



Containers and Packaging Materials

Provincial Sales Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated April 2016. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin explains how PST applies to containers, packaging materials, reusable containers and labels.

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Overview

Containers and packaging materials include items such as bags, boxes and crates. Whether PST applies to these items depends on how they are used by a business and whether there is a charge to the customer for them.

In this bulletin, exempt from PST may also mean a non-taxable good or service that is not subject to PST.

Paying PST

Generally, you are exempt from PST on containers and packaging materials (other than reusable containers) that you use in your business if you obtain them solely

to package 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 do **not** include them with your goods at the time the goods are sold or leased (e.g. using them to store, handle or ship goods). You also pay PST if you use them to provide a service (e.g. moving or courier services), or if you provide them to your customers at no charge and they are considered incidental to the provision of a service if the service is exempt from PST (e.g. a free bag provided to dental patients for their toothbrush and toothpaste samples).

Charging PST

If you charge your customers for containers and packaging materials, you must charge PST for the containers and packaging materials even if the goods or services themselves are exempt from PST. If you do **not** separately charge your customers for containers and packaging materials, you are generally not required to charge PST if the containers and packaging materials are provided with exempt goods or services. In limited circumstances, you may be required to charge PST on the fair market value of the containers and packaging materials (see Collecting PST on the Fair Market Value below).

In this bulletin, **obtain** means:

- purchased in B.C.,
- brought or sent into B.C., or
- received in B.C.

Taxable Containers and Packaging Materials

You must pay PST on containers and packaging materials if you use them for:

- storing goods you use in your business
- handling your goods before the goods are sold, if the containers and packaging materials are not included with the goods at the time of sale or lease (e.g. boxes and crates used within a warehouse or between distribution centres)
- shipping your goods between business locations, if the containers and packaging materials are not provided with the goods at the time of sale or lease (e.g. boxes used to package boxed keyboards to transport them to retail locations)

- providing a service, such as moving services, without providing the containers or packaging materials to the customer (see Containers and Packaging Materials Used to Provide a Service below)
- shipping goods that are being provided as promotional material. For more information, see [Bulletin PST 311](#), Promotional Materials and Special Offers.

Reusable Containers

A **reusable container** is a container or pallet that is used to package or deliver goods and can be returned and reused.

The following are examples of reusable containers:

- barrels, drums, pallets and carboys
- cylinders that store compressed gas (e.g. oxygen and acetylene)

If you obtain reusable containers in B.C., you must pay PST on the purchase price of the reusable container. This applies when you intend to sell your goods packaged or delivered in or on the reusable container, and you:

- charge a deposit, credit, penalty or replacement charge to encourage its return for reuse as a container,
- retain an interest in the reusable container after the sale of goods, or
- require the reusable container, or a similar reusable container, to be returned after the sale of goods, or if you sell the goods in a jurisdiction where the reusable container is subject to a regulatory or contractual scheme to recover the container for reuse by you or by other participants in the scheme.

Note: Returnable and reusable milk bottles are an exception and are exempt from PST if they are used to hold milk products for retail sale.

Charges to Customers

If you charge a fee to your customer for the use of the reusable containers, you must charge PST on the fee. If you charge a penalty for late return, you must also charge PST on the late return charge.

If the goods you are selling are subject to PST (e.g. liquor) and a container recycling fee, you must charge PST on the container recycling fee paid by your customer at the retail level because this fee forms part of the purchase price paid to receive the goods. The PST rate you charge on the fee is the same as the rate for the goods being purchased; therefore, if the goods are liquor, the PST rate is 10%.

If you charge a deposit on a reusable container to encourage its return, PST does **not** apply to the deposit.

Containers and Packaging Materials Used to Provide a Service

If you use containers and packaging materials to provide a service, such as a packaging service (other than gift wrapping), mailing, courier, freight or moving service, you must pay PST on the packaging materials you use in providing that service. This includes boxes, crates, foam chips, strapping, wrapping and bags.

For example, dry cleaners provide an exempt service to clothing, and generally do not charge for the bags and other packaging materials they use to protect the clothing before they are picked up by the customer. In this situation, the dry cleaners must pay PST on the bags and other packaging materials.

However, if you sell your customer the packaging materials first and then use those materials to provide the service, you may purchase the packaging materials (other than reusable containers) exempt from PST as they are purchased for resale. 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 Certificate of Exemption – General ([FIN 490](#)).

In this case, as you are selling the packaging materials, you must charge your customer PST on the packaging materials.

For more information on goods (other than containers and packaging materials) used in providing related services, see [Bulletin PST 301](#), Related Services.

Exempt Containers and Packaging Materials

Containers and Packaging Materials Used to Package Goods for Sale

If you obtain containers and packaging materials (other than reusable containers) solely to package the goods you sell at retail and provide them with your goods when sold, you may purchase the containers and packaging material exempt from PST.

For example, a manufacturer uses boxes to package cookies, cereal or crackers for sale. The manufacturer may purchase the boxes exempt from PST.

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 Certificate of Exemption – General ([FIN 490](#)).

If you make your own containers and packaging materials for use in packaging, shipping or delivering your goods sold, you may purchase the materials exempt from PST.

The following are examples of containers and packaging materials (other than reusable containers) that you may purchase exempt from PST, provided the above is met:

- airbags included in containers and packaging
- bags and sacks – made of plastic or paper
- barrels, carboys and drums
- bottles – e.g. for packaging medication or vitamins
- boxes, cartons and crates
- dunnage materials – used to support and protect cargo during transport such as foam chips, paper and dunnage bags
- film print “wallet” envelopes – used to package finished film prints for the customer
- materials used to manufacture containers that become the property of the purchaser including nails, staples, cardboard, wood, glue, gummed tape or other products used to seal containers
- pallets
- pots of compressed peat moss, fibre, plastic and other materials used to facilitate the sale and delivery of plants
- restaurant take-out packaging and other food packaging (e.g. deli bags, bulk food bags, produce bags and bakery boxes)
- strapping wire – for bundling lumber for sale
- tape, twine and other materials – used for binding containers

Containers and Packaging Materials Used to Package Leased Goods

If you obtain containers and packaging materials that you use solely to package the goods you lease and provide them with the leased goods, you may purchase the containers and packaging materials exempt from PST. 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 Certificate of Exemption – General ([FIN 490](#)).

The exemption applies even if the containers and packaging materials are reusable containers (e.g. DVD and video game cases provided with rented DVDs and video games), because the tax on reusable containers only applies if you intend to **sell** a product that is packaged or delivered in or on the reusable container.

Containers and Packaging Materials Provided With Goods or Services

If you obtain containers and packaging materials (other than reusable containers) that you provide solely to your customers with their purchase of goods or services, you may purchase the containers and packaging materials exempt from PST if:

- in the case of goods, you are reselling those containers and packaging materials to your customer as part of the purchase of the goods, whether or not you charge separately for them
- in the case of services, you sell the containers and packaging materials first and then use those materials to provide the service

This includes boxes, crates, foam chips, strapping, wrapping, and bags. 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 Certificate of Exemption – General ([FIN 490](#)).

For example, a grocery store provides bags to their customers when they purchase groceries. The grocery store may purchase the bags exempt from PST. See below to determine whether the grocery store is required to charge PST on the bags.

Collecting PST on Containers and Packaging Materials

If You Charge for Containers and Packaging Materials

If you separately charge your customer for containers and packaging materials, the charge is subject to PST even if the goods or services themselves are exempt from PST. This is because the charge relates to the purchase of taxable containers and packaging materials. However, if you sell the container or packaging material for less than 15 cents, the charge is exempt from PST.

For example, a grocery store provides bags to their customers with their purchase of groceries and charges 15 cents or more per bag. The grocery store must charge PST on the charges for the bags.

If You Do Not Charge for Containers and Packaging Materials

If you do not separately charge your customer for containers and packaging materials, and you provide them with goods or services that are subject to PST, you charge PST on the full purchase price of the goods or services.

If you do not separately charge your customer for containers and packaging materials, and you provide them with goods or services that are exempt from PST, you are generally not required to charge PST on the containers and packaging materials. In most cases, the containers and packaging materials are exempt from PST to your customers because they either qualify for the bundled sales exemption, or are considered incidental to the provision of a service (see below).

Bundled Sales Exemption

You do not collect PST on containers and packaging if all of the following criteria are met:

- the container and packaging materials are sold with an exempt good or service for a single price
- the fair market value of the container and packaging material is:
 - \$50 or less, **and**
 - 10% or less of the total fair market value of all the items and services sold for a single price
- the container and packaging materials are pre-packaged with the exempt good or service or you do not ordinarily sell the containers or packaging separately from the exempt good or service
- the containers and packaging material are not being provided by way of promotional distribution
- no good or service sold for the single price is liquor, tobacco, a soda beverage, a telecommunication service or a legal service

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

Incidental Containers and Packaging Materials for Services Exempt from PST

If you provide containers and packaging materials to your customer with an exempt service, you do not charge PST on the containers and packaging materials if:

- the main purpose of the contract is for your service and not for the containers and packaging materials,
- there is no separate charge for the containers and packaging materials, and
- the total price for the service, including the containers and packaging materials is the same as or only marginally different from the price you would charge if the containers and packaging materials were not provided.

In this case, you do not charge PST because the containers and packaging materials are not being sold and are only incidental to the service you are providing.

Note: As the service provider, you must pay PST on containers and packaging materials that are incidental to your services.

Collecting PST on the Fair Market Value

In limited circumstances, you are required to collect PST from your customers on the fair market value of the containers and packaging materials. These include circumstances where the containers and packaging materials do not qualify as incidental packaging materials or for the bundled sales exemption explained above.

Example 1 – Packaging Materials Do Not Qualify for the Bundled Sales Exemption

A moving company provides exempt moving services for a single price that includes providing boxes and a lower price without boxes. The company also sells boxes separately to customers without moving services. Providing boxes with the moving service does not qualify for the bundled sales exemption as the moving company ordinarily sells the boxes separately. The moving company is required to charge their customer PST on the fair market value of the boxes provided as a single price moving service.

Example 2 – Gift Boxes Do Not Qualify for the Bundled Sales Exemption

A retail store sells exempt goods such as children's clothing and provides gift boxes at no charge with the purchase of the clothing. The store also sells gift boxes separately to customers without the purchase of other goods. Providing gift

boxes at no charge with the purchase of children's clothing does not qualify for the bundled sales exemption as the store ordinarily sells the gift boxes separately. The store is required to charge PST on the fair market value of gift boxes provided with the purchase of the clothing.

Labels

You are exempt from PST on labels you obtain solely for attaching to goods you sell or lease, provided they remain with the goods after the sale or lease.

If you remove the labels from the goods at or before the time of sale or lease, you must pay PST on the labels.

Production Machinery and Equipment Exemption

If you manufacture your own containers and packaging materials, you may qualify for the production machinery and equipment (PM&E) exemption on the machinery and equipment used to manufacture the containers and packaging materials, provided all the requirements for the exemption are met.

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



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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

May 2024

- Clarified that for the purposes of this bulletin, exempt from PST may also mean a non-taxable good or service that is not subject to PST
 - Clarified when you pay PST on containers and packaging materials that you use when providing a service
 - Removed the reference to returnable alcoholic beverage containers from the list of reusable containers that is used to package or deliver goods and can be returned and reused
 - Clarified when you must collect PST on containers and packaging materials even if the goods or services themselves are exempt from PST
 - Clarified when you do not collect PST on containers and packaging materials including when the bundled sales exemption applies and when they are considered incidental to your service
 - Other minor revisions
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References: Provincial Sales Tax Act, sections 1 “fair market value”, “liquor”, “non-taxable component”, “promotional distribution”, “promotional material”, “purchaser”, “related service”, “reusable container”, “sale”, “taxable component”, “use”, 26, 34, 101, 137, 138, 141 and 142; Provincial Sales Tax Exemption and Refund Regulation, sections 43, 73, 77, 92, and 103; Provincial Sales Tax Regulation, sections 3.1 and 7.