



# Provincial Sales Tax (PST) Bulletin

Bulletin PST 121

Issued: April 2014  
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## Liquor Producers

### Provincial Sales Tax Act

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

This bulletin provides information to help wineries, breweries, cideries, meaderies, distilleries, U-brews, U-vins, and wine and beer making supply stores understand how PST applies to their businesses.

If you also operate a restaurant or provide catering services, also read [Bulletin PST 119](#), Restaurants and Liquor Sellers, and [Bulletin PST 122](#), Caterers, Event Planners and Party Supply Stores.

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## Registration

If you sell liquor or other taxable goods at retail, you must register to collect PST on your taxable sales. You must also register to collect PST if you operate a retail liquor business. For more information on who must be registered, see [Bulletin PST 001](#), Registering to Collect PST.

# **Sales**

## **Liquor Sellers**

### **Alcohol / Liquor**

You must charge 10% PST on sales of alcoholic beverages, such as:

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

You must also charge 10% PST on chill charges or other extra charges included in the selling price of alcoholic beverages, not including bottle or can deposits.

### **Tastings**

You must charge 10% PST if you charge your customers a tasting fee to try your liquor products.

You do not charge PST if you allow your customers to try your liquor products for free. However, in this case, the liquor you are providing for free is promotional material. For information on how PST applies to promotional materials, see [Bulletin PST 311](#), Promotional Materials and Special Offers.

### **Growlers**

If you sell a growler bottle and liquor, such as beer or cider, to your customer, you must charge 7% PST on the charge for the growler bottle and 10% PST on the charge for the liquor.

You must charge 10% PST when you refill growlers with liquor. If you charge extra for replacement lids or caps, you must charge 7% PST on this extra charge.

## Example

You charge your customers \$5 for a new growler bottle and \$10 to fill it with beer. You also charge your customers \$0.50 for replacement lids if they bring their growlers back for a refill without a lid. You charge PST as follows:

Growler bottle:	$\$5 \times 7\% = \$0.35$ in PST
Beer:	$\$10 \times 10\% = \$1$ in PST
Lid:	$\$0.50 \times 7\% = \$0.04$ in PST

## 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 beer. 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.

## Other Goods

You must charge 7% PST on the sale or lease of other goods, such as:

- Kegs (if you lease kegs with the sale of liquor, see Kegs Leased with the Sale of Liquor above)
- Souvenirs, including:
  - bottle openers

- clothing (unless the item is children's clothing; see [Bulletin PST 201](#), Children's Clothing and Footwear)
- coasters
- crates
- glassware
- posters

## **Wine and Beer Making Supply Stores**

You must charge 7% PST on the following wine and beer making supplies and equipment:

- Absorbent agents
- Airlock and bung
- Bottle fillers
- Bubblers
- Carboys
- Corkers
- Corks
- Direct agents and catalysts
- Filters
- Finings
- Flats, boxes, crates and wine racks
- Hoses and clamps
- Hydrometers
- Labels
- Oak barrels
- Pots, boilers, mashing equipment and screens
- Sanitizer
- Straining bags and cloths
- Syphon rods
- Wine agitators
- Wood chips

## **Ingredients That are Food for Humans**

Wine and beer making ingredients that are food for human consumption are exempt from PST, including:

- Barley
- Cornmeal, dextrose, maltodextrin, oat, wheat and barley flakes, and rice hulls
- Citrus peel

- Hops (whole and pellets)
- Juniper berries
- Malt and malt extract
- Nutrient mixture
- Stabilizers
- Syrup, sugars and molasses
- Tannin
- Vanilla and spices
- Wine and beer concentrates (non-alcoholic) and kits
- Wine conditioners
- Yeast

## **U-vin and U-brew Services**

You do not charge PST on the following U-vin or U-brew services:

- Providing wine and beer making facilities to your customers
- Providing recipes and giving instructions
- Racking and filtering the wine and brew for your customers

You also do not charge PST on the following:

- Ingredients that are food for humans (see above)
- The use of your U-vin or U-brew equipment when you provide the equipment with an operator (this includes a person who supervises the use of the equipment on site while it is being used)
- Supplies that are used up in providing your U-vin or U-brew services, such as straining bags and cloths, absorbent agents, finings, direct agents and catalysts

## **Containers and Packaging Materials**

You may provide containers and packaging materials to your customers that your customer keeps after the services are provided, such as:

- Bottles, including lids and caps
- Filters
- Flats, boxes and crates
- Labels

If you charge your customers for containers and packaging materials, you must charge PST on these items.

If you do not charge your customers for containers and packaging materials, you may still 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.

## **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 were cash. PST will apply if the item purchased is taxable.

## **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 price that a good or service would normally sell for in the open market.

For example, if you provide U-brew services (non-taxable) and bottles (taxable) for a single price, you must charge 7% PST on the fair market value of the bottles.

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

## **Taxable Purchases**

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

### **General Items**

- 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
- Freestanding coolers and refrigerators
- Items you purchase to give away as free promotions (see below)
- Non-electrical energy used for heat
- Paper towels and toilet paper
- Recipe cards
- Related services provided to your business assets, such as repair or maintenance services provided to your cash registers (see [Bulletin PST 301](#), Related Services)
- Reusable glasses and cups that are not for sale

- Shelving and display equipment
- Software, unless a specific exemption applies, such as custom software (see [Bulletin PST 105](#), Software)
- Stationery, furniture and office equipment

## **Wineries, Breweries, Cideries, Meaderies and Distilleries**

- Equipment used to make your products, unless a specific exemption applies, such as the production machinery and equipment exemption (see below)
- Returnable and reusable bottles, kegs or other reusable containers used to package or deliver products to customers
- Supplies used to make your products that are not incorporated into the product, such as filters, bottle cleaners and strainers

## **U-vins and U-brews**

- Equipment you use or provide with an operator (see U-vin and U-brew Services above)
- Supplies that are used up in providing your U-vin or U-brew services, such as straining bags and cloths, absorbent agents, finings, direct agents and catalysts (including enzymes, wood chips, and sulphuric and phosphoric acid)

## **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 purchase price, including charges for financing, transportation, customs, excise and any other costs, except the federal 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 (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 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 example, if you brought taxable goods into B.C. in June, you must file the return and pay the PST no later than July 31.

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 glassware or coasters that 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 wine at a cost of \$40 per bottle. To promote greater sales, you offer to sell 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, on your next PST return, you need to self-assess PST 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 self-assess PST on goods sold below cost if you are not selling the goods below cost for promotional purposes. For example, you purchased t-shirts at \$10 each and attempted to sell them for \$20 each. After some time, you decide to mark down the remaining items to \$5 each before they become obsolete or because their value has decreased. In this case, your customer pays PST on the \$5 purchase price of the t-shirt, but you do not need to 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, such as souvenirs and clothing. 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 that will be incorporated into other alcoholic beverages for resale, carbon dioxide that will be incorporated into drinks for resale).

To claim these exemptions, give the supplier your PST number or, if you have not yet received your PST number, a completed Certificate of Exemption – General ([FIN 490](#)).

If you make a purchase that includes both exempt goods for resale and taxable goods you will use in your business, you need to tell your supplier which goods are exempt and which goods are taxable. If they do not charge you PST on the taxable goods, you must self-assess the PST due.

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.

For example, if you use a taxable item in your business in June, you must file the return and pay the PST no later than July 31.

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.

## Containers and Packaging Materials

You are exempt from PST on containers and packaging materials (except reusable containers) you obtain solely for packaging the food and drink you sell. 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 if you use them to provide a service.

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.

To claim this exemption, you provide your PST number to your supplier or, if you are not registered, a Certificate of Exemption – General ([FIN 490](#)).

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

## 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.

To claim this exemption, you provide your PST number to your supplier or, if you are not registered, a Certificate of Exemption – General ([FIN 490](#)).

## Food for Human Consumption

You are exempt from PST when you obtain ingredients that are food for human consumption, including the items listed in the section above, Ingredients That are Food for Humans.

## Chemical Substances, Catalysts and Direct Agents

You are exempt from PST when you obtain chemical substances, catalysts and direct agents for use:

- To produce or modify a physical or chemical reaction that is essential for the processing or manufacture of a product for sale or lease, or
- In a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the goods for sale or lease.

To qualify for the exemption, chemical substances, catalysts and direct agents do not need to come into direct contact with, or be temporarily incorporated into, the material being processed or manufactured.

For a substance to qualify as a catalyst, the substance must produce or modify a chemical reaction and must remain unchanged at the end of the reaction. For a substance to qualify as a direct agent, the substance must produce or modify a chemical reaction and must be consumed in the chemical reaction to the point of destruction, dissipation or uselessness for any other purposes. Chemical substances qualify for the exemption as long as they meet the criteria listed in the bullets above.

Examples of items that qualify for this exemption include:

- Absorbent agents and filter aids that clarify or filter wine or beer, such as liquid gelatine, bentonite and diatomaceous earth
- Beechwood chips and oxygen used to aid fermentation
- Finings, including isinglass and Irish moss
- Potassium metabisulfite
- Sulphuric and phosphoric acid

Chemical substances, catalysts and direct agents do not qualify for the exemption when they are used:

- To produce energy or as a source of energy
- To process goods, unless the processing is one step in, or occurs immediately after, a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the goods
- To transform goods from one state to another (gaseous, liquid or solid state) by applying pressure or a change in temperature, unless the transformation is one step in, or occurs immediately after, a series of operations or a complex operation that results in a substantial change in the form or other physical or chemical characteristics of the goods
- For the primary purpose of maintaining, lubricating or prolonging the life of machinery and equipment

- For adding to waste removed from the production process
- For testing purposes

Contact us if you have any questions or need further information on whether a catalyst, direct agent or chemical substance qualifies for the exemption.

You do not need to provide any documentation to claim this exemption. However, the supplier's records must clearly show the reason why the goods were sold exempt from PST, such as a notation on the receipt that the items were purchased exempt as catalysts.

## **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.

## **Improvements to Real Property and Affixed Machinery**

Real property is land and anything that is attached to the land so that 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 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 purpose of 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.

## **Production Machinery and Equipment Exemption and Farmers Exemption**

If you make wine, beer, cider, mead or spirits, you may qualify for the production machinery and equipment (PM&E) exemption on the machinery and equipment you use to manufacture your products, provided all the requirements for the exemption are met.

For more information, see [Bulletin PST 110](#), Production Machinery and Equipment Exemption.

The PM&E exemption does not apply to the machinery and equipment you use to grow grapes or for beekeeping. However, if you are a qualifying farmer, you may obtain specifically listed farm equipment or other goods you use solely for a farm purpose exempt from PST.

For more information, see [Bulletin PST 101](#), Farmers.



## Need more info?

Online: [gov.bc.ca/pst](http://gov.bc.ca/pst)

Toll free: 1-877-388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto: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.

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### Latest Revision

January 2022

- Added information about kegs that are leased with the sale of liquor
  - Added information about purchasing exempt and taxable goods together
  - Clarified information about goods brought into B.C.
  - Clarified how PST applies when goods are removed from lease inventory
  - Minor revisions
- 

References: Provincial Sales Tax Act, sections 1 “affixed machinery”, “liquor”, “non-taxable component”, “promotional distribution”, “promotional material”, “reusable container”, “sale”, “taxable component”, “use”, 16, 26, 28, 34, 37, 49, 81, 101, 119, 139, 141 and 168; Provincial Sales Tax Exemption and Refund Regulation, sections 1 “qualifying farmer”, 32-35, 38, 46, 52 and 90-120 and Schedule 2; Provincial Sales Tax Regulation, section 47.