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## Graphic Designers

*Provincial Sales Tax Act*

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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.*

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This bulletin provides information to help graphic designers understand how the PST applies to their businesses.

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### Overview

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Generally, design services are not subject to PST. Also, graphic designs are generally not subject to PST if the designs are provided in an intangible format (i.e. in a digital or electronic form such as over the Internet, by email, FTP, download or other electronic means).

However, PST may apply if graphic designs are provided in a tangible format (i.e. in a physical form or as a digital file on a physical storage medium, such as a USB drive, memory card, CD or DVD).

### Graphic Designs Provided in an Intangible (Digital) Format

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You do not charge PST on either the design services or the graphic design if you only provide a graphic design to your customers in an intangible format.

This includes providing digital graphic designs, digital artwork, electronic brochures, electronic pamphlets and other electronic materials in an intangible format.

For example, you do not charge PST if you design a logo for a customer and provide a copy of your graphic design only by email.

## Web Design

You do not charge PST for website design and development services that do not include providing software, telecommunication services (e.g. audio or video content) or goods to your customer. For more information on web design services, see [Bulletin PST 107](#), *Telecommunication Services*.

## Graphic Designs Provided with Goods

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### Original Graphic Design Provided in a Tangible Format

If you provide your customer with an **original graphic design** in a tangible format under a contract for professional services, that graphic design is not subject to PST. For this to apply, the graphic design provided in a tangible form must be the first final version of the graphic design.

Examples of an original graphic design provided in a tangible format include designs provided on paper or as a digital file on a physical storage medium, such as a CD, DVD or USB drive.

As the graphic designer, you must pay PST on the goods you use to provide your customer with the original graphic design in a tangible format (e.g. ink and paper or USB drive).

**Please note:** This rule does not mean that the first final version of **any** good provided in a tangible format under a contract for graphic design services is not subject to PST. For example, if your contract is to design and produce a sandwich board or banner, you are selling the board or banner and not merely providing an original graphic design.

### Copies of an Original Graphic Design

If you provide additional copies of the graphic design in a tangible format (e.g. two CDs, each containing a digital file that is the graphic design), you must charge PST on any charge for additional copies. If you do not charge separately for the additional copies, the bundled sales rules apply (see Bundled Sales below). In this situation, as the graphic designer, you may purchase the goods you use to provide your customer with the additional copies in a tangible format exempt from PST as goods for resale (see Goods for Resale or Lease below).

### Goods Sold or Leased as a Result of Design Services

If you provide design services and, as a result of those services, you sell or lease goods to your customers that are not original graphic designs (as outlined above), PST applies as follows.

**Goods are optional** – If your customer has the **option** of whether to purchase or lease goods, PST applies only to the charge for the goods you sell and not to the charge for the design services. This is because the design services do not form part of the purchase price or lease price of the goods as your customer is under no obligation to purchase them.

**Goods are not optional** – If the charge for the design services includes goods that are **not optional**, PST applies to the total charge, including design services and goods. This is because the design services form part of the total amount your customer must pay to purchase or lease the goods.

For example, if you design a new business logo and produce business cards that include the new logo, you charge PST as follows:

- If, after you design the logo, your customer has the option of whether or not to purchase the business cards, you charge PST only for the business cards you sell and not for the logo design services.
- If the charge for the logo design includes the business cards (i.e. the business cards are not optional), you charge PST on the total charge for the business cards and logo design.

## **Goods Sold or Leased with Unrelated Design Services**

If your design services contract includes the production of goods that are **not** related to your design services, you only charge PST on the tangible goods.

For example, if you create a new website (that does not include any taxable elements, such as software) for \$4,000 and also design and produce business cards for \$500, you only charge PST on the \$500 for the business cards. You are selling two separate items – the website design and the business cards – therefore, PST only applies to the business cards.

## **Bundled Sales**

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

For example, you create a new website (that does not include any taxable elements, such as software) and also design and produce business cards. You charge the customer a single price of \$4,500. If the fair market value of the business cards is \$500, you must charge your customer PST on \$500.

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

## **Printed Publications**

If your design service includes the production of printed publications, see [Bulletin PST 205](#), *Books, Magazines, Newspapers and Other Publications*.

## **Sales of Goods without Design Services**

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You charge PST on goods you sell to your customers, such as:

- brochures
- business cards
- canvas prints
- photo books or albums

For goods sold together with services, see *Graphic Designs Provided with Goods* above.

## Purchases 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
- energy for heat and light
- equipment you use to perform your services, such as tools, drafting tables, computers, printers and cameras
- goods, such as a CD, on which you provide your client an **original** graphic design as part of your service
- items you purchase to give away or sell as promotional material (see [Bulletin PST 311](#), *Promotional Materials and Special Offers*)
- shelving and display equipment
- stationery, furniture and office equipment
- supplies, such as pencil, ink, toner and paper, for your own use (e.g. for draft concept designs)

You pay PST on telecommunication services (e.g. Internet and phone charges) you use to provide your graphic design services. Although you do not pay PST on some intangible materials, such as images that are transferred to you electronically, videos and audio programs are subject to PST as telecommunication services if downloaded, viewed or accessed through a telecommunication system (e.g. email or the Internet) by means of an electronic device (e.g. computer) ordinarily situated in BC.

For example, if you purchase stock images over the Internet, they are not subject to PST. However, if you purchase video content, such as animated graphics, over the Internet using a computer that is ordinarily situated in BC, it is subject to PST as a telecommunication service, unless a specific exemption applies. For more information, see [Bulletin PST 107](#), *Telecommunication Services*.

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 repairs to your office equipment or furniture. For more information, see [Bulletin PST 301](#), *Related Services*.

If your supplier does not charge you PST on the above 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 BC

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

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

For more information, see [Bulletin PST 310](#), *Good Brought Into BC*.

## Exempt Purchases

### Goods for Resale or Lease

You are exempt from PST on goods you obtain solely for resale or lease to your customers. To purchase these goods 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**).

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

### *Change in Use*

If you take taxable items from your resale inventory for business or personal use, you must self-assess the PST due on your cost of the goods. This does not include items taken from your inventory for exempt business uses (e.g. for use as described in the Exemption for Printers and Publishers section below).

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*.

### Goods Incorporated into Other Goods for Resale

You are exempt from PST on goods you obtain solely for processing, fabricating, manufacturing, attaching, or incorporating into other goods for resale or lease, such as paper, toner, binding materials and covers. 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 or handling goods.

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*.

## **Other Exemptions**

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### **Exemption for Printers and Publishers**

If you are a printer or publisher, you are exempt from PST on specific items you purchase or lease for your own use in a printing or publishing process. The exemption applies regardless of whether the goods you produce in a printing or publishing process will be resold (i.e. the exemption also applies if you produce goods for your own use, such as company letterheads and stationery).

For more information, see [Bulletin PST 109](#), *Printers and Publishers*.

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

If you manufacture goods (e.g. business cards and printed brochures), you may qualify for the production machinery and equipment (PM&E) exemption as a manufacturer. The exemption applies to the machinery and equipment you use to manufacture your printed materials, provided all the requirements for the exemption are met.

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

## **Need more info?**

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

Toll free in Canada: 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**

April 2016

- Corrected an error in the section for Change in Use for goods removed from lease inventory.
  - Clarified the section on Goods Brought Into BC
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References: *Provincial Sales Tax Act*, sections 1 “electronic device”, “fair market value”, “lease”, “non-taxable component”, “sale”, “software”, “substantially”, “taxable component”, “taxable service”, “telecommunication”, “telecommunication service”, “telecommunication system”, “use”, 26, 29, 37, 39, 49, 81, 82, 104-114, 130; *Provincial Sales Tax Exemption and Refund Regulation*, sections 15-17, Division 5; *Provincial Sales Tax Regulation*, sections 7, 72, 79 and 91.