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Oil and Gas Industry – Exploration, Discovery and Development

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated March 2018. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information to help businesses involved in the exploration for, discovery of, and development of petroleum and natural gas understand how PST applies to their businesses.

This bulletin focuses on the exploration for, discovery of, and development of petroleum and natural gas, which includes the initial extraction phase and the production testing phase.

You will find information for other sectors of the oil and gas industry in the following bulletins:

Bulletin PST 113, *Oil and Gas Industry—Producers and Processors*

Bulletin PST 115, *Oil and Gas Industry—Service Providers*

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Overview

In this bulletin:

- **Goods** means tangible personal property as defined in the *Provincial Sales Tax Act*. Tangible personal property is personal property that can be seen, weighed, measured, felt or touched, or that is in any other way perceptible to the senses, and includes:
 - natural or manufactured gas,
 - electricity,
 - heat,
 - affixed machinery, and
 - an improvement to real property or part of an improvement to real property that is removed from the site at which it is affixed or installed, while it is removed from that site.
- **Obtain** means:
 - purchase or lease in BC,
 - bring or send into BC,
 - receive in BC, or
 - receive as a gift.
- **Substantially** means more than 90%.

If you qualify for the production machinery and equipment exemption (PM&E exemption), you may obtain certain machinery and equipment (PM&E) exempt from PST.

The PM&E exemption includes replacement parts, materials and services for qualifying PM&E, and parts and materials to assemble qualifying PM&E.

The following activities qualify for the PM&E exemption and are discussed in this bulletin:

- Geophysical surveying
- Exploration for, discovery of, or development of petroleum or natural gas

The following activities qualify for the PM&E exemption and are discussed in the referenced bulletins:

- Manufacturing, software development and local government power generation – see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*
- Logging – see [Bulletin PST 112](#), *Logging Industry*
- Extraction or processing of petroleum or natural gas – see [Bulletin PST 113](#), *Oil and Gas Industry – Producers and Processors*
- Exploration for minerals or development of mines, or extraction or processing of minerals – see [Bulletin PST 111](#), *Mining Industry*

Geophysical Surveying

You may obtain the PM&E listed below exempt from PST if:

- for commercial purposes, you regularly engage in the exploration for petroleum, natural gas or minerals or the development of petroleum, natural gas or mineral deposits, and
- the PM&E is obtained for use substantially for such activities.

As exploration and development are not site specific, there is no requirement that this PM&E be used within a specific site. For details on **regularly**, see Exploration for, Discovery of, or Development of Petroleum or Natural Gas below.

This exemption is limited to the following PM&E:

- Acoustical survey equipment, including:
 - full wave form sonic loggers
 - side-scanning sonar
 - sonar
- Electrical amplifying devices, electronic amplifying devices and electrical thermostats designed for use with any of the machinery or equipment described in this section
- Equipment for electrical and electromagnetic surveying, including:
 - inductive conductivity probes
 - resistivity survey equipment
 - self-potential meters
 - time and frequency domain-induced polarization equipment
 - time and frequency electromagnetic surveying equipment
- Equipment for remote sensing, including:
 - reflectance, infrared and hyperspectral spectrometers
 - ultraviolet lamps
- Field potentiometers, meggers, non-polarizing electrodes and electrical equipment for making measurements in drill holes
- Gravity meters and other instruments designed to measure the elements, variations and distortions of the natural gravitational force
- Ground penetrating radar equipment and side looking aperture radar
- Instruments or equipment for seismic prospecting, including:
 - blaster and controller
 - blasting system
 - cables
 - data processing units
 - enviro-drills
 - geophones
 - global positioning and navigation systems
 - heli-drills
 - integrated navigation systems
 - recorder box

- recording system
- seismic drilling equipment
- seismic instrumentation
- vibrators
- Magnetometers, gradiometers and magnetic susceptibility meters
- Scintillometers, spectral gamma-gamma density and Geiger-Muller counters, gamma-ray spectrometers, potassium gradiometers and other instruments for radioactive methods of geophysical prospecting

Note: Equipment not specifically listed above is not eligible for exemption, even when used in geophysical surveying. For example, ATVs and snowmobiles are taxable even when used to transport personnel and equipment to surveying sites.

Exploration for, Discovery of, or Development of Petroleum or Natural Gas

You may obtain the PM&E listed below exempt from PST if:

- for commercial purposes, you regularly engage in the exploration for, discovery of, or development of petroleum or natural gas, and
- the PM&E is obtained for use substantially for such activities.

As exploration, discovery and development are not site specific, there is no requirement that this PM&E be used within a specific site.

Regularly means that you undertake the activity on a routine basis. This could be full-time, seasonally or on some other part-time basis.

How you make the measurement of substantially depends on the nature of the PM&E. You may measure it in terms of time, volume or some other measurement that is appropriate for that particular type of PM&E.

In some cases, you may use the PM&E seasonally or during specific phases in the exploration or development process. When this happens, the time when the machinery or equipment is idle or in storage is not considered use. You calculate substantially based on the actual usage.

Example:

If you operate a drilling rig only during the winter drilling season and it is stored during the off-season, the total use of that drilling rig will be based only on the time that it is actually being operated. During the actual drilling period, if the rig is used over 90% of the time to drill for petroleum or natural gas, the drilling rig qualifies for this exemption.

This exemption is limited to the following PM&E:

- Boilers and steamers (required for heating blowout preventers)
- Drilling rigs, including the following machinery or equipment that is part of a drilling rig:
 - cement equipment
 - circulating systems
 - derricks
 - engines or power plants
 - pumps
 - substructures and foundations
- Hardware obtained for use during the drilling process, including:
 - blowout preventers
 - casing
 - couplings
 - drill bits, drill collars and drill pipes
 - fittings
 - thread protectors
 - tubing
- Machinery or equipment obtained for use during the production testing phase, including:
 - dehydrators and heaters
 - flare stacks
 - pressure piping systems and appurtenances
 - pumps and motors
 - separator vessels
- Machinery or equipment obtained for use in well logging and drill stem testing, including instrumentation
- Parts of a pump truck, including:
 - pumps, tanks, lines, pipes, controls, manifolds, drop boxes, mixing hoppers and valves
 - engines and transmissions
- Portable doghouses, portable winches and portable pickers
- Shelters obtained for use substantially as protective coverings for any of the machinery or equipment described in this section
- Support mats obtained for use with any of the machinery or equipment described in this section while the machinery or equipment is stationary
- Truck-mounted service rigs

PM&E and Software Used to Operate, Control or Monitor Exempt PM&E

If you are eligible for the PM&E exemption, you are exempt from PST on PM&E and software obtained for use primarily to operate, control or monitor exempt PM&E.

Note: Software is not PM&E and does not qualify for the PM&E exemption unless it is obtained for use as described in this section. This includes word processing, spreadsheet, email, photo editing and anti-virus software.

However, you may be eligible for other software exemptions, such as exemptions for non-executable software or software incorporated into other software. For more information, see [Bulletin PST 105, Software](#).

Parts, Materials and Services for PM&E

Parts for PM&E

If you are eligible for the PM&E exemption, you are exempt from PST on parts you obtain for use on exempt PM&E, or to assemble exempt parts or exempt PM&E.

Materials for PM&E

If you are eligible for the PM&E exemption, you are exempt from PST on materials you obtain, provided they:

- are used to repair, maintain or modify exempt PM&E, or to assemble exempt parts or exempt PM&E, and
- remain part of, or attached to, the exempt parts or exempt PM&E.

For example, sheet metal and bulk wire are materials eligible for exemption if the above conditions are met.

Taxable Items

The following are not exempt parts or materials for PM&E:

- Gases, liquids or consumable solids (e.g. sealants, lubricants such as grease)
- Parts and materials used to self-manufacture qualifying PM&E for own use
- Parts and materials obtained for use primarily for repairing, maintaining, modifying or assembling:
 - scaffolding, walkways, catwalks and similar structures, unless these items are an integral part of exempt PM&E and were obtained as part of the exempt PM&E
 - bases and foundations that are, or become a part of, real property, for exempt PM&E

Inventory of Parts and Materials

If you use the same parts and materials for both taxable and exempt purposes, you **must not** purchase all the parts and materials exempt from PST (unless you have a tax payment agreement – see Tax Payment Agreements below).

However, you may make a reasonable estimate of the portion used on exempt PM&E and obtain that portion exempt from PST. Reconcile this estimate to your actual usage. If the reconciliation shows you used more parts or materials for taxable purposes than estimated, you must self-assess (pay directly to us) the PST owing on the portion obtained exempt but used for taxable purposes.

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 following the month in which you used the parts or materials for a taxable purpose.

If the reconciliation shows you used more parts or materials for exempt purposes than estimated, you can claim a refund from us for the PST paid on the portion used for exempt purposes. For more information, see [Bulletin PST 400](#), *PST Refunds*.

Related Services for Exempt PM&E

If you are eligible for the PM&E exemption, you are exempt from PST when you purchase related services provided to exempt PM&E. For details on how to claim the exemption, see [Claiming the PM&E Exemption](#) below.

For more information, see [Bulletin PST 301](#), *Related Services*.

Claiming the PM&E Exemption

You must, at or before the time of sale or lease, provide your supplier with a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) when claiming the following exemptions:

- Purchases or leases of exempt PM&E
- Purchases or leases of exempt parts or materials for PM&E
- Purchases of related services for exempt PM&E

This requirement applies whether or not you have a PST number (i.e. you cannot use your PST number instead of the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#))). However, you do have the option of using an alternative certification (see below in this section).

You must complete all parts of the certificate. Where a description of the items purchased or leased is required, you list each type of machinery, equipment, parts and materials. It is not enough to simply state “production machinery and equipment”. For example, if you are purchasing drill bits, drill collars and blowout preventers, you list each as a specific item on the form.

If you are purchasing related services for PM&E, specify what PM&E the related service will be provided to. For example, state “repair services for a truck-mounted service rig” and not just “repairs”.

When you purchase or lease a large quantity of PM&E, you may attach an itemized list or a copy of the purchase order to the completed certificate.

The purchase order must clearly describe the PM&E being purchased or leased and it must indicate which is exempt.

You are generally required to provide a completed certificate to the supplier for each purchase or lease. However, when you are making frequent purchases or leases of the same item(s) from the same supplier, you may provide one completed certificate to the supplier along with a list of item(s) you are claiming an exemption for. You can make future exempt purchases or leases of the same item(s) from that supplier based on the one certificate, provided the information on the certificate is still correct. You must complete a new exemption certificate if the information has changed.

You only use the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) for claiming an exemption under the PM&E exemption (i.e. for PM&E and related parts, materials and related services). This certificate does not replace the *Certificate of Exemption – General* ([FIN 490](#)).

Suppliers

If you do not obtain a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) or an alternative to the exemption certificate (see below) at or before the time of the sale or lease, you must charge and collect the PST on that sale or lease and remit it to us with your return for the reporting period. If your customer provides the required information after the sale or lease but within 180 days of the sale or lease, you may refund or credit the PST you charged. For more information on providing refunds and credits to your customers, see [Bulletin PST 400](#), *PST Refunds*.

Note: If your customer claims this exemption with an exemption certificate and it is later found they did not qualify for the exemption, your customer is liable for any tax, interest and penalties associated with the purchase or lease. However, if you had reason to believe your customer was not entitled to the exemption (e.g. the item purchased was not eligible for the PM&E exemption or your customer mentioned the equipment was actually for personal use) and you provided the exemption, you may also be subject to an assessment.

Alternative to the Exemption Certificate

As an alternative to using the *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)), you may develop your own certification, provided all the required information and the declaration statement from the exemption certificate are included.

Providing the required information and the declaration statement in an electronic format is acceptable if the format includes an electronic signature. An electronic signature may include an electronic acceptance or agreement of the declaration statement, or a statement indicating that transmitting the information and declaration electronically by the purchaser or lessee is agreement of the declaration.

Other Exemptions

Goods Incorporated into Other Goods for Resale or Lease

You are exempt from PST on goods you obtain solely for processing, fabricating, manufacturing, attaching or incorporating into other goods for resale or lease. To purchase these items exempt from PST, give the supplier your PST number. If you do not have a PST number and you qualify, give the supplier a completed *Certificate of Exemption – General* ([FIN 490](#)).

For more information, see [Bulletin PST 208](#), *Goods for Resale*.

Containers and Packaging Materials

You are exempt from PST on containers and packaging materials (except reusable containers) you obtain solely for packaging goods for sale or lease, or if you provide them to your customers with their purchases of goods. However, you must pay PST on containers and packaging materials if you use them for other purposes, such as storing, handling or shipping goods, or you use them to provide a service.

Generally, you are not required to charge PST on the containers and packaging materials you provide with goods and services, unless you separately charge your customers for them. However, in limited circumstances, you may be required to charge PST on the fair market value of the containers and packaging materials.

For more information, see [Bulletin PST 305](#), *Containers and Packaging Materials*.

Safety Equipment and Protective Clothing

The following safety equipment and protective clothing are exempt from PST:

- work-related safety equipment and protective clothing designed to be worn by, or attached to, a worker if required under specified provincial work safety legislation and purchased or leased by an employer, self-employed person or educational institution,
- specifically listed work-related safety equipment and protective clothing designed to be worn by a worker, including safety goggles and steel-toed boots, and
- specifically listed general safety equipment and protective clothing.

For more information, see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*.

Refunds

If you are eligible for the PM&E exemption and you paid PST on exempt PM&E, or on exempt parts, materials or related services for exempt PM&E, you may be eligible for a refund.

Requesting a Refund from your Supplier

If you paid PST to your supplier on exempt PM&E because you did not provide a completed *Certificate of Exemption - Production Machinery and Equipment* ([FIN 492](#)) at the time of sale or lease, your supplier may provide you with a refund or credit of the PST paid if you provide a completed certificate within 180 days of the date the PST was charged.

Requesting a Refund from Us

To apply for a refund from us, provide us with a completed *Application for Refund of Provincial Sales Tax (PST) Paid on Production Machinery and Equipment* ([FIN 355/PME](#)) and the required supporting documentation listed in the form instructions. Send your refund application and supporting documents to the address provided on the application form.

We must receive your refund claim within four years of the date you paid the PST. If you receive a refund from your supplier, you cannot also apply for a refund from us.

Taxable Goods

Unless an exemption applies, you must pay PST when you purchase or lease machinery, equipment or other goods in BC. You pay PST on the full purchase price at the time of purchase. If the goods are leased, you pay PST on each lease payment either when the lease payment is paid or when the lease payment becomes due under the terms of the lease agreement, whichever is earlier.

What is Included in the Purchase Price

PST must be calculated on the total purchase price paid by the purchaser for taxable goods. The total purchase price includes:

- The value of any services accepted by the seller on account of the purchase price
- Any charges for financing, interest, customs and excise
- Any delivery or other transportation charges (including shipping and handling) incurred at or before the time that title to the goods passes to the purchaser. This applies whether or not the charges are shown separately on the sales invoice. For more information on delivery charges, see [Bulletin PST 302](#), *Delivery Charges*.

Change in Use

If you obtain PM&E, parts, materials or other goods exempt and later use them for a taxable purpose, PST applies as of the date you use the item for a taxable purpose.

You calculate and self-assess PST on the greater of the **depreciated value** or 50% of the original purchase price. This calculation must be done separately for each item.

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 in which you used the PM&E, parts, materials or other goods for a taxable purpose.

Calculating Depreciation

The **depreciated value** is determined on a straight-line basis as follows:

$$\text{Depreciated value} = \text{Purchase price} - [\text{purchase price} \times \text{depreciation rate}]$$

You may only calculate the depreciated value on the following types of equipment using the depreciation rates listed below. Goods not listed below **cannot** be depreciated.

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment, and equipment mounted on a vehicle	30% per year, plus 2.5% per 30-day period for partial years
Aircraft	25% per year, plus 2.0833% per 30-day period for partial years
Vessels, and equipment mounted on a vessel	15% per year, plus 1.25% per 30-day period for partial years
Railway rolling stock	10% per year, plus 0.8333% per 30-day period for partial years
Other equipment, furnishings and affixed machinery	20% per year, plus 1.667% per 30-day period for partial years

To calculate the depreciation rate, follow these steps:

1. Calculate the number of whole years between the date you acquired the goods and the date you used them for a taxable purpose.
2. After calculating #1 above, calculate the number of days remaining in the partial year (if any) between the date you acquired the goods and the date you used them for a taxable purpose. Both the first and last days should be counted.
3. Divide the number of days calculated under #2 by 30 and round to the nearest whole number (0.5 and above is rounded up to 1). This is the number of 30-day periods.
4. Calculate the depreciation rate by multiplying the applicable rates in the table above by the number of years and 30-day periods.

Examples of Taxable Goods

The following are taxable machinery, equipment or other goods used in the oil and gas industry.

- Boats, trains and non-turbine aircraft.
- Buildings, furnishings, camp equipment or machinery and equipment related to the use of a building as a building (except shelters that are exempt under the PM&E exemption for PM&E obtained for use in the exploration for, discovery of, or development of petroleum or natural gas – see Exploration for, Discovery of, or Development of Petroleum or Natural Gas above).
- Cleaning supplies, such as cleaning solution and rags.
- Gases, such as oxygen and acetylene.
- General, administrative and office machinery or equipment and supplies, such as desks, phones, computers, photocopiers and fax machines.
- Machinery and equipment obtained for use in:
 - the construction of buildings,
 - the construction or maintenance of roads, or
 - site preparation (except machinery and equipment exempt as PM&E obtained for use in the exploration for, discovery of, or development of petroleum or natural gas).
- Machinery and equipment used to generate heat, such as a boiler.
- Machinery and equipment used to repair, maintain or service exempt PM&E.
- Portable or mobile generators and alternators (except specified exempt generators located at a well site). This includes stand-by and electric generators and alternators and drive motors for them.
- Scaffolding, walkways, catwalks and similar structures, unless these items are an integral part of exempt PM&E, and are sold or leased as part of exempt PM&E.
- Software, except software used primarily to operate, control or monitor certain PM&E (see PM&E and Software Used to Operate, Control or Monitor Exempt PM&E above).
- Telecommunication equipment, such as satellite equipment, cell phones and radio antennas.
- Vehicles designed for public highway use, such as:
 - transport trucks and ATVs, and
 - automotive units on which well servicing equipment or cementing and fracturing equipment (e.g. mobile welders) is mounted, but not truck-mounted service rigs for use in exploration for, discovery of, or development of petroleum or natural gas.

See Appendix 2 for additional examples of taxable machinery, equipment or other goods used in the oil and gas industry.

Goods from Out-of-Province Suppliers

If you purchase or lease taxable goods from an out-of-province supplier, 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 and 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 following the month you brought, sent or received goods into BC.

Goods Brought Into BC

Generally, PST applies if you bring or send goods into BC, or receive delivery of goods in BC, for use, unless a specific exemption applies.

If you own the goods and you brought or sent the goods into BC, or received delivery of the goods in BC for **temporary use** in BC, see **Bulletin PST 307**, *Goods Brought Into BC for Temporary Use*.

If you own the goods and they are not for temporary use in BC, see **Bulletin PST 310**, *Goods Brought Into BC*.

If you lease the goods, see **Bulletin PST 315**, *Rentals and Leases of Goods*.

Real Property Contracts and Affixed Machinery

Real property is land and anything that is attached to the land so it becomes part of real property upon installation (i.e. ceases to be personal property at common law). This would normally include buildings, structures and things, such as machinery or equipment, that are attached to the land (or to buildings or structures) by some means other than their own weight.

Real property contractors must pay PST on taxable goods they obtain to fulfil a contract to supply and affix, or install, goods to real property. They do not charge their customers PST on the charge for the contract.

Exception: Contractors are exempt from PST on goods they use to fulfil a contract if the contract is with certain persons who are exempt from PST. They may also be exempt if they have an agreement that states their customer agrees to pay the PST on the goods and that agreement meets specific conditions.

For more information, see **Bulletin PST 501**, *Real Property Contractors*.

Affixed Machinery

Affixed machinery is machinery, equipment or apparatus that is:

- used directly in the manufacture, production, processing, storage, handling, packaging, display, transportation, transmission or distribution of goods, or in the provision of software or a service, and
- affixed to, or installed in, a building, a structure or land so that it becomes part of real property.

Certain machinery, equipment and apparatus are excluded from the definition of affixed machinery. For more information on what is excluded, see [Bulletin PST 503](#), *Affixed Machinery*.

For the purpose of the PST, affixed machinery that is already installed is tangible personal property (goods). This means if you purchase or lease real property in which affixed machinery is already installed, you are purchasing or leasing goods (the affixed machinery) and must pay PST on the purchase price or lease price of that affixed machinery, unless a specific exemption applies.

Generally, compressors installed in a pipeline are affixed machinery.

For more information, see [Bulletin PST 503](#), *Affixed Machinery*.

Tax Payment Agreements

Eligible businesses may apply to enter into a voluntary tax payment agreement (TPA) with us.

A TPA allows eligible businesses to defer paying PST when they purchase or lease certain items for business use, and to self-assess and pay the PST due on any items later used for a taxable purpose.

For more information, see [Bulletin PST 317](#), *Tax Payment Agreements*.



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Latest Revision

June 2018

- Corrected the refund information to state that you may refund or credit your customer the PST paid if your customer provides you with the required documents within 180 days of the date the PST was **charged**
-

References: *Provincial Sales Tax Act*, sections 1, 25, 41, 49, 51, 80.1, 82, 82.1, 141, 145, 147, 148 and 153; *Provincial Sales Tax Exemption and Refund Regulation*, sections 1 “obtain”, 32-35, 38, 39 and 90-120; *Provincial Sales Tax Regulation*, sections 10 and 16.

Exploration for, Discovery of or Development of Petroleum or Natural Gas

You may obtain the following PM&E exempt from PST if, for commercial purposes, you regularly engage in the exploration for, discovery of or development of petroleum or natural gas, and the PM&E is obtained for use substantially for such activities.

The exemption does not apply to automotive units on which PM&E is mounted (except truck-mounted service rigs).

As exploration, discovery and development are not site specific, there is no requirement that this PM&E be used within a specific site.

This exemption is limited to the following PM&E:

- Boilers and steamers (required for heating blowout preventers)
- Drilling rigs, including the following machinery or equipment that is part of a drilling rig:
 - cement equipment, including float equipment
 - circulating systems, including:
 - centrifuges
 - discharge lines and return lines
 - mud mixers
 - mud tanks
 - separators
 - shale shakers
 - valve manifold
 - derricks, including:
 - A legs, crowns, crown cage
 - monkey boards
 - driller's platform and control panel
 - elevators and slips for handling pipe and other drillstring components (e.g. drill collars)
 - engines or power plants, including:
 - integrated diesel power generating systems
 - integrated electrical operating systems
 - integrated fuel tanks
 - motors (integrated) used to drive the drawworks, mud pumps, or top drives, also commonly called traction motors
 - rotary and pump drives
 - flare lines
 - geronimo and escape lines
 - guy lines and sway lines, sand lines, and outrigger
 - heat exchangers
 - hoisting equipment, including crown blocks and sheaves, deadline anchor, travelling block, drawworks (including the main drum or drill drum, and sand line drum or swab drum), drill line spool, cat head
 - integrated steam heaters

Appendix 1 – Examples of Exempt Items

- lights integrated with the drilling rig
- pipe arm
- pumps, including:
 - integrated pump units
 - submersible sump pump and trash pump units
- raising arm
- rotary table
- safety valves that are part of the equipment on the rig
- slickline / wireline units – includes accompanying drawworks, measuring equipment and downhole tools when used to determine downhole conditions or measurements for the testing phase, or used in other gas and oil well production downhole monitoring and analyzing situations
- storage tanks integrated into drilling rigs
- substructures and foundations, including:
 - levelling jacks and pedestal
 - load beams
 - screw pilings
 - support foundations
- tongs – backup and integral (power tongs, rotary tongs, casing tongs, jaws), and tong lines
- weight indicator
- working floor
- Hardware obtained for use during the drilling process, including:
 - bails (links)
 - blowout preventers
 - bushing (Kelly bushing, master bushing)
 - casing, including attachments such as centralizers and floats, and casing jacks
 - choke manifold
 - couplings
 - drifts
 - drill bits
 - drill pipes
 - fast line
 - fittings
 - hooks and swivels
 - injector head
 - kelly
 - mud manifold
 - pipe racks
 - reel for coil tubing
 - slips (e.g. tubing slips)

Appendix 1 – Examples of Exempt Items

- snubbing units
- spiders
- spools (specialized pieces that adapt tubing to blowout preventers or for spacing requirements between a blowout preventer and the wellhead)
- stabbing guides
- thread protectors
- torque gauges
- travelling block
- tubing (e.g. coil tubing)
- YC/YT elevators
- Machinery or equipment obtained for use in:
 - hydraulic fracturing during the development of petroleum or natural gas, including:
 - fracturing pumps
 - hydration units or trailers
 - proppant blenders
 - the production testing phase, including:
 - dehydrators
 - flame detectors
 - flare stacks
 - heaters
 - incinerators
 - lab testing equipment
 - motors
 - perforating guns and gun shot (but not explosives)
 - pipe joint
 - pressure piping systems and appurtenances
 - pumps
 - separator vessels
 - safety valves
 - well logging or drill stem testing, including instrumentation
- Portable doghouses
- Portable pinchers
- Portable winches
- Pump truck parts, including:
 - controls
 - drop boxes
 - engines
 - lines
 - manifolds
 - mixing hoppers
 - pipes

Appendix 1 – Examples of Exempt Items

- pumps
- tanks
- transmissions
- valves
- Truck-mounted service rigs, including:
 - A legs
 - axle
 - bails (links)
 - battery box
 - blowout preventers
 - boilers for blowout preventers
 - cab
 - cables (electrical)
 - carrier
 - casing jack
 - catwalks
 - choke manifold
 - circulating system, including separators, shale shakers, discharge and return lines
 - derrick
 - derrick ladder and safety line
 - distribution panel – controls the electrical distribution for the rig
 - drill bits
 - drill lines
 - driller's platform and control panel
 - elevators and slips for handling pipe and other drillstring components (e.g. drill collars)
 - engine gauges
 - engines or power plants, including:
 - integrated diesel power generating systems
 - integrated electrical operating systems
 - integrated fuel tanks
 - motors (integrated) used to drive the drawworks, mud pumps, or top drives, also commonly called traction motors
 - fast line
 - flare tanks and lines
 - float equipment
 - fuel tanks
 - geronimo and escape line
 - guy lines and sway lines, sand lines, and outrigger
 - hoisting equipment, including crown blocks and sheaves, deadline anchor, travelling block, drawworks (including the main drum or drill drum, and sand line drum or swab drum), drill line spool, cat head

Appendix 1 – Examples of Exempt Items

- kelly and kelly bushings
- levelling jacks and pedestal
- lights
- mast controls
- mud mixers, tank, manifold, pump, lines and valves
- pickers
- pipe arm
- portable doghouses
- pumps, including:
 - integrated pump units
 - submersible sump pump and trash pump units
- raising arm
- rod basket
- slickline / wireline units – truck mounted – includes accompanying drawworks, measuring equipment and downhole tools when used to determine downhole conditions or measurements for the testing phase, or used in other gas and oil well production downhole monitoring and analyzing situations
- steam exchangers
- substructures, including load beams
- tanks
- thread protectors
- tongs – backup and integral (power tongs, rotary tongs, casing tongs, jaws), and tong lines
- transmission
- tubing board
- valve manifold
- weight indicator
- working floor

Note: Shelters obtained for use substantially as protective coverings for any of the machinery or equipment described in this section are also exempt. Support mats obtained for use substantially to support any of the machinery or equipment described in this section (including shelters) while it is stationary are also exempt.

Other Exemptions

- Gas detection monitors that monitor for gas on a continuous basis (exempt as safety equipment; see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*)
- Gas shut-off devices, emergency (exempt as safety equipment; see [Bulletin PST 100](#), *Safety Equipment and Protective Clothing*), if:
 - designed for manually shutting off the gas supply of a building, or
 - attached to a gas line and designed to automatically shut off the gas supply to a building in response to significant movement

Appendix 1 – Examples of Exempt Items

- Scaffolding, walkways, catwalks and similar items that are an integral part of exempt PM&E, only if obtained as part of that PM&E
- Water in liquid or frozen form
- Welding rods and solder – when used in the manufacture of a product for resale as they become a component of the finished product

Examples of Taxable Items

This is a list of taxable items commonly used by the oil and gas industry. The items are taxable regardless of whether they are new or used. This is not a complete list.

- Absorbent mats - used on walkways
- Acetylene gas
- Acids (stimulation) - chemicals used downhole or injected in oil/gas formations
- Administrative equipment and supplies
- Allterrain vehicles (ATVs)
- Anti-foamers - used to prevent build-up of foam in production equipment
- Anti-freeze
- Argon gas - as an inert welding gas or used in repair jobs
- Asphaltene control chemicals (these prevent scale build-up in downhole and surface pipes and equipment)
- ATVs (allterrain vehicles)
- Backhoes
- Bags (cloth) with printed tags - used in well testing
- Bales (straw) - used for pipeline erosion control
- Barite - drilling mud or fluid
- Batteries - unless for exempt equipment
- Bentonite - drilling mud or fluid; quick viscosifying
- Biopolymer powder
- Bit baskets - that hold drill bits in preparation for drilling the well
- Boxes - shipping (used in well testing), core
- Buildings - includes buildings that provide office or dwelling space; geologist lab trailers; skid-mounted living trailers
- Bulldozers
- Burlap gunny sacks - used in well testing
- Calibration gas - for H₂S monitors and H₂S analyzers
- Casing cement
- Caustic soda - drilling mud or fluid
- Cell phones
- Cellophane
- Cement pads for supporting or securing exempt equipment (except cement pads that are a part of a drilling rig or derrick)
- Cheater bars (maintenance tools)
- Chemicals - for weed control (e.g. glyphosate, dehydration, fracturing)
- Cleaners/degreasers - includes oilfield equipment
- Cleaning supplies
- Cloth bags with printed tags - used in well testing
- Communication equipment - includes satellite communications equipment

Appendix 2 – Examples of Taxable Items

- Compressors - includes compressors used in the transportation and distribution system (e.g. located between processing plants; on gathering lines)

Note: Compressors may be affixed machinery or an improvement to real property

- Computers - except computers used to operate, control or monitor exempt PM&E
- Concentrated viscosifiers
- Connecting lines between tank battery and well site
- Core boxes
- Corrosion inhibitors - added to upstream installations for preventative maintenance
- Culverts - includes culverts used for access roads
- Deflocculants - used in fresh water mud systems
- Detergents - drilling
- Dispersants
- Disposal lines - salt water from tank batteries to disposal wells
- Dope - pipe
- Drilling - detergent; muds; surfactants
- Dry polymer viscosifiers
- Electric generators and alternators - portable, mobile, stand-by - includes drive motors, generator and alternator sets
- Engine oils
- Enviro shacks - such as those consisting of three compartments for hazardous waste, domestic waste and a heated toilet room
- Equipment that is supplementary or auxiliary to any machinery or equipment used in the transportation and distribution system (e.g. gathering lines)
- Equipment and supplies - office, administrative, camp equipment
- Excavators
- Explosives - includes explosives used in road construction or for seismic surveys

Note: Explosive supplies are exempt when obtained for use in:

- mineral exploration, extraction or processing, or
- the development of a mine other than construction of an access road to a mine

For more information, see [Bulletin PST 111](#), *Mining Industry*

- Fence - including at well head location
- Fittings - includes fittings used in the transportation and distribution system (e.g. on gathering lines)
- Flame detectors - when used on gathering lines or other transportation lines
- Flange spreaders
- Forklifts - unless they qualify for the PM&E exemption for transmission or distribution of goods
- Fluids - fracturing, stimulating, well servicing
- Foamers - used downhole to enhance production
- Fracturing chemicals
- Fuel gas lines - for oil and gas production machinery
- Furnishings

Appendix 2 – Examples of Taxable Items

- Gas - welding, acetylene, argon - when used as an inert welding gas or in repair jobs; calibration gas for H₂S monitors and H₂S analyzers
- Gas lift lines - when located at a storage wellsite (these are exempt if located at a production wellsite to encourage the flow or transport of gas from the reservoir to the surface)
- Graders
- Gravel - for well pads, processing plant on-site roads
- Grease
- Gunny sacks
- Hammer wrenches
- Heaters, line - used on pipelines (except line heaters located at the well head for preheating gas)
- Heating fuel - used or consumed in the drilling and well-servicing process
- Inhibitors - corrosion added to upstream installations for preventative maintenance
- KCL fluid - additive to drilling mud to control pressure
- Lab testing equipment - unless it is used at a manufacturing site where the testing is one step in or occurs immediately after the processing/manufacturing is completed
- Labels - for vials used in well testing
- Light towers or light plants
- Lignite - drilling mud or fluid
- Line heaters - used on pipelines (except line heaters located at the well head for preheating gas)
- Liners used on the ground
- Lines - salt water disposal lines from tank batteries to disposal wells; connecting lines between tank battery and well head; gas lift lines located at a storage well site; fuel gas lines for oil and gas production machinery; well flow lines transporting raw product from a well to a satellite, battery, line pipe, or processing plant
- Liquid viscosifiers
- Loaders - includes loaders used to move drill pipe to and from the drilling rig
- Lubricants
- MDS radio antenna
- Maintenance tools - includes cheater bars
- Manufactured proppant
- Mat - absorbent, rig matting used on access roads to prevent shrinkage, mats used on the ground
- Mobile radios
- Motor vehicles - used to transport equipment or on which equipment is mounted except truck-mounted service rigs (see Vehicles below)
- Mud - drilling
- Nitrogen - used to stimulate production
- Office equipment and supplies
- Oil, heating - includes oil used to heat a drilling rig, engine
- Oxygen
- Packers - used to plug abandoned well holes

Appendix 2 – Examples of Taxable Items

- Paint supplies
- Paraffin solvents - used to dissolve and disperse paraffin deposits that build up in well casings, well head equipment and pipelines
- Pick-up trucks
- Pilings - for supporting or securing exempt PM&E
- Pipe - includes pipe used in the transportation and distribution system (e.g. gathering lines),
- Pipe dope
- Portable buildings
- Portable toilets - includes rentals if the agreement is for rental only
- Potable water storage tanks
- Power washers
- Proppant, manufactured
- Pumps - when used in the transportation and distribution system (e.g. gathering lines), vacuum and wash pump used to clean up around rig and wash equipment
- Radio - phone, mobile, VHF, two-way
- Radio antenna - MDS
- Reactive welding gases - when used in a repair service
- Regulators - when used in the transportation and distribution system (e.g. gathering lines)
- Salt water disposal lines - from tank batteries to disposal wells
- Sample bags
- Sand - includes sand used to stimulate well production
- Satellite communications equipment
- Sawdust - includes use on ice/snow access roads
- Scaffolding, walkways, catwalks and similar items unless they are an integral part of exempt PM&E and are included as part of that PM&E when it is purchased or leased
- Scrapers
- Seismic explosives (see Explosives above)
- Shipping boxes - used in well testing
- Sidebooms
- Skid-mounted trailer - used as a geologist's lab at well site
- Skidders
- Snowmobiles
- Soda ash
- Soda, caustic - drilling fluid or mud
- Software - except software used to operate, control or monitor exempt PM&E
- Stimulating fluids
- Stimulation acids - chemicals used downhole or injected in oil/gas formations
- Storage tanks - see Tanks below
- Straw bales - used for pipeline erosion control
- Supplies - cleaning, painting, administrative, drafting
- Support buildings - includes office or dwelling space

Appendix 2 – Examples of Taxable Items

- Surfactants - includes surfactants used in drilling
- Tank battery
- Tanks - stand alone, including those used for fuel or frac fluids; bulk storage tanks; stand alone tanks (e.g. fuel, water) that are not part of a truck-mounted service rig; fuel storage; general purpose storage; tank battery; water storage tank (potable water)
- Telecommunication services
- Toilets, portable - includes rentals without any services included
- Tools - maintenance (e.g. wrenches, hammers, welders' tools)
- Topsoil - includes topsoil used to restore the land back to its natural state
- Towers - light
- Trailers - used to transport equipment; used as living quarters for staff, food preparation/diners, offices or other non-production activities; skid-mounted used to transport exempted equipment such as a trailer-mounted vacuum
- Trucks - includes cementing, fracturing, laydown, pick-up, tong, tandem water, transport, vacuum, line trucks designed and used specifically for seismic prospecting
- Two-way radios
- Vacuum and wash pump - used to clean up around rig and wash equipment
- Valves used in the transportation and distribution system (e.g. gathering lines)
- Vehicles - designed to be used on a public road (e.g. motor vehicles used to transport equipment, loaders, logging trucks, well servicing trucks, ATVs) - see Trucks above
- Vials - used in well testing
- Viscosifiers - liquid; dry polymer; concentrated
- Waste management bins - includes rentals without services
- Water clarifiers - used to remove residual oil in produced water prior to disposal or re-use
- Water disposal lines and associated machinery and equipment that are located outside of a processing plant
- Weed control chemicals (e.g. glyphosate)
- Welding gas
- Well flow lines transporting raw product from a well to a satellite, battery, line pipe or processing plant
- Well head fence
- Wood shavings - includes use on ice/snow access roads