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Fabric and Craft Stores

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated November 2013. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information to help fabric and craft stores understand how the PST applies to their businesses.

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Examples of Exempt Items

Listed below are examples of exempt items commonly sold in fabric or craft stores. This is not a complete list.

Products not on this list may be taxable and may be found on the Examples of Taxable Items list below. If an item is not on either list and you are unsure how PST applies, please contact us.

Yarn, Natural Fibres, Synthetic Thread and Fabric

Yarn, natural fibres, synthetic thread and fabric commonly used in making or repairing clothing are exempt from PST, including:

- fabric commonly used in making or repairing clothing – including corduroy, cotton, denim, faux leather, fur and suede, flannel, fleece, light-weight brocade, light-weight canvas and leather, lace, linen, lining, nylon, organza, polyester, rayon, satin, silk, taffeta, terry cloth, velour, velvet, wool, and fabrics to make clothing that offers UV protection to the wearer
- natural fibres from animal or plant sources, such as wool or cotton that can be spun into yarn or woven into cloth
- kits consisting of fabric or yarn, a pattern and/or instructions necessary to make a piece of clothing

- sewing threads and knitting yarns commonly used in making clothing, such as cotton, nylon, polyester, metallic and rayon, unless they are specifically labelled for a purpose other than making clothing

Clothing Patterns

Clothing patterns are exempt from PST, including instructions for crocheting, knitting or sewing clothing. This includes patterns for making:

- baby blankets, bibs, cloth diapers and layettes
- clothing for pets, including costumes
- costumes
- gloves, mittens, toques, hats, scarves, legwarmers and headbands

This does not include cross-stitch patterns, or patterns for making:

- aprons or smocks
- bags, backpacks or purses
- blankets (other than baby blankets)
- blinds or shades
- cloths (e.g. dishcloths)
- decorations (e.g. Christmas ornaments)
- doilies
- hair accessories
- pillows, cushions or covers
- quilts
- rugs
- stuffed animals, including patterns for making accessories or clothing for dolls or stuffed animals
- table runners

Publications

The following publications are exempt from PST:

- books that are printed and bound, including pattern and instructional books (does not include catalogues, price lists, directories, albums or calendars)
- qualifying magazines, newspapers and periodicals

For more information on what qualifies as an exempt book, magazine, newspaper or periodical, see [Bulletin PST 205](#), *Books, Magazines, Newspapers and Other Publications*.

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.

Examples of Taxable Items

This is a list of taxable items commonly sold in fabric and craft stores. This is not a complete list.

Items not on this list may be found on the Examples of Exempt Items list above. If an item is not on either list and you are unsure how PST applies, please contact us.

- Equipment (e.g. sewing machines, sergers, quilting machines, cutting tools), as well as parts and accessories for the equipment
- Fabric packaged and sold as clothing (unless the item is children's clothing; see [Bulletin PST 201](#), *Children's Clothing and Footwear*)
- Fabric packaged or labeled for a purpose other than making or repairing clothing
- Fabric that is pre-printed with, or incorporates, a design or instructions and is not intended for making clothing
- Fabric or material not commonly used in making clothing. This includes:
 - aluminized heat-resistant fabric
 - ballistic nylon
 - barkcloth
 - batting or fibrefill
 - black-out or dim-out fabric
 - burlap
 - cheesecloth
 - felt
 - heavy duty canvas and heavy duck cloth
 - heavy weight corduroy
 - heavy weight leather and hides
 - interfacing
 - mesh fabric, other than mesh fabric designed for making or repairing clothing
 - netting, other than tulle
 - oilcloth
 - plasticized, plastic backed, rubber backed or rubber coated fabric
 - upholstery fabric, other than lightweight upholstery fabric
 - vinyl fabric, including fabric created with polyvinyl chloride but not including lightweight vinyl fabric
- Individual patterns and instructions for non-clothing items
- Kits consisting of yarn, fabric or floss, a pattern and/or instructions, and other supplies necessary to make a decorative item, such as a hooked rug, a wall hanging or a needlepoint pillow or picture
- Notions, such as appliqués, bobbins, buttons, crochet hooks, cutting tools, drapery rods and fittings, dress shields, elastic, fabric dye, iron-ons, knitting needles, needles, pads, patches, pins, scissors, sewing boxes, snaps, stabilizers, tapes, velcro and zippers
- Pre-cut pieces of fabric packaged, labeled or offered for sale for a purpose other than making or repairing clothing

- Software, CDs and DVDs
- Thread that is not commonly used in making clothing or that is labelled for a non-clothing purpose, such as embroidery thread or floss and quilting thread
- Trimming, such as binding, braid, fringe, lace, ribbon and tassels

Services

Related services are services to goods or services to install goods. Generally, if a good is taxable when purchased (e.g. a quilt), services provided to that item (e.g. quilt repair and maintenance) are also taxable unless a specific exemption applies.

Examples of Taxable Related Services

Services that are subject to PST include services to:

- apply protective treatments to taxable goods, such as fabric protection
- stitch a customer's goods
- repair or maintain quilts, drapes and other taxable goods
- repair or reupholster furniture

This is not a complete list.

Examples of Exempt Related Services

The related services listed below are exempt from PST. This is not a complete list. Unless a specific requirement is provided below, service providers are not required to collect any information or documentation from the purchaser to show why they did not collect PST. However, the collector's records must support that the sale was exempt. For example, the nature of the service and the item to which the service is provided could be indicated on the bill, invoice or receipt.

- cutting goods, other than cutting that is part or all of a service to repair, restore or recondition the goods, or cutting that is provided to taxable goods along with another related service that is subject to PST (e.g. repair services)
- measuring, weighing, grading or classifying goods, unless provided to taxable goods along with another related service that is subject to PST (e.g. repair services)
- services to exempt goods (e.g. clothing and footwear)

For information on related services, including how PST applies to goods used in performing related services, see [Bulletin PST 301](#), *Related Services*.

Services to Manufacture Goods

Generally, services to taxable goods are related services and are subject to PST. However, if the service you provide is the manufacture of goods for your customers, this is not a related service and is not taxable unless you also provide your customer with any of the materials you use to manufacture the goods, other than thread.

For example, if you provide longarm quilting services in the manufacture of a finished quilt for your customer, you are not providing a related service and do not charge PST if:

- your customer provides you with materials (e.g. the top sheet, quilt batting and quilt backing), and
- you sew these items together and produce a finished quilt.

If you provide any of the materials necessary to finish the quilt (e.g. the quilt batting and/or quilt backing), other than thread, you must charge PST on the materials **and** on the longarm quilting services.

If you provide longarm quilting services and **do not** finish the quilt, you are performing a related service and must charge PST on your services.

Purchases

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
- items you use or consume in your business (e.g. cash register tapes, letterhead, toner, cleaning supplies, disinfectants, oil, grease)
- items you purchase to give away as free promotions (see Promotional Materials below)
- machinery, tools and equipment (e.g. cutting tools)
- parts and repairs to your tools and equipment
- shelving, storage racks, display cases, pallet jacks
- stationery, furniture, office equipment, computer hardware
- tools you use to provide services (e.g. cutting tools)

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

If the 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 are not yet registered for PST, you must self-assess the PST due using a *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you purchased or leased the taxable items. For example, if you purchase a taxable item in July, you must file the return and pay the PST no later than August 31.

Goods for Resale

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 next PST return. If you are not registered for PST, 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 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.

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*.

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 the supplier does not charge you PST at the time of the sale or lease, you must self-assess the PST due. If you have a PST number, you must self-assess the PST due on your next PST return.

If you do not have a PST number, you must self-assess the PST due using the *Casual Remittance Return* ([FIN 405](#)) on or before the last day of the month following the month you brought, sent or received goods into BC.

Bonus Items

You may provide goods as bonus items with the purchase of other goods. For example, you may give your customer a bonus item when they purchase at least \$50 worth of fabric. For the purposes of the PST, these transactions are sales of both items.

If all of the items (e.g. purchased and provided as a bonus) are taxable goods (e.g. sewing machine accessories provided with a purchase of a sewing machine), you must charge PST on the purchase price paid. You can purchase the bonus items exempt from PST as goods for resale.

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

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

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 material. For example, you must pay PST if you buy calendars 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 cutting wheel at a cost of \$15 per wheel. In an effort to promote greater sales, you offer the cutting wheel to preferred customers at a below cost price of \$12 per wheel. In this case, your customer pays PST on the \$12 purchase price of the cutting wheel. In addition, on your next PST return, you need to self-assess PST based on the following formula:

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

$$(\$15 - \$12) \times 7\% = \$0.21 \text{ PST to self-assess}$$

Note: You do not need to self-assess PST on goods sold below cost if you are not selling the goods below cost for promotional purposes. For example, you purchased scissors at \$25 per item and attempted to sell them for \$50 per item. After some time, you decide to mark down the remaining scissors to \$20 per item because their value has decreased. In this case, your customer pays PST on the \$20 purchase price of the scissors but you do not need to self-assess any additional PST.

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

Sewing or Other Craft Classes

If you provide sewing or other craft classes, you do not charge PST on the class fee. However, if you provide taxable materials or equipment to your students, PST may apply as set out below.

Student Materials and Equipment

If you provide taxable materials or equipment in an all-inclusive class fee, you are making a bundled sale. As outlined below, PST applies differently depending on whether your students purchase the materials or equipment.

Materials and Equipment Sold to Class Participants

If your class participants are purchasing the materials and equipment (i.e. they may keep the taxable materials or equipment after the end of the class or series of classes), you:

- charge PST on the fair market value of the materials and equipment you sell to the class participants, and
- do not pay PST when you obtain these materials and equipment, provided they are obtained solely for resale (e.g. to class participants).

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

If you list the charges for the class fee separately from the materials and equipment used in the class on your invoice to the class participants, you must charge PST on any taxable materials and equipment you sell or lease to class participants.

In either case, you do not pay PST when you purchase the materials and equipment provided they are solely for resale or for leasing to other persons. To purchase these items without paying PST, give the supplier your PST number.

Materials and Equipment Not Sold to Class Participants

If the class participants are not permitted to keep the taxable materials and equipment after the end of the class (or series of classes), you:

- do not charge PST on the materials and equipment you provide to class participants, and
- must pay PST when you obtain the materials and equipment, as you are the user of these goods when you provide the class.



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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

March 2016

- Clarified that, effective April 1, 2013 (subject to Bill 14, *Finance Statutes Amendment Act, 2016* receiving royal assent), 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
 - Minor revisions
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References: *Provincial Sales Tax Act*, sections 1 “promotional distribution”, “related service”, 16, 26, 81, 116, 119, 137, 141 and 145; *Provincial Sales Tax Exemption and Refund Regulation*, sections 9, 11, 15-17, 73 and 77 and Schedule 5.