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Exemptions for Hydroelectric Power Generation

Provincial Sales Tax Act

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

This bulletin provides information on the PST exemptions that apply to machinery, equipment and apparatus used for hydroelectric power generation.

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Exemptions for Hydroelectric Power Generation

Definition

In this bulletin, **apparatus** means a complex machine or device designed to accomplish a specific purpose that consists of an integrated assembly of parts each having a definite function.

Production Machinery and Equipment Exemption

If you generate electricity and qualify as a manufacturer, you can obtain qualifying machinery and equipment exempt from PST under the production machinery and equipment (PM&E) exemption.

To qualify for the PM&E exemption, you must:

- be involved in a qualifying manufacturing activity, such as generating electricity,
- meet minimum levels of sales or manufacturing costs, and
- perform the qualifying manufacturing activity at a qualifying part of a manufacturing site.

This exemption generally applies to hydroelectric storage projects where the penstock and power plant are located within the structure of the dam because it is within the qualifying part of a manufacturing site. Machinery and equipment that extends outside of the dam to the water source is generally not eligible for this exemption because it is located outside of the qualifying part of a manufacturing site.

For information on the PM&E exemption, including qualifying criteria and how to claim the exemption, see [Bulletin PST 110: Production Machinery and Equipment Exemption](#).

Exemption for Certain Penstock Machinery, Equipment and Apparatus

You are also eligible for a PST exemption for the manufactured machinery, equipment and apparatus listed below, if the manufactured machinery, equipment or apparatus is part of a penstock system for a hydroelectric water plant that is validly licensed under the *Water Act* and is obtained for use:

- as penstock intake or diversion equipment, at the point of diversion from the water source, or
- as penstock pipe, to provide water from the point of diversion from the water source to a hydroelectric power plant.

This exemption applies regardless of whether the penstock and related equipment are located within the qualifying part of a manufacturing site.

The following manufactured machinery, equipment and apparatus qualifies for this exemption (this is a complete list):

- Control gates, intake valves and stoplogs that control the flow of water through the weir and into the penstock
- Expansion joints, surface penstock pedestals, air-release valves and penstock scour valves
- Fish and sediment screens that prevent fish and sediment from entering the penstock
- Inflatable rubber weirs and controls
- Manhole entrances obtained for use for penstock inspection and cleaning
- Manufactured pipe made of concrete, steel, iron, fibreglass, wood-staves or high density polyethylene
- Penstock intake power supply
- Penstock pipe bridges
- Penstock stiffening rings
- Penstock ventilation pipe
- Pressure release valves and surge facilitators
- Ring girders
- Sluice gates that remove sediment from the approach channel to the penstock to prevent damage to the penstock and power plant equipment
- Steel weirs and controls
- Trash racks, with or without self-clearing apparatus, that prevent debris from entering the penstock
- Tunnel bulkheads, access hatches and drain valves

Related Services for Penstock Machinery, Equipment and Apparatus

You are exempt from PST on related services (services provided to goods or to install goods) you purchase for the exempt manufactured machinery, equipment and apparatus listed above, if at the time you purchase the services, your hydroelectric water plant is validly licensed under the *Water Act*. However, you pay PST when you purchase related services for machinery, equipment or apparatus that is not listed above, or to other goods, unless a specific exemption applies.

For more information on how PST applies to related services, see [Bulletin PST 301, Related Services](#).

Specifically Designed Parts for Penstock Machinery, Equipment and Apparatus

You are also exempt from PST on parts you obtain for use to repair or recondition the exempt manufactured machinery, equipment and apparatus listed above, if the parts are specifically designed for that item and, at the time you obtain the parts, your hydroelectric water plant is validly licensed under the *Water Act*.

This exemption does not include:

- generic parts,
- materials, or
- specifically designed parts you obtain for use in **assembling or manufacturing** the exempt manufactured machinery, equipment and apparatus listed above. For example, you must pay PST on materials you purchase to manufacture pipe on site.

Exemptions do not Apply if the Hydroelectric Water Plant is not Validly Licensed

If you obtain the manufactured machinery, equipment, and apparatus listed above **before** your hydroelectric water plant becomes validly licensed under the *Water Act*, you must pay PST on these items.

If your hydroelectric water plant later becomes validly licensed, you become eligible for exemptions for future related services or specifically designed parts for the machinery, equipment and apparatus listed above. The exemptions apply as of the date the plant becomes validly licensed. You cannot claim a refund for PST paid before the plant was licensed.

Claiming the Exemption for Certain Penstock Machinery, Equipment and Apparatus

To claim the exemption for the manufactured machinery, equipment and apparatus listed above, you must, at or before the time of the sale or lease, provide your supplier with your PST number or, if you are not registered, a *Certificate of Exemption – General* ([FIN 490](#)). You may make future PST exempt purchases or leases of the manufactured machinery, equipment and apparatus listed above on the basis of that certificate if the information on it is still correct. You must complete a new exemption certificate if the information has changed.

Note: If you have a contractor supply and install qualifying manufactured machinery, equipment or apparatus for you, they also claim the exemption for the items listed above by completing a *Certificate of Exemption – General* ([FIN 490](#)).



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Latest Revision

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- Clarified that if you have a contractor supply and install qualifying penstock machinery, equipment or apparatus for you, they also claim the exemption for the specifically listed items by completing a *Certificate of Exemption – General* (FIN 490)

References: *Provincial Sales Tax Act*, sections 1 “apparatus” and 145; Provincial Sales Tax Exemption and Refund Regulation, sections 31, 73, 90-120 and Schedule 1.