpose other than resale.

For example:

- You purchased 10,000 long-distance minutes for \$1,000
- You estimate you will use 500 minutes for your own use, and will resell 9,500 minutes.
- You divide 500 minutes by 10,000 minutes for a total of 5% that you used for a purpose other than resale.
- You multiply 5% X \$1,000 for a total of \$50 (the portion of the purchase price that is subject to PST).
- You multiply \$50 X 7% PST for a total of \$3.50 that you self-assess in PST.

You must later reconcile this estimate to your actual usage. If the reconciliation shows that the portion of the telecommunication service you used for a purpose other than resale is more than the estimated amount, you self-assess the PST as follows:

- If the portion of the telecommunication service used for a purpose other than resale is more than the estimated amount, but the amount used for resale is still more than 90%, you must self-assess PST on the portion of the telecommunication service you use for a purpose other than resale **minus** the amount you already self-assessed. For example, if you self-assessed on 5% of the purchase price, but it turns out that you used 7% of the telecommunication service for a purpose other than resale, you must self-assess on 7% minus the 5% that you already self-assessed ($7\% - 5\% = 2\%$ X \$1,000 X 7% PST = \$ 1.40).
- If the portion of the telecommunication service used for resale is 90% or less, you must pay PST on the full purchase price of the telecommunication service minus the amount you already self-assessed. For example, if you self-assessed on 5%, you must self-assess on 95% ($100\% - 5\% = 95\%$ X \$1,000 X 7% PST = \$ 66.50).

If you have a PST number, 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 after the month in which the portion of the telecommunication service actually used exceeds the estimated amount.

Packaged Services and Bundled Sales

Telecommunication service providers often package multiple services together for sale at a rate lower than a customer would pay to purchase the same services separately.

For example, a service provider provides the following services:

- basic residential phone services (\$25 per month)
- basic cable TV services (\$25 per month)
- basic Internet services (\$25 per month)

When purchased together, the service provider provides a package discount of \$15 from the price a customer would pay if purchased separately.

Some of the packaged services, such as basic cable TV and residential phone services are exempt from PST while the Internet services are subject to PST. How PST applies to the package depends on whether the services are itemized on the invoice (see *Services are Itemized on the Invoice* below), or are provided for a single price (see *Bundled Sales* below).

Services are Itemized on the Invoice

If exempt services are packaged with taxable services and the services are itemized on the invoice to the customer, the provider must reasonably attribute the discount between the different services to determine the amounts that are taxable and exempt.

Example 1

The customer's bill lists the following:

- basic residential phone services (exempt) = \$20 per month
- basic cable TV services (exempt) = \$30 per month
- premium Internet services (taxable) = \$100 per month
- total before discount = \$150 per month
- package discount = \$50 per month

The \$50 discount should be attributed to each of the services by dollar amount on the pre-discounted total price, as follows:

- basic residential phone services discount ($\$20 \div \$150 \times \$50$ discount = \$6.67 discount)
- basic cable TV services ($\$30 \div \$150 \times \$50$ discount = \$10 discount)
- basic Internet services ($\$100 \div \$150 \times \$50$ discount = \$33.33 discount)

PST applies as follows:

- \$33.33 is exempt from PST because after the discount is attributed to each of the services by dollar amount, \$33.33 is the purchase price of the exempt basic cable TV ($\$30 - \$10 = \$20$) and residential phone services ($\$20 - \$6.67 = \$13.33$).
- \$66.67 is subject to PST because after the discount is attributed to each of the services by dollar amount, \$66.67 is the purchase price of the taxable Internet services ($\$100 - \$33.33 = \$66.67$).

Example 2

Some service providers also provide additional introductory discounts. For example, in addition to a package discount, for the first 6 months, the customer can purchase basic residential phone services for only \$5 per month at a discount of \$25.

The customer's bill lists the following:

- basic residential phone services (exempt) = \$5 per month (\$30 after the first six months)
- basic cable TV services (exempt) = \$20 per month
- Internet services (taxable) = \$50 per month
- total before discount (including the introductory discount) = \$100 per month
- introductory discount for basic residential phone services = \$25 per month
- total after the introductory discount for basic residential phone services is applied, but before the package discount: \$75 per month
- package discount = \$20 per month

For the first 6 months, a reasonable attribution would be as follows:

- basic residential phone services (\$25 introductory discount **plus** the attributed package discount of \$1.33 (based on $\$5 \div \$75 \times \$20$ package discount) = \$26.33 discount)
- basic cable TV services ($\$20 \div \$75 \times \$20$ package discount = \$5.33 discount)
- basic Internet services ($\$50 \div \$75 \times \$20$ package discount = \$13.33 discount)

PST applies as follows:

- For the first 6 months, \$18.33 is exempt from PST because after the discount is attributed to each of the services by dollar amount, \$18.33 is the purchase price of the exempt basic cable TV ($\$20 - \$5.33 = \$14.67$) and residential phone services ($\$30 - \$26.33 = \$3.67$).
- \$36.67 is subject to PST because after the discount is attributed to each of the services by dollar amount, \$36.67 is the purchase price of the taxable Internet services ($\$50 - \$13.33 = \$36.67$).

Please note: The above reasonable attribution rule only applies to services that are itemized on the invoice to the customer. If the services are sold together for a single price, the rules outlined in Bundled Sales below, apply.

Bundled Sales

If you sell taxable and non-taxable goods or services together for a single price, you are making a bundled sale. The general rule for charging PST on a bundled sale is that you charge PST only on the fair market value of the taxable portion. The fair market value is the retail price that a good or service would normally sell for in the open market.

For example, a customer purchases a bundle of services that includes exempt basic cable television services, exempt residential phone services and taxable Internet services for a total price of \$60. The invoice does not itemize the individual services; there is only a single charge for \$60. PST applies as follows:

- The taxable component of the bundled sale is the Internet services. The fair market value of the taxable component is \$25 because this is the amount that the provider ordinarily charges for this stand-alone service. PST applies on \$25.
- The remaining amount ($\$60 - \$25 = \$35$) is the non-taxable component. \$35 is exempt from PST.

There are a couple of exceptions to the general bundled sale rule outlined above. For example, PST applies to the entire single price for the bundled sale if:

- the fair market value of the taxable component is greater than 90% of the single price and the single price is less than \$500, or
- the non-taxable component is not ordinarily available for sale separately from the taxable component or is not ordinarily provided separately from the taxable component for a price.

For more information, see [Bulletin PST 316](#), *Bundled Sales and Leases*.



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Latest Revision

August 2014

- Added a new section on web design services.
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References: *Provincial Sales Tax Act*, sections 1 “accommodation”, “band”, “dedicated telecommunication service”, “dedicated telecommunication system”, “electronic device”, “fair market value”, “First Nation individual”, “non-taxable component”, “sale”, “software”, “substantially”, “taxable component”, “taxable service”, “telecommunication”, “telecommunication service”, “telecommunication system”, 26, 29, 49, 81, 82, 104-114, 130-136 and 141; Provincial Sales Tax Exemption and Refund Regulation, sections 1 “qualifying school” and 83-88.1; Provincial Sales Tax Regulation, sections 7, 31, 67-71, 72, 79 and 91.