



Provincial Sales Tax (PST) Bulletin

Bulletin PST 119

Issued: July 2013
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Restaurants and Liquor Sellers

Provincial Sales Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated April 2021. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin provides information to help restaurant operators and retail liquor sellers understand how PST applies to their businesses.

This bulletin does not explain how PST applies to liquor producers (e.g. wineries, U-brews) or to liquor sold under a special event permit or at auctions. For information on how PST applies in these situations, see [Bulletin PST 121](#), Liquor Producers, [Bulletin PST 300](#), Special Event Liquor Permits and [Bulletin PST 320](#), Liquor Sold at Auctions.

Table of Contents

| | |
|---|----|
| Registration..... | 1 |
| Sales..... | 2 |
| Containers and Packaging Materials, and Other Goods Provided to your Customers..... | 7 |
| Purchases and Leases for Your Business..... | 10 |
| Exempt Purchases..... | 12 |
| Real Property and Affixed Machinery..... | 13 |
| Buying a Business | 13 |

Registration

If you sell liquor or other taxable beverages, or you sell or lease other taxable goods in the ordinary course of your business, you must register to collect PST. This includes restaurants, bars, pubs and other eating establishments. You must also register to collect

PST if you operate a retail liquor business (e.g. a private liquor store). For more information, see [Bulletin PST 001](#), Registering to Collect PST.

If you operate a restaurant or other eating or drinking establishment and you do **not** sell liquor, taxable beverages or other taxable goods, you are not required to register to collect PST. However, all businesses must pay PST on goods and services acquired for business use unless a specific exemption applies (see Taxable Goods below).

Sales

Taxable Sales

Alcohol / Liquor

You charge 10% PST on sales of liquor, such as:

- Beer
- Ciders and coolers
- Mixed drinks
- Spirits and liqueurs
- Wine
- Any other beverage with an alcohol content of greater than 1%

You also charge 10% PST on chill charges or other extra charges included in the selling price of liquor, except GST and bottle or can refundable deposits.

Calculating the PST on liquor

The goods and services tax (GST) is not included in the price on which PST is calculated. On liquor sales, you calculate the amount of PST in one of the following three ways.

1. Tax-excluded Pricing

If you sell liquor without PST or GST included in the price, you calculate the 10% PST on the pre-tax price.

For example:

| | |
|---------------|----------------|
| Pre-tax price | \$10.00 |
| 10% PST due | \$1.00 |
| 5% GST due | <u>\$0.50</u> |
| Total charge | \$11.50 |

2. GST-included Pricing

If you sell liquor with GST included but not PST, you can calculate the PST by using the factor of 9.52% on the GST-included price ($100/105 \times 10\%$). This will result in a 10% PST charge on the liquor.

For example:

| | |
|---|----------------|
| GST-included price | \$10.50 |
| 10% PST due on the pre-GST price (9.52% of \$10.50) | <u>\$1.00</u> |
| Total charge | \$11.50 |

3. GST and PST-included Pricing

If you sell liquor with GST and PST included in the price, you can calculate the PST by using the factor of 8.7% on the GST-included price ($100/115 \times 10\%$). This will result in a 10% PST charge on the liquor.

For example:

| | |
|------------------------------------|----------------|
| Total price (GST and PST-included) | \$12.00 |
| 10% PST due (8.7% of \$12) | \$1.04 |

Note: In all cases, you must show PST as a separate item on the receipt, bill or invoice you provide to your customers.

Mandatory gratuities

A mandatory gratuity is a tip that is added automatically to a customer's restaurant bill. Generally, a mandatory gratuity is calculated by multiplying a certain percentage (e.g. 15%) by the total pre-tax amount of all food and drinks the customer purchased from the restaurant, including liquor.

You do not charge PST on mandatory gratuities because they do not form part of the purchase price paid by the customer for the liquor. This applies even if the gratuity was calculated on a bill for liquor-only purchases.

Corkage

Some restaurants allow customers to bring their own unopened bottle of commercially-made wine to consume during their meal, and charge opening or "corkage" fees. You do not charge PST on opening and corkage fees because these charges do not form part of the purchase price paid by the customer for the wine.

Soda Beverages

Effective April 1, 2021, soda beverages no longer qualify for the exemption for food products for human consumption. **PST applies to all retail sales of soda beverages at a rate of 7%.**

What are Soda Beverages?

Soda beverages are carbonated or effervescent beverages that have bubbles and fizz and contain any of the following:

- Sugar
- Natural occurring sweeteners

- Added natural sweeteners (such as honey, molasses, maple syrup, fruit juice, stevia, etc.)
- Artificial sweeteners (such as aspartame, sucralose, saccharin, etc.)

Carbonation or effervescence may be either naturally occurring in drinks (as in the case of fermented non-alcoholic beverages, such as kombucha) or injected after the beverage has been manufactured (e.g. with carbon dioxide or nitrogen).

They do not include dealcoholized beers, sparkling wines and ciders, that contain 1% or less alcohol by volume.

Soda beverages include:

- Soft drinks and soda pop
- Sparkling fruit juices
- Carbonated or nitrogenized energy drinks
- Kombucha
- Nitrogenized coffee (if sweetened)
- Sparkling, sweetened water

Soda beverages also include:

- Frozen sweetened beverages, such as Slurpees or Frosters, that have been carbonated or have other gases added to them
- Sweetened effervescent beverages that have any of the following added to them:
 - frozen desserts, such as ice cream (e.g. ice cream floats)
 - fruit or fruit flavoring
 - candy, chocolate or another type of confection

Soda Fountain Beverages

You charge 7% PST on all beverages dispensed by a soda fountain, soda gun or similar equipment, even if the beverage is not a soda beverage (e.g. juice).

Soda Beverages Sold with Food or Other Goods

If you sell food or other goods (such as a toy), with a soda beverage or with access to a beverage dispensed by a soda fountain, soda gun or similar equipment, you charge PST on the beverage as follows:

- If you offer the beverage for sale without the food or other good, you charge PST on the lesser of
 - the ordinary purchase price of that beverage, and
 - the total purchase price of the other good and beverage together.

Or

- If you offer the beverage for sale only with the food or other good, the lesser of
 - 50% of the total purchase price of the food or other good and beverage together, and
 - \$3.

Example 1

You sell a pizza together with a two-litre bottle of cola for \$20 and you do not sell cola on its own. You charge \$0.21 PST on the deemed \$3 purchase price of the cola.

Example 2

You provide a lunch buffet for \$25, and patrons have access to a soda fountain. You do not sell access to the soda fountain on its own. You charge \$0.21 PST.

Example 3

You sell a hot dog and a pop combo for \$1.50. You also offer the pop for a standalone price of \$0.59. You charge \$0.04 PST on the \$0.59 standalone price when you sell the hot dog and pop combo.

Example 4

You sell a hot dog and a pop combo for \$1.50. You do not sell the pop on its own. You charge \$0.05 PST on \$0.75, which is 50% of the total purchase price of the hot dog and pop together.

Example 5

You sell a hamburger, a pop and toy combo for \$4.99. You also offer the pop and the toy for a standalone price of \$1.79 and \$1.59 respectively. You charge \$0.24 PST on the combined standalone prices of both taxable items, which is \$3.38.

Other Goods

You charge 7% PST on the sale or lease of miscellaneous goods, such as clothing, bottle openers and souvenirs (e.g. souvenir glasses or pens with your company name on them).

Kegs Leased With the Sale of Liquor

When you lease a keg with the sale of liquor for a single price, the general rule is that you charge 10% PST on the fair market value of the liquor and 7% PST on the fair market value for the lease of the keg. If there is a bundle discount, the single price must be reasonably attributed between the rental and the liquor to determine the amounts on which the applicable PST rates apply.

Example

You lease a keg to your customer when they purchase 50 litres of liquor. The single price for the leased keg and the sale of the beer is \$180. The fair market value of the beer, when sold in 50 litre quantities, is \$175, and the fair market value of the lease of the keg is \$20.

PST applies as follows:

- Sale of beer $\$180 \times (\$175 \div \$195) = \$161.54 \times 10\% \text{ PST} = \16.15 in PST
- Lease of keg $\$180 \times (\$20 \div \$195) = \$18.46 \times 7\% \text{ PST} = \1.29 in PST
- Total PST = \$17.44

However, if you only charge a refundable deposit for the use of the keg, you charge PST only on the price for the liquor.

Example

You provide a keg to your customer when they purchase 50 litres of beer. The price for the beer is \$175, and you charge a \$160 refundable deposit for the keg and hand pump. You charge 10% PST on the \$175 purchase price for the beer and do not charge PST on the refundable deposit.

Non-taxable Sales

Food Sales

Sales of food for human consumption are exempt from PST, including:

- meals
- non-alcoholic hot or cold beverages (e.g. coffee or iced tea), except the soda beverages referred to above
- snack foods (e.g. chips, nuts and candy)

Catering and Event Planning Services

You do not charge PST on catering and event planning services (e.g. planning, consulting, coordinating and organizing). For more information, see [Bulletin PST 122](#), Caterers and Event Planners.

Gift Cards and Gift Certificates

You do not charge PST on a purchase of gift cards or gift certificates because it is a purchase of store credit a customer may redeem later. When a customer redeems the credit, PST applies to the purchase as if the credit was cash. PST will apply if the item purchased is subject to PST.

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 you charge

PST only on the fair market value of the taxable portion, unless a specific exemption applies. The fair market value is the retail price a good, software or service would normally sell for on the open market by a willing seller to a willing purchaser at arms length.

If you sell a meal package that includes a soda beverage, see Soda Beverages Sold with Food or Other Goods above.

If you sell a meal package that includes a glass of wine, you charge 10% PST on the fair market value of the glass of wine.

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

Accommodation

If you provide accommodation in B.C., you may need to collect 8% PST and the up to 3% municipal and regional district tax (MRDT) on your sales of accommodation. For more information, see [Bulletin PST 120](#), Accommodation.

Containers and Packaging Materials, and Other Goods Provided to your Customers

In this section, **obtain** means:

- purchase in B.C.,
- bring or send into B.C., or
- receive in B.C.

Containers and Packaging Materials

Exemptions for Business

You are exempt from PST on containers and packaging materials (except reusable containers) you obtain solely for packaging the food and drink you sell. This includes bags for liquor purchases or takeout containers and lids. The exemption applies whether or not you charge separately for the containers and packaging materials. To receive the exemption, you must provide your PST number to your supplier or, if you are not registered, a Certificate of Exemption – General ([FIN 490](#)).

If you make your own containers and packaging materials solely for use in packaging or delivering the food or drink you sell, you may purchase the materials exempt from PST.

Charges to Customers

If You do Not Charge for Containers and Packaging Materials

If you do not separately charge your customers for containers and packaging materials you use to package exempt food or exempt beverages you sell, you do not charge your customers PST. In this case, the containers and packaging materials are part of the exempt food or exempt beverage sale. For example, if you sell pizzas or cakes in a box and only charge for the pizza or cake, you do not charge any PST because pizza and cake are exempt foods for human consumption.

Similarly, if you do not separately charge your customer for containers and packaging materials, and you provide them with goods that are subject to PST, such as liquor or soda beverages, you simply charge PST on the full purchase price of the goods.

If You Charge for Containers and Packaging Materials

If you do separately charge your customer for the containers and packaging materials, you must also charge PST. In this case, you are charging for the purchase of taxable containers and packaging materials. For example, in the situation above, if you separately charge your customers \$2 for the cake box, you must charge \$0.14 in PST on the purchase price of the box.

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

Reusable Containers

A **reusable container** is a container that is used to package or deliver goods and is capable of being returned and reused. If you obtain reusable containers, **you must pay PST** on their purchase price. This applies when you intend to sell your goods packaged or delivered in the reusable container. This includes returnable alcoholic beverage containers and products subject to container recycling fees in B.C.

Refundable Deposits and Container Recycling Fees

You do not charge PST on refundable deposits your customers pay at the time of sale (e.g. for canned and bottled liquor or soda beverages).

A container recycling fee is a fee charged to cover the cost of recycling a beverage container in B.C., including aluminum, glass and plastic containers. If the goods you are selling are subject to PST (e.g. liquor and soda beverages) and a container recycling fee, **you must charge PST** on the container recycling fee paid by your customer at the retail level because the fee forms part of the purchase price paid to receive the goods. The PST rate you charge on the fee is the same as for the goods being purchased; therefore, if the goods are liquor, the PST rate is 10% and if the goods are soda beverages, the PST rate is 7%.

For more information on the container recycling fee, visit the [Encorp](#) website.

Restaurant Supplies

Exemptions for Business

If you are a restaurant or other business in the food service industry, you are exempt from PST when you obtain supplies to provide to your customers as part of the purchase of food. The exemption does not apply to supplies your customers use and return to you, such as porcelain dinnerware and metal cutlery (see Purchases and Leases for Your Business below).

Exempt supplies include items such as:

- Coffee cup carry trays
- Disposable cutlery (e.g. wooden or plastic)
- Disposable plates and bowls
- Napkins, straws, stir sticks and disposable skewers
- Paper and plastic bags
- Toothpicks, cocktail picks, cocktail serviettes

The exemption applies whether or not you separately charge your customer for the supplies because you are obtaining the supplies for resale. To receive the exemption, you must provide your PST number to your supplier or, if you are not registered, a Certificate of Exemption – General ([FIN 490](#)).

Charges to Customers

If you provide supplies at no additional charge to your customer, you are generally not required to charge your customer PST for the supplies. However, if you do separately charge your customer for the taxable supplies, you must charge PST. For example, if you separately charge your customers \$1 for a coffee cup carry tray or for disposable plastic cutlery, you must charge \$0.07 in PST on the purchase price of the tray or cutlery.

Labels

You are exempt from PST on labels you obtain solely for attaching to the goods you sell or lease, provided they remain with the goods after the sale or lease.

If you remove the labels from the goods at or before the time of sale or lease, you must pay PST on the labels.

Purchases and Leases for Your Business

Taxable Goods

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

- Advertising materials, such as flyers and brochures
- Cleaning supplies, such as rags, soaps and cleaning solutions
- Computer hardware including point-of-sale systems and other electronic devices
- Dishes, cutlery, knives, coasters, pots and pans
- Non-electric energy for heat
- Freestanding equipment, such as coolers, ice machines, juice dispensers and refrigerators
- Items you purchase to give away as free promotions (see below)
- Menus, linen (e.g. napkins and placemats)
- Paper towels and toilet paper
- Reusable glasses and cups that are not for sale
- Shelving and display equipment
- Stationery, furniture and office equipment
- Supplies, such as pan liners, parchment paper and paper towel, tray covers and doilies

You must also pay PST on the following.

- Software, unless a specific exemption applies (e.g. custom software). For more information, see [Bulletin PST 105](#), Software.
- Related services you purchase for your own equipment, such as knife sharpening, and repair or maintenance services provided to your cash registers. For more information, see [Bulletin PST 301](#), Related Services.

If your supplier does not charge you PST on taxable items, you must self-assess (pay directly to us) 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 obtained the taxable items. For example, if you purchase a taxable item in July, you must file the return and pay the PST no later than August 31.

Goods Brought Into B.C.

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

If your supplier does not charge you PST at the time of the sale or lease, you must self-assess the PST due 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 brought or sent the goods into B.C. or received the goods in B.C.

For more information, see [Bulletin PST 310](#), Goods Brought Into B.C.

Promotional Materials

Promotional materials are goods you use, give away or sell below cost to help advertise or promote your business. Examples of promotional material include samples, gifts, premiums and prizes, and goods given away as part of a loyalty or rewards points program.

You must pay PST on all taxable goods you purchase or make as promotional materials. For example, you must pay PST if you buy mugs or balloons you will give away to promote your business.

Promotional material on which you must pay PST also includes taxable goods you obtain to sell at a price below cost. For example, you purchase a case of wine at a cost of \$40 per bottle. To promote greater sales, you offer the wine to preferred customers at a below cost price of \$30 per bottle. Your customer pays PST on the \$30 purchase price of the wine. In addition, if you have not yet paid PST on the goods (e.g. after taking them out of your exempt resale inventory for use as promotional materials), you must self-assess PST on your next PST return, based on the following formula:

$$(\text{Cost} - \text{Customer's purchase price}) \times \text{PST rate} = \text{PST to self-assess}$$
$$(\$40 - \$30) \times 10\% = \$1.00 \text{ PST to self-assess}$$

Note: You do not need to self-assess PST on goods you sell below cost if you are not doing so for promotional purposes. For example, you purchased t-shirts at \$10 per item and attempted to sell them for \$20 per item. After some time, you decide to mark down the remaining items to \$5 per item before they became obsolete or because their value has decreased. Your customer pays PST on the \$5 purchase price of the t-shirt but you do not self-assess any additional PST.

For more information, see [Bulletin PST 311](#), Promotional Materials and Special Offers.

Exempt Purchases

Goods for Resale or Lease

You are exempt from PST on goods you obtain solely for resale or lease to your customers. You are also exempt from PST on goods you obtain solely for processing, fabricating, manufacturing, attaching, or incorporating into other goods for resale or lease (e.g. liquor used in cooking or incorporated into food for resale).

To purchase these goods (except liquor) exempt from PST, give the supplier your PST number or, if you do not have a PST number, a completed Certificate of Exemption – General ([FIN 490](#)).

To purchase liquor exempt from PST, give the supplier your PST number or, if you have applied for but not yet received your PST number, a completed Certificate of Exemption – General ([FIN 490](#)).

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

Change in Use

If you take taxable goods from your resale inventory for business or personal use, you must self-assess the PST due on your cost of the goods.

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 used the goods for a taxable purpose.

If you take taxable goods from your lease inventory for business or personal use, you must self-assess PST as explained in [Bulletin PST 315](#), Rentals and Leases of Goods.

Safety Equipment and Protective Clothing

The following safety equipment and protective clothing is 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 when 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
- Specifically listed general safety equipment and protective clothing, including first aid kits and portable fire extinguishers

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

Real Property and Affixed Machinery

Real property is land and anything that is attached to the land so it becomes part of real property after 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.

If you enter into a contract under which a contractor will supply and affix, or install, goods to real property, your contractor must pay PST on the goods they use to fulfil the contract, unless a specific exemption applies. In this case, as the customer of the contractor, you do not pay PST on the contract.

For more information, see [Bulletin PST 501](#), Real Property Contractors.

For the purposes of the PST, things that are attached so that they become part of real property are either:

- improvements to real property, or
- affixed machinery.

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.

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

Taxable Goods and Real Property

If you lease taxable goods and real property together for a single price, generally, you must pay PST on the fair market value of the lease for the taxable goods.

For example, you lease taxable restaurant equipment together with a non-taxable commercial lease of real property. You must pay PST on the fair market value of the lease for the taxable restaurant equipment.

Buying a Business

If you are buying a business, you should ensure that you have a clearance certificate issued by us. The certificate confirms that the current business owner has paid and remitted all outstanding PST and any related penalties and interest (up to the date the certificate was issued). For more information, see [Bulletin PST 005](#), Buying and Selling a Business.



Need more info?

Online: gov.bc.ca/pst

Toll free: 1-877-388-4440

Email: CTBTaxQuestions@gov.bc.ca

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

Latest Revision

January 2022

- Added information to explain how PST applies when kegs are leased with the sale of liquor
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References: Provincial Sales Tax Act, sections 1, “accommodation”, “liquor”, “non-taxable component”, “promotional distribution”, “promotional material”, “reusable container”, “sale”, “soda beverage”, “taxable component”, “use”, 16, 26, 26.1, 34, 37, 49, 81, 101, 119, 137, 139 and 141; Provincial Sales Tax Regulation, sections 7.1 and 85; Provincial Sales Tax Exemption and Refund Regulation, sections 32-35 and 52; Provincial Sales Tax Transitional Regulation, sections 1.1 and 9.