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Promotional Materials and Special Offers

Provincial Sales Tax Act

This bulletin explains how PST applies to promotional materials and certain special offers you may provide or offer to promote your business.

Table of Contents

Promotional Materials	1
PST and Promotional Materials	2
PST and Special Offers	4

Promotional Materials

Promotional materials are goods, software or telecommunication services you use, give away or sell below cost for one or more of the following purposes:

- To describe, promote or encourage the purchase, use or consumption of goods, software, services or real property.
- To provide or distribute a catalogue, directory, listing or compilation of persons, places, prices, services, commodities or businesses for the purchase, use or consumption of goods, software, services or real property.

Examples of promotional materials include:

- samples, gifts, premiums and prizes
- goods that are given away as part of a loyalty or rewards points program
- advertising flyers (**note:** if you print your own flyers, you may be eligible for the Exemption for Printers and Publishers – see [Bulletin PST 109](#), *Printers and Publishers*)
- goods you provide to advertisers or television/movie producers for product placement
- liquor you provide free of charge as part of a tasting (e.g. at a winery or brewery)
- other items you give away or sell below cost to encourage business

Please note: Vehicles, boats and aircraft that are given away or sold below cost are not promotional materials. For information on how PST applies to vehicles, boats or aircraft, see [Bulletin PST 308](#), *PST on Vehicles*, [Bulletin PST 108](#), *Boats* or [Bulletin PST 134](#), *Aircraft*.

PST and Promotional Materials

You must pay PST on all taxable promotional materials you purchase and all taxable goods you purchase to make promotional materials. For example, you must pay PST if you buy calendars or balloons that you will give away to promote your business.

You must also pay PST on taxable promotional materials you purchase to sell at a price below cost. For example, you purchase perfume at a cost of \$40 per bottle. In an effort to promote greater sales, you offer the perfume to preferred customers at a below cost price of \$30 per bottle. In this case, your customer pays PST on the \$30 purchase price of the perfume. In addition, if you have not yet paid PST on the goods (e.g. after taking them out of your exempt resale inventory for use as promotional material), on your next PST return, you need to self-assess PST based on the following formula:

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

$$(\$40 - \$30) \times 7\% = \$0.70 \text{ PST to self-assess}$$

Please note: You do not need to self-assess PST on goods that you sell below cost if you are not doing so for promotional purposes. For example, you purchased electronics at \$100 per item and attempted to sell them for \$150 per item. After some time, you decide to mark down the remaining items to \$75 per item because they became obsolete or because their value has decreased. In this case, your customer pays PST on the \$75 purchase price of the electronics but you do not need to self-assess any additional PST.

For information on how to self-assess PST on your PST return, see our guide for [Completing the PST Return](#).

Self-Assessing PST on Goods Incorporated Into Other Goods for Resale or Lease

If you purchased goods exempt from PST because the goods were to be processed, fabricated, or manufactured into, attached to, or incorporated into other goods for resale or lease, and you take the resulting goods out of your resale or lease inventory for use as promotional material, you must self-assess PST. You self-assess PST on your cost of any taxable goods you originally purchased exempt from PST for this purpose.

Examples:

1. You are a barbeque manufacturer and you offer a "Win a Free BBQ" draw to customers that visit your retail location. You must self-assess PST on your cost of the taxable goods you originally purchased exempt from PST to incorporate into the barbeque for resale (e.g. sheet metal, cast iron, grilles, screws, wheels, packaging materials and other components).
2. You operate a vineyard and take liquor out of your exempt resale inventory for use as promotional material (e.g. to provide free of charge as part of a tasting). You must self-assess PST on your cost of the taxable goods you originally purchased exempt from PST (e.g. bottles, corks/screw tops and labels). You do not self-assess PST on the liquor itself as you manufactured the liquor yourself from non-taxable components.

Goods from Out-of-Province Suppliers

If you purchase taxable goods for use as promotional materials from an out-of-province supplier, you pay PST on the total amount that 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, 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 the goods into BC.

Promotional Materials Shipped Out of BC

Promotional Materials Shipped Out of BC by Third Parties

If you are a business and purchase promotional materials inside BC from a third party (e.g. a printing company), PST applies as follows:

- If the third party ships the materials to an out-of-province location (either directly to individuals or in bulk), the materials are exempt from PST.
- If the third party ships the materials to your business in BC, PST applies to the materials. However, you may be eligible for the refund described below.

Refund for Goods Shipped Out of BC

If you paid PST on the purchase of promotional materials for business use outside of BC, you may be eligible for a refund of PST if:

- the promotional materials or other goods were shipped out of BC **in bulk** for use outside BC, and
- no use of the promotional materials or other goods was made while they were in BC, other than to store and ship the materials or goods out of BC.

This refund does not apply to either of the following:

- Promotional materials you shipped out of BC to individual customers outside BC.
- Goods that you used to produce your own promotional materials, such as paper, envelopes and toner. By using these goods, the second requirement of the refund has not been met.

To apply for a refund for promotional materials shipped out of BC in bulk, complete an *Application for Refund – General (FIN 355)* and provide the supporting documentation listed in the instructions to the form, as well as:

- a detailed schedule for each shipment of materials that includes:
 - the refund claim amount,
 - the type of materials (e.g. financial reports) that were shipped out of BC,
 - the method by which you shipped the materials,
 - the date you shipped the materials out of BC,
- a copy of your purchase invoices (for the promotional materials), and
- evidence that shows you shipped the materials out of BC (e.g. bills of lading, accounting records and corresponding receipts for shipping costs).

We may request additional documentation when processing your refund claim.

Please note: As stated above, the refund does not apply if the promotional materials were shipped to individual customers. However, if the promotional materials were shipped in envelopes together with administrative materials, the PST paid on the envelopes and the administrative materials are eligible for a refund.

For more information on administrative materials, see [Bulletin PST 313](#), *Administrative Materials*.

Tax Payment Agreements

If your business often claims refunds for PST paid on the purchase of promotional materials or other goods for business use outside of BC, you may be eligible to apply to enter into a voluntary tax payment agreement (TPA) with the Ministry of Finance.

A TPA allows eligible businesses to purchase certain items for business use without paying PST at the point of sale, and to self-assess and remit the PST due on any items later used for a taxable purpose.

For more information, see [Bulletin PST 317](#), *Tax Payment Agreements*.

PST and Special Offers

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 cosmetics. For the purposes of the PST, these transactions are sales of both items.

If all of the items (i.e. both those purchased and those provided as a bonus) are taxable goods (e.g. a hairbrush provided with a bottle of shampoo), you 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. a taxable stuffed animal and non-taxable chocolates), 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 on bundled sales, see [Bulletin PST 316](#), *Bundled Sales and Leases*.

Gift Cards and Gift Certificates

PST does not apply to a purchase of gift cards and gift certificates if the customer is purchasing store credit, which may or may not be redeemed later. When the credit is redeemed, PST will apply if the item purchased is subject to PST.

This rule also applies to cards that may be purchased or redeemed online. For example, PST does not apply to the purchase of a \$50 gift card that is redeemable at an online digital media store that sells and leases movies, music and other digital items. When the gift card is used to make purchases and leases, PST will apply if the items that are purchased and leased are subject to PST.

However, the following types of cards are subject to PST as a purchase of software or as a telecommunication service:

- **Time cards:** These are cards that provide the purchaser with the right to access an online video game for a period of time (e.g. 60-day online game cards).
- **Points cards:** These are cards that provide the purchaser with a specific number of points that can be redeemed for software or the right to access software (e.g. apps or video games, including upgrades and in-app or in-game purchases).
- Cards that provide the purchaser with the right, whether exercised or not, to download, view or access, via a telecommunication system by means of an electronic device ordinarily situated in BC, the following telecommunications:
 - audio books, music, ringtones (includes text tones and other alert tones) and audio programs (e.g. podcasts and radio programs), and
 - TV programs, movies and other videos.

For more information on the application of PST to these telecommunications, see [Bulletin PST 107](#), *Telecommunication Services*.

Coupons and Rebate Offers

Coupons and Rebate Offers You Provide Directly

As a retailer or service provider, you may issue your own coupons or rebate offers that you provide directly to your customers as partial or full consideration towards the purchase of goods, software or services. When your customer presents these coupons or rebate offers towards the purchase of taxable goods, software or services you sell, the coupon or rebate offer reduces the purchase price on which PST applies.

Example:

You email weekly “20% off one item” coupons to preferred customers that they can use towards purchases of the goods you sell. A customer uses this coupon towards the purchase of a \$300 electric kitchen mixer. The coupon reduces the purchase price of the electric kitchen mixer to \$240 (\$300 less 20%). The PST due is \$16.80 (7% x \$240).

Third Party Coupons and Rebate Offers

Different rules apply where coupons or rebate offers are provided by third parties (e.g. manufacturers or distributors).

When your customer presents these coupons or rebate offers towards their purchase of taxable goods, software or services, PST applies as follows:

- If you can reasonably expect to be reimbursed (in whole or in part) by a third party for accepting the coupon or rebate offer, the coupon or rebate offer does **not** reduce the purchase price on which PST applies. (**Note:** this does not apply to coupon or rebate offers from manufacturers when used as consideration for the purchase of a motor vehicle; see [Bulletin PST 116](#), *Motor Vehicle Dealers and Leasing Companies*).

Example:

You sell toilet bowl cleaner for \$2 per canister. The manufacturer of the toilet bowl cleaner provides \$0.50 off coupons in local flyers that customers can use towards their purchase. The coupon indicates that you (the retailer) can submit the coupon for reimbursement. In this case, the coupon does **not** reduce the purchase price of the toilet bowl cleaner. The PST due is \$0.14 (7% x \$2).

- If you can reasonably expect **not** to be reimbursed by a third party for accepting the coupon or rebate offer, the coupon or rebate offer **does** reduce the purchase price on which PST applies.

Example:

You sell toothbrushes for \$4 each. The distributor of the toothbrushes provides \$1 off coupons online that customers can use towards their purchase. The coupon does not indicate that you (the retailer) can submit the coupon for reimbursement, does not specify an address where the coupon can be sent for reimbursement, and you have no prior history of receiving reimbursements for coupons from that supplier. In this case, the coupon does reduce the purchase price of the toothbrushes to \$3. The PST due is \$0.21 (7% X \$3).



Need more info?

Online: gov.bc.ca/PST

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Email: CTBTaxQuestions@gov.bc.ca

Access our forms, publications, legislation and regulations online at gov.bc.ca/PST (go to **Forms** or **Publications**).

Subscribe to our **What's New** page to receive email updates when new PST information is available.

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

References: *Provincial Sales Tax Act*, sections 1 “promotional distribution”, “promotional distributor”, “promotional material”, “sale”, “software”, “telecommunication service”, “use”, “user”, 9, 14, 16, 17, 22, 23, 32, 37, 49, 55, 84, 137, 141, 158 and 192; Provincial Sales Tax Exemption and Refund Regulation, section 26; Provincial Sales Tax Regulation, sections 12-14.