



Provincial Sales Tax (PST) Bulletin

Bulletin PST 302

Issued: April 2013
Revised: December 2016

Subscribe

Delivery Charges

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated March 2014. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information on how PST applies to delivery charges and other transportation charges, and to goods that are damaged, destroyed or lost in transit.

This bulletin does not apply to ready-mixed concrete (see [Bulletin PST 136, Concrete](#)).

This bulletin does not provide information on containers, labels and packaging materials that are included at the time goods are sold or are used during delivery (see [Bulletin PST 305, Containers and Packaging Materials](#)).

Table of Contents

Delivery Charges.....	1
Goods that are Damaged, Destroyed or Lost in Transit.....	4

Delivery Charges

Delivery Charges Related to the Purchase of Taxable Goods

Taxable Delivery Charges

PST must be calculated on the **total purchase price** paid by the purchaser to receive title to taxable goods. The total purchase price includes:

- the value of any services accepted by the seller on account of the purchase price,
- any charges for financing, interest, customs and excise, and
- any delivery charges or other transportation charges (including shipping and handling) incurred at or before the time that title to the goods passes to the purchaser.

PST applies to delivery charges and other transportation charges in the following circumstances.

- As a condition of the sale, the seller delivers taxable goods to the purchaser before title to the goods passes to the purchaser.
- Taxable goods are shipped to a purchaser in BC from an out-of-province location.

- The seller incurs costs related to receiving goods prior to delivery to the purchaser and re-bills these charges to the purchaser. This includes instances where a seller must arrange to have goods forwarded or transferred from another branch, warehouse, out-of-town or other off-site location before the purchaser takes possession of, and title to, the goods.

Note: The seller does not pay PST on these charges as they are incurred in relation to acquiring goods for resale.

PST applies to the charges even if they are separately stated on the sales invoice.

Taxable and Non-Taxable Goods Included in Same Delivery

If any of the above circumstances apply and both taxable and non-taxable goods are included in the same delivery, PST applies to the portion of the delivery charge that can be reasonably attributed to the taxable goods. The following are examples of how delivery charges can be reasonably attributed for PST purposes.

Example 1

A customer purchases a \$20 book (exempt) and a \$10 toy (taxable) from an online retailer. The goods are shipped together from a fulfillment centre in BC. Title to the goods does not pass until they arrive at the customer's address. The online retailer charges the customer \$9 for expedited shipping and attributes the delivery charge to each item based on purchase price. The online retailer collects PST on \$13.00 (the \$10 price for the toy and 1/3 of the \$9 charge for delivery).

Example 2

A customer purchases 4 books for \$40 (exempt) and a video game for \$60 (taxable) from a retailer in BC. The goods are shipped together from the retailer's location in BC. Title to the goods does not pass until they arrive at the customer's address. The retailer charges the customer \$10 for shipping and attributes the delivery charge equally to each item based on the number of items. The online retailer collects PST on \$62.00 (the \$60 price for the video game and 1/5 of the \$10 charge for delivery).

Non-taxable Delivery Charges

Exempt Goods

PST does not apply to delivery charges or transportation charges for goods that are exempt from PST (e.g. goods purchased for resale).

Delivery in BC – Title Passes Before Delivery

PST does not apply to delivery charges or transportation charges for taxable goods if:

- the goods are purchased from a BC supplier (i.e. the goods are not delivered from an out-of-province location), and
- title to the goods passes to the purchaser at the seller's premises.

PST does not apply in this situation because the delivery charge does not form part of the purchase price of the taxable goods. If the seller charges the customer for delivery of the goods to another location, and this charge is separately stated on the sales invoice, PST applies only to the purchase price of the goods. If the delivery charge is not separately stated on the sales invoice, PST applies to the full amount charged to the customer.

Goods Shipped Outside BC by the Seller

PST does not apply to either the purchase price or the delivery charges if the goods are to be shipped or delivered by the seller to a location outside BC, provided that no use whatsoever is to be made by the purchaser of the goods while the goods are in BC (other than storage by the seller). To show why the seller did not collect PST on these sales, the seller must retain evidence they caused the goods to be shipped or delivered to an out-of-province location (e.g. bills of lading, shipping invoices or similar documentation).

Delivery Charges Related to the Lease of Taxable Goods

Taxable Delivery Charges

PST applies to delivery charges and other transportation charges in the following circumstances.

- A mandatory condition of the lease agreement requires the lessor to deliver the taxable goods at the start of the lease period, **or** to remove the goods upon termination of the leasing agreement.
- Delivery of the taxable goods occurs **during** the term of the lease, even if the delivery charges are optional.
- Taxable goods are leased from an out-of province lessor and shipped to a lessee in BC.

PST applies to the charges even if they are separately stated on the invoice. This is because the charges form part of the lease price.

Non-taxable Delivery Charges

PST does not apply to delivery charges and other transportation charges on leased goods if:

- the delivery or removal of the goods is optional and occurs **before or after** the term of the lease, and
- the transportation charge is not included in the lease price and is separately stated on the invoice.

Delivery Without a Sale or Lease of Goods

Goods Delivered within BC, or from BC to an Out-of-province Location

PST does not apply to delivery charges and other transportation charges that are not related to the sale or lease of taxable goods, provided the items are transported between locations within BC, or from a location in BC to an out-of-province location.

For example, PST does not apply to charges for transporting a customer's furniture from Victoria to Vancouver, from Kamloops to Moose Jaw or from Chilliwack to Spokane.

Goods Delivered from an Out-of-province Location into BC

When taxable goods are brought, sent or received into BC for use from an out-of-province location (e.g. machinery that is brought into the province for use), PST applies to the purchase price of the goods. In this case, delivery charges, other transportation charges and any other expenses (e.g. service, customs and excise) incurred before the taxable goods are used in BC are included in the purchase price for the purpose of calculating the PST.

However, PST does not apply to delivery charges or other transportation charges related to goods brought into the province by new residents of BC if the goods qualify for the exemption for new residents.

For more information, see [Bulletin PST 310](#), *Goods Brought into BC* and [Bulletin PST 306](#), *Goods Brought into BC by New Residents*.

Delivery Charges and Related Services

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

Delivery charges and other transportation charges for a customer's goods to which a related service has been provided are generally not subject to PST, provided such charges are separately stated on the sales invoice.

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

Delivery Charges on Taxable Repair Parts and Taxable Replacement Parts

PST applies to delivery charges and other transportation charges related to taxable repair or taxable replacement parts as follows.

- PST applies to delivery and other transportation charges related to the purchase of repair parts and replacement parts, as the charges are part of the purchase price paid to obtain the parts.
- If repair is undertaken by a mechanic at the location of the customer's equipment and repair or replacement parts are delivered directly to that location, PST applies to the full amount charged for the repair parts and replacement parts, including charges for freight to the location of repair, as this is the point of sale.

Delivery Charges and Exempt Goods

PST does not apply to any delivery charges or other transportation charges in relation to non-taxable or exempt goods, even when they are related to the purchase or lease of the goods.

For example, you purchase a non-motorized bicycle over the Internet. You have the bicycle delivered to your address and title does not pass until delivery is complete. PST does not apply to the delivery charges because non-motorized bicycles are specifically exempt from PST.

Goods that are Damaged, Destroyed or Lost in Transit

Replacement Goods

How PST applies to goods damaged, destroyed or lost in transit depends on whether the seller or purchaser is responsible for replacement of the goods. Responsibility for replacement depends on whether the seller or purchaser had title to, and responsibility for, the goods at the time they were damaged, destroyed or lost.

- If the goods are damaged, destroyed or lost **before** title passes to the purchaser and the seller is responsible for replacing the goods at no additional charge to the purchaser, the seller does not pay PST on either the goods damaged, destroyed or lost, or on the replacement goods.

- If the goods are damaged, destroyed or lost **after** the transfer of title and the purchaser is responsible for replacing the goods, the purchaser must pay PST on the purchase price of the replacement goods. PST paid on the original purchase is **not** refundable.

Sales of Damaged Goods

Sellers must charge PST on taxable goods sold at a reduced purchase price, such as damaged goods, demo models and goods sold as “open box” items (i.e. there is no exemption for these types of sales).



Need more info?

Online: gov.bc.ca/pst

Toll free: 1 877 388-4440

Email: CTBTaxQuestions@gov.bc.ca

Subscribe to our [What's New](#) page to receive email updates when information changes.

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

Latest Revision

December 2016

- Added information on how PST applies to delivery charges if taxable and non-taxable goods are included in the same delivery.
-

References: *Provincial Sales Tax Act*, sections 1 “use” and 10; Provincial Sales Tax Exemption and Refund Regulation, section 26.