



# Provincial Sales Tax (PST) Bulletin

Bulletin PST 302

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## Delivery Charges

Provincial Sales Tax Act

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Latest Revision: The revision bar ( | ) identifies changes to the previous versions of this bulletin dated July 27, 2018. For a summary of the changes, see Latest Revision at the end of this document.

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This bulletin explains how PST applies to delivery and other transportation charges (referred to in this bulletin as delivery 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).

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### Overview

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PST must be calculated on the **total purchase price** paid by the purchaser for taxable goods, unless a specific exemption applies. 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
- Any delivery charges (including shipping and handling) incurred at or before the time that title to the goods transfers to the purchaser

In most cases, delivery charges are incurred at or before the time title to the goods transfers. As a result, you generally charge PST on delivery charges as they form part of the taxable purchase price of the goods.

## Incurring Delivery Charges and Transfer of Title

Delivery charges are considered to be incurred at the time the contract for delivery is entered into and your customer agrees to pay the charges. The charges do not have to be invoiced or paid to be incurred.

### When Title Transfers

Generally, when goods are sold and delivered, title transfers when:

- the sales contract is entered into, **and**
- the specific good being purchased under that contract is identified and in a state ready to be delivered or transported.

Transferring title can also occur at a later time if set out in the contract (e.g. at the time the goods are delivered).

If you have questions about when title transfers in your situation, including other types of sales (e.g. sales of future goods), contact us at [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

## Delivery Charges

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### Taxable Delivery Charges

You must charge PST on delivery charges that form part of the purchase price for taxable goods in the following situations:

- The goods are delivered from within B.C. and the delivery charges are incurred at or before the time title to the goods transfers
- The goods are delivered from outside B.C. to a purchaser in B.C.

The following examples assume that title transfers based on the general rule above.

#### Example 1:

Ash purchases a sofa from a used furniture store. He asks for the sofa to be delivered to his home and arranges for delivery at the time of sale. The furniture store must charge Ash PST on the delivery charge because the charge was incurred at the time the sales contract was made and at the same time title transferred.

#### Example 2:

Gary purchases a paddle board from a surf shop and asks for a paddle board seat to be added and to have the paddle board delivered to his home. The surf shop installs the paddle board seat the next day and later calls Gary to inform him that the paddle board is ready for delivery. The surf shop must charge Gary PST on the delivery charge because the charge was incurred at the time the sales contract was made and before title transferred.

#### Example 3:

Jessie orders a dress from a clothing store that has eight of those dresses in stock. She completes the bill of sale online that includes delivery. The clothing store must charge Jessie PST on the delivery charge because the charge was incurred at the time the bill of sale was completed online and before title transferred.

#### **Example 4:**

Ritchie purchases a blender online from a retailer located in Alberta and requests that the blender be delivered to his home in Castlegar. If the online retailer is a PST collector, the online retailer must charge Ritchie PST on the delivery charge because the blender is delivered from outside B.C. into B.C. In this situation, for the purposes of the PST, it does not matter when title to the blender transfers. If the online retailer is not a PST collector, Ritchie must self-assess (pay directly to us) the PST on the blender and the delivery charge.

## **Non-Taxable Delivery Charges**

### **Exempt Goods**

You do not charge PST on delivery charges for goods that are exempt from PST (e.g. goods purchased for resale).

#### **Example:**

James orders a non-motorized bicycle over the Internet that includes delivery. The bicycle shop does not charge James PST on the delivery charge because non-motorized bicycles are specifically exempt from PST.

### **Exemption for Aggregate Delivery**

Effective April 1, 2018, you do not charge PST on delivery charges for aggregate that you sell in B.C. if you allow your customer to pick it up or use a third-party delivery service. If you do not allow your customer a delivery option other than your delivery of aggregate and you deliver the aggregate within B.C., you charge PST on the delivery charge. You must charge PST on the aggregate unless a specific exemption applies.

For the purpose of the PST, aggregate means quarry material (e.g. gravel, sand and crushed stone) or fill that is ordinarily used in the construction and maintenance of civil and structural projects (e.g. buildings and roads).

#### **Example:**

Ali purchases 10 cubic yards of sand for \$1,000. Ali chooses to have the seller deliver it for \$500. The seller charges PST on the sand but does not charge PST on its delivery charge as there is a specific exemption on optional delivery charges for aggregate.

If your customer purchased aggregate on or after April 1, 2018 and paid PST on delivery charges when options for delivery were available, they may be eligible for a refund. For more information about refunds, see [Bulletin PST 400](#), Refunds.

### **Delivery in B.C. – Delivery Charges After Title Has Passed (Customer Owned Goods)**

You do not charge PST on delivery charges for taxable goods if:

- the goods are delivered from within B.C., and
- at the time the delivery charges are incurred, title to the goods has already passed to the purchaser (the goods are “customer owned goods”). See section above, When Title Transfers.

The following example assumes that title transfers based on the general rule above.

**Example:**

Misty orders a custom door from a building centre in B.C. and is immediately invoiced by the seller. Three weeks later, the building centre makes the door and contacts Misty to let her know the door is ready for pickup.

Misty intended to pick the door up from the building centre. However, when the building centre called to let her know the door was ready, she decided to have them deliver the door. A new invoice is drawn up for the delivery charges. The delivery charge does not form part of the purchase price for the door and the building centre does not charge Misty PST on the delivery charge because the charge was incurred after title transferred.

**Goods Shipped Out of B.C. by the Seller**

You do not charge PST on the purchase price or the delivery charges of goods you ship out of B.C. if:

- the goods are to be shipped or delivered to a location outside B.C., and
- no use is to be made by the purchaser of the goods while the goods are in B.C. (other than storage by the seller).

To show why you did not collect PST on these sales, you must retain evidence that the goods were shipped or delivered to an out-of-province location (e.g. bills of lading, shipping invoices or similar documentation).

**Taxable and Non-Taxable Goods Included in Same Delivery**

If both taxable and non-taxable goods are included in the same delivery, and the delivery charge is incurred at or before the time that title to the goods transfers, 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:**

Brock purchases a \$20 book (exempt) and a \$10 toy (taxable) from an online bookstore. The goods are shipped together from a fulfillment centre in B.C. The delivery charge is incurred at the time of sale and is separately stated on the sales invoice. The online bookstore charges Brock \$9 for expedited shipping and attributes the delivery charge to each item based on purchase price. The online bookstore charges PST on \$13.00 (the \$10 price for the toy and 1/3 of the \$9 charge for delivery).

**Example 2:**

Tracey purchases 4 books for \$40 (exempt) and a video game for \$60 (taxable) from an online bookstore in B.C. The goods are shipped together from the bookstore's location in B.C. The delivery charge is incurred at the time of sale and is separately stated on the sales invoice. The bookstore charges Tracey \$10 for shipping and attributes the delivery charge equally to each item based on the number of items. The online bookstore charges PST on \$62.00 (the \$60 price for the video game and 1/5 of the \$10 charge for delivery).

In addition to the methods described in the above examples, it may be reasonable to allocate delivery charges based on the weight or size of the items. Other methods may also be reasonable.

## **Taxable and Exempt Delivery Charges in Same Delivery**

If a purchase includes delivery of both aggregate and goods where delivery is taxable (e.g. topsoil), and the seller allows a customer to choose a delivery option, PST applies only to the reasonably attributed portion of the delivery charge that is taxable.

### **Example:**

Construction Inc. purchases 80 cubic yards of gravel for \$8,000 with 20 cubic yards of topsoil from ABC Aggregate Co for \$2,000. ABC Aggregate Co. (which offers optional delivery) charges \$5,000 for delivery and attributes 20% of the \$5,000 to the delivery of the topsoil. ABC Aggregate Co. charges PST on \$1000 of the delivery charge.

## **Delivery Charges Related to the Lease of Taxable Goods**

Unless an exemption applies, PST applies to all amounts included in the lease price of a taxable lease, even if the amounts are charged separately. In some cases, a lease price includes delivery related to the lease.

### **Delivery Charges Included in the Lease Price**

You include a delivery charge in the lease price of a good if:

- the charge is mandatory under the lease agreement (e.g. delivery is not optional), or
- the good is leased outside B.C., the charge is for delivery of the good into B.C., and the charge is incurred by the lessee before the lessee uses the good in B.C. (i.e. in most cases, before the good enters B.C.).

A delivery charge that is included in the lease price of a good is subject to PST if the lease is taxable. See [Bulletin PST 315](#), Rentals and Leases of Goods.

**Note:** A delivery charge that is not included in the lease price of a good could still be taxable if the delivery or transportation service is provided to the good during the lease by the lessor or a third party through a contract with the lessor. See [Bulletin PST 301](#), Related Services for more information.

## **Delivery Without a Sale or Lease of Goods**

### **Goods Delivered within B.C., or from B.C. to Outside B.C.**

You do not charge PST on delivery charges not related to the sale or lease of taxable goods, provided the goods are transported between locations within B.C., or from a location in B.C. to outside B.C. (e.g. 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 Outside B.C. into B.C.**

When taxable goods are brought or sent into B.C. or received in B.C. for use from outside B.C. (e.g. machinery brought into B.C. for use), PST applies to the purchase price of the goods. In this case, PST applies to the purchase price of the goods including delivery charges and any other expenses (e.g. service, customs and excise) incurred before the taxable goods are used in B.C.

However, PST does not apply to delivery charges related to goods brought into B.C. by new residents of B.C. if the goods qualify for the exemption for new residents.

For more information, see [Bulletin PST 310](#), Goods Brought into B.C. and [Bulletin PST 306](#), Goods Brought into B.C. 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.

You do not charge PST on delivery charges for goods to which a related service has been provided if the goods are customer-owned goods and delivery is within B.C.

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

## Delivery Charges on Taxable Repair Parts and Taxable Replacement Parts

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

- You charge PST on delivery 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 the repair is undertaken by a mechanic at the location of your customer's equipment and the repair or replacement parts are delivered directly to that location, PST applies to the full amount charged for the repair and replacement parts, including charges for freight to the location of the repair, as this is the point of sale.

## Goods that are Damaged, Destroyed or Lost in Transit

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### Replacement Goods

How PST applies to goods damaged, destroyed or lost in transit depends on whether you or the purchaser is responsible for replacement of the goods. Responsibility for replacement depends on whether you or the purchaser had title to 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 you are responsible for replacing the goods at no additional charge to the purchaser, you do 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.
- You do not charge PST if the replacement goods are provided free of charge.

### Sales of Damaged Goods

You 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 (there is no exemption for these types of sales).



## 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

September 2021

- Added that a charge for delivery or transportation services is not exempt if it is provided to a leased good during the lease by the lessor or by a third party through a contract with the lessor
  - Other revisions
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References: Provincial Sales Tax Act, sections 1 “use” and 10; Provincial Sales Tax Exemption and Refund Regulation, sections 26, 60.3, 77.2 and 132.2.