



## Rentals and Leases of Goods

### Provincial Sales Tax Act

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Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated September 2021. For a summary of the changes, see Latest Revision at the end of this document.

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This bulletin provides information to help lessors understand how PST applies to leases of goods.

This bulletin does not provide information on how PST applies to leases of motor vehicles. For information on how PST applies to leases of motor vehicles, see [Bulletin PST 116](#), Motor Vehicle Dealers and Leasing Companies.

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## **Definitions**

In this bulletin:

- A **lessor** is a person who, in the ordinary course of business, leases or offers to lease goods to a lessee and does one or more of the following:
  - carries on business in B.C.
  - enters into leases in B.C. with a lessee
  - leases goods that are located in B.C. at the time the lease is entered into
  - transfers possession of or delivers leased goods to a lessee in B.C.
- The **fair market value** of the lease of a good for a period of time is the price the good is normally leased for in the open market for that amount of time by a willing lessor to a willing lessee at arm's length. In most cases, we consider the price you normally charge for leasing a good to be the fair market value of the good.

## **Registration**

If you are a lessor who leases taxable goods in B.C. (including entering into lease agreements in B.C. or delivering leased goods to a lessee in B.C.), you must register to collect PST on your taxable leases. If you are a lessor who only leases exempt goods, you are not required to register to collect PST.

For more information, see [Bulletin PST 001](#), Registering to Collect PST.

## **Online Marketplace Facilitators and Lessors**

If you are a lessor who leases taxable goods in B.C. through an **online marketplace** (e.g. a website or mobile app) operated by an **online marketplace facilitator**, then the online marketplace facilitator is required to register and collect PST on payments they collect through their online marketplace. For more information, see [Bulletin PST 142](#), Online Marketplace Facilitators and Sellers, and Online Marketplace Services.

## What is a Lease?

A lease is an agreement under which a person is given a right to use goods (and includes rentals). However, a lease does **not** include any of the following:

- An agreement under which goods are supplied with a person to operate the goods (see Goods Supplied With an Operator below)
- The leasing of furnishings under an agreement to rent a house, apartment or other residential accommodation if the rent payments are not divided into separate amounts for the accommodation and the furnishings
- A right to use goods supplied with the purchase of accommodation if there is no separate purchase price for the right to use those goods
- A right to use goods that are merely incidental to an agreement for the right to use real property or the provision of services that are not subject to PST (see Incidental Goods below)
- An agreement under which title to the goods **must** be transferred at the end of the term of the agreement [see Option-to-Purchase (Lease Buyout) below]
- A right to use laundry machines, car wash vacuum cleaners and wands, arcade machines, video terminals, jukeboxes, claw merchandise machines, slot machines and similar equipment by or through which payment is made
- A right to use garbage bins, compost bins or similar receptacles that are provided for disposal services

A lease also does **not** include an agreement to download or stream content over the Internet. However, PST applies to charges for the right to download, view or access certain audio and video content, such as music, TV programs and movies.

For more information, see [Bulletin PST 107](#), Telecommunication Services.

## **Taxable Leases**

Unless a specific exemption applies, as a lessor, you must charge PST on new or used taxable goods you lease in B.C. if one or more of the following apply:

- The lessee enters into the lease in B.C.
- The goods are located in B.C. at the time the lessee enters into the lease
- The lessee takes or intends to take possession of the goods in B.C., or receives delivery of the goods in B.C.

PST applies regardless of the length of the rental period (e.g. hourly, daily, weekly, monthly).

## Examples of Taxable Leases

Leases of the following goods are taxable, unless a specific exemption applies. This is not a complete list.

- Affixed machinery (see our [Defining real property](#) page)
- Appliances and freestanding refrigeration equipment
- Boats (unless supplied with an operator, such as a sailing course or charter) see [Bulletin PST 108](#), Boats
- CDs, DVDs, Blu-ray discs, video games, audio and video players and equipment, gaming consoles, and TVs
- Camera equipment, display lighting, sound and visual equipment, and recording equipment
- Camping gear, including tents, backpacks, sleeping bags, mats, poles, cookware, tarps and lighting
- Carpet cleaners
- Computers and peripherals, including printers, fax machines, modems and routers, and tablets
- Construction and renovation equipment and tools, including tile saws, sanders, drills, tampers, scaffolding, generators, excavators, pumps, paint sprayers and air compressors
- Drones, remote-control hobby aircraft or other remotely piloted aircraft (unless supplied with an operator), see [Bulletin PST 134](#), Aircraft
- Electric scooters
- Food carts
- Furniture, artwork and decorations (e.g. when leased for staging homes)
- Garden tools (e.g. lawn mowers, trimmers, aerators, hand tools) and pressure washers
- Goods leased by party supply stores (e.g. gazebos, archways, tables, chairs, linens, decorations)
- Horses and other animals
- Industrial gas cylinders
- Inflatables such as bouncy castles (unless supplied with an operator)
- Jewellery and accessories
- Manufactured buildings (**note:** certain used manufactured buildings are exempt; see [Bulletin PST 133](#), Manufactured Buildings)
- Motion pictures, where the lessee is given the right or authority to exhibit the motion picture to others (contact us)

- Musical instruments and related equipment
- Non-turbine, non-electric aircraft (unless supplied with an operator, such as part of a flying course or a charter), see [Bulletin PST 134](#), Aircraft
- Office equipment and furniture
- Plants in freestanding containers
- Portable storage containers
- Roof racks and trailers
- Sports equipment, including:
  - ATVs and snowmobiles
  - baseball equipment, tennis rackets, squash rackets and balls
  - bowling shoes
  - canoes, kayaks, windsurfing boards, surfboards, stand up paddleboards (SUPs), wakeboards, bodyboards, boogieboards, skimboards, water skis, inner tubes, scuba gear, wetsuits and drysuits
  - fitness equipment
  - golf carts and golf clubs, and discs for disc golf (**note:** the following are not taxable:
    - buckets of range balls that include the right to use a driving range
    - membership fees for the right to use a driving range (e.g. monthly or annual range passes) that include a limited or unlimited amount of range balls)
  - hockey equipment, ice skates and inline skates
  - rock climbing shoes and mountaineering equipment
  - snowshoes, ski boots, snowboard boots and other ski and snowboard equipment (including skis and snowboards), toboggans and sleds
  - swim fins and swim goggles
  - swimming pools and hot tubs that remain tangible personal property (see our [PST for real property contractors](#) page)
  - trampolines
- Tuxedos, formal wear, costumes and other clothing and footwear
- Uniforms (including coveralls), towels and linens

**Note:** Some of the goods listed above are not subject to PST if they:

- meet the exception provided in Incidental Goods below,
- qualify as safety helmets designed for use in sport, recreation or transportation, or

- qualify as children’s clothing or adult-sized clothing leased for a child under 15 years old (see [Bulletin PST 201](#), Children’s Clothing and Footwear).

## Examples of Exempt Leases

Leases of the following goods are exempt from PST. This is not a complete list.

- Certain goods specifically exempt from PST, including:
  - certain devices for use in transporting individuals with disabilities, certain equipment designed for use by individuals with disabilities, and crutches (see [Bulletin PST 207](#), Medical Supplies and Equipment)
  - qualifying bicycles and tricycles, but not accessories for these goods (except safety helmets), see [Bulletin PST 204](#), Bicycles and Tricycles
  - self-propelled vessels over 500 tons
  - sheet music and other qualifying publications (see [Bulletin PST 205](#), Books, Magazines, Newspapers and Other Publications)
  - specified energy conservation material and equipment (see [Bulletin PST 203](#), Energy, Energy Conservation and the Ice Fund Tax)
  - specified safety equipment and apparel (see [Bulletin PST 100](#), Safety Equipment and Protective Clothing)
  - specified hydroelectric power generation equipment (see [Bulletin PST 211](#), Exemptions for Hydroelectric Power Generation)
  - turbine and electric aircraft (other than remotely piloted electric aircraft) and parts for those aircraft (see [Bulletin PST 134](#), Aircraft)
- Goods leased by specific persons in specific situations, including by:
  - First Nations individuals or bands (see [Bulletin PST 314](#), Exemptions for First Nations)
  - persons eligible for the production machinery and equipment (PM&E) exemption (see [Bulletin PST 110](#), Production Machinery and Equipment Exemption)
  - qualifying farmers (see [Bulletin PST 101](#), Farmers)
  - qualifying commercial fishers (see [Bulletin PST 102](#), Commercial Fishers)
  - qualifying aquaculturists (see [Bulletin PST 103](#), Aquaculturists)
  - multijurisdictional vehicle operators/carriers (see [Bulletin PST 135](#), Multijurisdictional Vehicles)
  - members of the diplomatic or consular corps (see [Bulletin CTB 007](#), Exemption for Members of the Diplomatic and Consular Corps)
  - the federal government (see [Bulletin CTB 002](#), Sales and Leases to Governments)

- Goods leased for the sole purpose of leasing those goods to other persons (i.e. lease inventory; see Lease Inventory below)

## **Sale and Lease-back Arrangement**

If a lessee sells goods to you (the lessor) under a sale and immediate lease-back arrangement, the lessee is exempt from PST on that lease if the lessee previously paid one of the following taxes on the goods and did not receive (and is not eligible to receive) a refund, credit (including input tax credits of any amount) or rebate (except for the B.C. PST Rebate on Selected Machinery and Equipment) of the tax:

- PST except temporary use tax or interjurisdictional conveyance tax
- Social service tax (SST) - the former B.C. provincial sales tax that was in effect before July 1, 2010
- Tax on designated property (TDP) - the former 12% B.C. tax on private sales of vehicles, boats or aircraft that was in effect from July 1, 2010 to March 31, 2013
- The B.C. portion of the harmonized sales tax (HST)

To claim this exemption, the lessee must provide you (the lessor) with documentation showing they:

- purchased the goods, and
- paid one of the above taxes on the goods.

## **Incidental Goods**

You do not charge PST on goods that are merely incidental to an agreement you have with your customer in the two situations outlined below.

1. You provide the right to use goods with the right to use real property and the following criteria are met:
  - the term of the right to use the real property is seven days or less
  - there is no separate charge for the right to use the goods
  - the total amount your customer pays for the right to use the real property is the same as, or only marginally different from, the total amount your customer would have paid if they had not received the right to use the goods

Example:

You operate a recreational facility. You charge your customers a fee based on how much your customer uses the facility (such as an ice rink or bowling alley). You include the use of goods (e.g. hockey nets or bowling balls) at no charge as part of your facility use fee and these fees are the same regardless of whether the person brings their own equipment. The right to use the recreational facility, such as the ice rink or the bowling alley, is for seven days or less.

You do not charge PST because the goods are not being rented or leased; they are incidental to the provision of the non-taxable facility use.

2. You provide the right to use goods with a non-taxable service and the following criteria are met:

- the main purpose of the contract with your customer is the non-taxable service and not the right to use the goods
- there is no separate charge for the right to use the goods and they are included as part of the service
- the total amount your customer pays for the service is the same as, or only marginally different from, the total amount your customer would have paid if they had not received the right to use the goods

Example:

You provide a training class or lessons where the participants are only allowed to use the goods (e.g. bows and arrows provided as part of an archery training course or musical instruments provided with a music lesson) during the class or under supervision. You include the use of the goods at no charge as part of the lessons provided and these fees are the same regardless of whether the person brings in their own goods.

You do not charge PST because the goods are not being rented or leased; they are incidental to the provision of the non-taxable lessons.



## PST on Leases in B.C.

If you lease taxable goods in B.C. (i.e. you are a lessor), you calculate the PST payable on down payments, lease payments and other charges (i.e. the lease price) that your customer pays for the right to use the taxable goods based on the following formula:

$$\text{PST Payable} = \text{Applicable PST Rate} \times \text{Lease Price}$$

You charge PST at the time these charges are paid or payable under the terms of the lease agreement, whichever is earlier.

### **Applicable PST Rate**

The applicable PST rates for taxable leased goods are as follows:

Type of Leased Good	PST Rate
Goods, except those listed below	7% of the lease price
Passenger vehicles	Rates vary (see <a href="#">Bulletin PST 116</a> , Motor Vehicle Dealers and Leasing Companies)
Manufactured mobile homes (see note below)	7% of 50% of the lease price
Manufactured modular homes (see note below)	7% of 55% of the lease price
Portable buildings (see note below)	7% of 45% of the lease price

**Note:** PST at the rate of 7% applies on the total lease price for:

- freestanding appliances, freestanding furniture and draperies leased with a manufactured mobile home, manufactured modular home or portable building (i.e. a manufactured building), and
- repair parts leased for a manufactured building.

This means the reduced PST rates for manufactured mobile homes, manufactured modular homes and portable buildings do not apply to these items.

### **Lease Price**

The lease price is the total of all amounts your customer **must** pay for the right to use the goods, including:

- Lease payments

- Any payments that are in addition to those made for lease periods, including a down payment
- The value of goods you accept as a trade-in (for the purposes of the PST on leases, trade-in credits do not reduce the PST payable)
- Disposition fees
- Mandatory delivery or transportation charges (e.g. a mandatory condition of the lease agreement requires the lessor to deliver the goods at the start of the lease period and to remove the goods upon termination of the lease agreement)
- Optional delivery or transportation charges where taxable goods are leased outside B.C. and shipped to the lessee in B.C. if the charges are incurred by the lessee before they use the goods in B.C., regardless of whether or not the charges must be paid under the lease
- Charges calculated on a measure of the use of the goods by the lessee
- Mandatory charges to maintain or service the leased goods (e.g. charges for your mandatory cleaning of the leased goods during the lease)
- Finance charges
- Late-payment or late-return charges
- Early termination charges
- Licence or royalty fees
- Membership fees that substantially reduce the price to lease the goods
- Registration fees, such as personal property registration
- Mandatory charges for warranties, service contracts and maintenance agreements (see [Bulletin PST 303](#), Warranties, Service Contracts and Maintenance Agreements)

Example:

You own a company that leases uniforms and towels. You enter into a lease with the customer to provide them with uniforms and towels. The lease agreement specifies that you will supply the customer with clean uniforms and towels each week. You bill the customer separately for the lease and the cleaning.

The cleaning charges form part of the lease price of the uniforms and towels. This applies even if the cleaning charges are separately listed from the lease charge. Unless an exemption applies, you charge PST on both the lease and the cleaning.

The lease price does not include:

- The goods and services tax (GST)
- An option-to-purchase (lease buyout) as described in Option-to-Purchase (Lease Buyout) below
- Repair fees as described in Repair Fees below
- Optional charges for delivering leased goods to the lessee if the charges are not required to be paid under the lease. For example, you do not include a charge for delivery if you lease the goods in B.C. and the lessee can choose either to have the goods delivered to their location or to pick them up at your location. However, in most cases, if you lease a good outside B.C. and deliver it into B.C., you must include your charge for delivery in the lease price. For more information, see [Bulletin PST 302](#), Delivery Charges.
- Optional charges to maintain or service the leased goods (**note**: these may be subject to PST as related services; see [Bulletin PST 301](#), Related Services)
- Fuel charges
- Refundable security deposits
- Insurance coverage

Example:

You lease dishes and glassware for a special event. The lessee picks up the dishes and glassware and chooses to have your company remove the dishes and glassware after the lease period. You provide the removal service as an optional service, so you bill the customer separately for the lease and the removal service. The removal service is not included in the lease price because the lessee is not required under the lease to pay the charge for the removal service.

Unless an exemption applies, you charge PST on the lease of the dishes and glassware. Because you provide the removal as an optional service **after** the lease has ended, the amount you charge for the removal is exempt from PST.

## Repair Fees

As a lessor, you may require your customers to pay a repair fee or a loss of use fee if they damage leased goods. The repair fee is intended to reimburse you for the cost of repairing the damaged leased goods. The loss of use fee is intended to compensate you for the lease revenue that is lost while your goods are being repaired.

If your customer pays either of these fees because of a contractual obligation, you do not charge PST on the fee. This is because your customer is not purchasing a

repair service or paying for the right to use the goods. Your customer is only reimbursing you for the repair expense or lost revenue.

You also do not charge PST on any administration fees solely related to the repair fee or loss of use fee.

## **Other Services Provided to Leased Goods or Related Goods**

Services to leased goods are related services. Charges for related services that are not included in the lease price of the goods are generally subject to PST. For more information, see [Bulletin PST 301](#), Related Services.

Certain related services provided to goods during a lease are not exempt if the services are provided by a lessor, or by a third party through a contract with the lessor, to the leased goods or to goods used with, resulting from or related to the leased goods.

### Example 1:

You lease equipment to a lessee who hires a third party to clean the equipment during the lease. The third party provides the cleaning through a contract with the lessee. In this case, the cleaning service is exempt.

### Example 2:

You lease the same equipment to the same lessee, but in this case **you** hire the third party to clean the equipment during the lease. Because you provide the cleaning as an optional service, amounts you charge the lessee for the cleaning are not included in the lease price of the equipment. However, because the cleaning service is provided during the lease by a third party through a contract with you, it does not qualify for the exemption that applies to cleaning services. Unless another exemption applies, PST applies to the amounts you charge the lessee for the cleaning.

### Example 3:

You lease portable toilets to a lessee who also hires you (or a third party) to provide human waste disposal services to the portable toilets through the lease contract with the lessee. Because the disposal services are provided during the lease by you (or a third party) to a good used with, resulting from or related to the leased good (i.e. the waste), they do not qualify for the exemption that applies to disposal services. Unless another exemption applies, PST applies to the amounts you charge the lessee for the disposal.

## Option-to-Purchase (Lease Buyout)

If your customer exercises an option-to-purchase provision contained in a lease agreement, the option-to-purchase is considered a separate transaction and is subject to PST as a sale. You charge PST on the amount your customer pays to purchase the taxable goods even if the amount is a nominal amount (e.g. \$1).

Example:

Your customer enters into a 24-month lease for a computer. The contract includes a provision for a \$1 option-to-purchase at the end of the lease.

You charge PST as follows:

1. On each lease payment (e.g. \$50)  
 $\$50 \times 7\% = \$3.50$  in PST on each lease payment
2. The option-to-purchase price, if exercised

**Note:** The Option-to-Purchase provision as described above does not include an agreement where title to the goods **must** be transferred at the end of the term of the agreement, also known as a mandatory buyout. An agreement that includes a mandatory buyout is a conditional sales agreement and is subject to PST at the time of sale. PST must be collected at the start of the agreement on all payments required to be made under the terms of the agreement with the exception of interest charges.

See the [Small Business Guide to PST](#) for the PST rates applicable to sales of taxable goods.

## Breach of Lease

If your customer (i.e. the lessee) breaches a lease for taxable goods leased in B.C. and you charge your customer a payment for some or all of the outstanding balance of the lease price, you must charge your customer 7% PST on that payment. You charge PST at the time these charges are payable under the terms of the lease agreement.

## **Leased Goods Brought Into B.C. by Lessee**

This section applies to you if you are a lessee.

If you lease taxable goods outside of B.C. and are either a B.C. resident or a business, you must self-assess (pay directly to us) PST if you bring or send those goods into B.C. for use during a rental period. The amount of PST you must self-assess for that rental period is based on the following formula:

$$\text{PST Payable} = \text{Applicable PST Rate} \times \text{Lease Price} \times (\text{B.C. Hours} \div \text{Total Hours})$$

B.C. Hours is the total number of hours the taxable goods are in B.C. during the rental period, and Total Hours is the total number of hours in the rental period.

**Note:** Any amounts that are not attributable to a rental period under the lease (e.g. a down payment) must be attributed equally across all rental periods under the lease and included in the Lease Price for the purpose of calculating the PST payable under the above formula.

Example:

You have a 36-month lease for an excavator in Alberta. At the start of the lease, you made an \$18,000 down payment, and your monthly lease payment is \$1,000. During a rental period of 30 days (720 total hours), you bring the excavator into B.C. for 120 hours for use in your business.

The Lease Price for a rental period for the excavator is:

$$\$1,000 + (18,000 \div 36) = \$1,500$$

You self-assess PST as follows:

$$7\% \times \$1,500 \times (120 \div 720) = \$17.50 \text{ in PST payable}$$

If you have a PST number, you must self-assess the PST due on your next return.

If you do not have a PST number, you must self-assess the PST due using a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month in which the rental period ends. For example, if the rental period ends in June, you must file the return and pay the PST no later than July 31.

## **Goods Supplied With an Operator**

If you supply taxable goods with a person to operate the goods, you are not considered to be leasing the goods. In this situation, you are providing a non-taxable service to your customer and you do not charge your customer PST.

However, you must pay PST when you obtain taxable goods that you will supply with an operator, unless you qualify for the exemption for goods **occasionally** supplied with an operator (see below).

For example, if you provide sound and lighting equipment and a person to operate that equipment, you are not leasing the equipment and do not charge your customer PST.

You do not need to provide a person to directly operate the goods for this rule to apply. However, the person you provide must be present on-site (e.g. to supervise the use of a bouncy castle or photo booth) during the entire period the goods are being used. If the person is simply on-call (e.g. available if problems arise) but does not remain on-site, the goods are being leased and this rule does not apply.

## **Exemptions for Lessors**

### **Lease Inventory**

As a lessor, you are exempt from PST when you obtain goods for the sole purpose of leasing those goods to other persons (i.e. solely for bare leases).

You are also exempt from PST when you obtain goods for the above purpose and occasionally supply those goods with an operator under an agreement (see below), provided you capitalize those goods as lease inventory in your business accounting records.

Goods eligible for these exemptions are referred to as lease inventory.

To obtain these exemptions, you must provide the seller or lessor with your PST number or, if you do not yet have a PST number, a Certificate of Exemption – General ([FIN 490](#)).

### **Goods Occasionally Supplied with an Operator**

You may be eligible for an exemption for goods you obtain for your lease inventory if you occasionally supply those goods with an operator. If you qualify for this exemption, you do not charge PST but you must self-assess and pay the PST due based on the normal lease price of the goods each time you supply those goods with an operator. The normal lease price is the price you usually charge to your customers for the lease of the goods without an operator.

Example:

You normally lease a boat from your lease inventory for \$200 per day (i.e. a bare lease). You also occasionally provide an operator with the boat for \$300 per day (i.e. chartering). The boat remains part of your lease inventory in your business accounting records.

When you lease the boat, you charge PST on the \$200 per day lease price. When you provide the boat with an operator, you do not charge PST. However, you must self-assess and pay the PST due based on the normal \$200 per day lease price (the \$300 per day chartering price is not used for PST purposes).

If you have a PST number, you must self-assess the PST due on your next return.

If you do not have a PST number, you must self-assess the PST due using a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month in which you entered into an agreement to lease the taxable goods with an operator. For example, if you entered into an agreement in June, you must file the return and pay the PST no later than July 31.

## **Other Exemptions for Lease Inventory**

You are exempt from PST on:

- parts and other goods you obtain solely for processing, fabricating, manufacturing, attaching or incorporating into your lease inventory, and
- related services provided to goods in your lease inventory (see [Bulletin PST 301](#), Related Services).

To claim these exemptions, you must provide the seller or lessor with your PST number or, if you do not yet have a PST number, a Certificate of Exemption – General ([FIN 490](#)).

## **Disposal of Lease Inventory**

You must charge PST when you dispose of lease inventory in B.C., unless a specific exemption applies. For example, after leasing a taxable piece of equipment to multiple lessees over a 10-year period, you decide to sell the equipment to a third party. You must charge PST on that sale, unless a specific exemption applies.



## **Containers and Packaging Materials**

As a lessor, you are exempt from PST on containers and packaging materials you obtain solely for packaging goods for lease. However, you must pay PST on containers and packaging materials if you use them for other purposes, such as storing, handling, or shipping goods, or you use them to provide a service.

Generally, you are not required to charge PST on the containers and packaging materials you provide with goods and services, unless you separately charge your customers for them.

However, in limited circumstances, you may be required to charge PST on the fair market value of the containers and packaging materials.

For more information, see [Bulletin PST 305](#), Containers and Packaging Materials.

### **Labels**

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

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

## **Change in Use of Lease Inventory Purchased in B.C. or Brought Into B.C.**

As a lessor, if you use lease inventory that you purchased in B.C., or brought into B.C., for business or personal use, PST applies as of the date you use the item for a taxable purpose.

You calculate and self-assess PST on the greater of the **depreciated value** or 50% of the original purchase price. 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 a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month in which you used the lease inventory for a taxable purpose. For example, if you use a lease inventory item in June, you must file the return and pay the PST no later than July 31.

However, you do not need to self-assess PST on the depreciated purchase price if:

- the only use you made of those goods, other than leasing, is occasionally supplying those goods with an operator under an agreement, and
- you capitalize those goods as lease inventory in your business accounting records.

If this exception applies (i.e. you occasionally supply your lease inventory with an operator), you must self-assess the PST due based on the normal lease price of the goods each time you supply those goods with an operator. For more information, see Goods Occasionally Supplied with an Operator above.

## Calculating Depreciation

The **depreciated value** is determined on a straight-line basis as follows:

$$\text{Depreciated value} = \text{Purchase price} - [\text{purchase price} \times \text{depreciation rate}]$$

You may only calculate the depreciated value on the following types of equipment using the depreciation rates listed below. Goods not listed below **cannot** be depreciated.

Type of Equipment	Depreciation Rate
Vehicles, including all trailers and self-propelled equipment	30% per year, plus 2.5% per 30-day period for partial years
Aircraft	25% per year, plus 2.0833% per 30-day period for partial years
Vessels	15% per year, plus 1.25% per 30-day period for partial years
Railway rolling stock	10% per year, plus 0.8333% per 30-day period for partial years
Other equipment, furnishings and affixed machinery	20% per year, plus 1.667% per 30-day period for partial years

To calculate the depreciation rate, follow these steps.

1. Calculate the number of whole years between the date you acquired the goods and the date you used them for a taxable purpose.
2. After calculating #1 above, calculate the number of days remaining in the

partial year (if any) between the date you acquired the goods and the date you used them for a taxable purpose. Both the first and last days should be counted.

3. Divide the number of days calculated under #2 by 30 and round to the nearest whole number (0.5 and above is rounded up to 1). This is the number of 30-day periods.
4. Calculate the depreciation rate by multiplying the applicable rates in the table above by the number of years and 30-day periods.

Example:

You purchased equipment for your lease inventory on May 12, 2023 and used the equipment for a taxable business use on June 30, 2024. The depreciation rate is 20% per year, plus 1.667% per 30-day period for partial years, calculated as follows:

1. 1 full year running from May 12, 2023 to May 11, 2024
2. # of days remaining in partial year, May 12, 2024 to June 30, 2024 = 50 days
3. # of 30-day periods,  $50 \div 30 = 1.67$  days rounded up to 2 30-day periods
4. Depreciation rate =  $20\% \times 1 \text{ year} = 20\%$  plus  $(1.667\% \times 2 = 3.334\%) = 23.334\%$

## Self-Assessing 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 a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month you first used the goods for a taxable purpose.

## Change in Use for Lessees

This section applies to you if you are a lessee of goods.

As a lessee, you may lease goods exempt from PST provided they will be used for a specific exempt purpose. For example, leases of the following goods are exempt from PST:

- Goods leased for the sole purpose of leasing those goods to other persons (i.e. for re-lease; see Lease Inventory above)

- Production machinery and equipment (PM&E) leased by persons eligible for the PM&E exemption, when used for an exempt purpose (see [Bulletin PST 110](#), Production Machinery and Equipment Exemption)
- Specifically listed farm equipment and other goods leased by qualifying farmers if used solely for a farm purpose (see [Bulletin PST 101](#), Farmers)
- Boats, fishing nets and fishing equipment leased by qualifying commercial fishers if used solely for a commercial fishing purpose (see [Bulletin PST 102](#), Commercial Fishers)
- Specifically listed aquaculture equipment and other goods leased by qualifying aquaculturists if used solely for an aquaculture purpose (see [Bulletin PST 103](#), Aquaculturists)

If you later use goods you leased exempt from PST for a taxable purpose, you must self-assess PST as follows.

- **For the lease period that includes the date you first used the goods:** You must self-assess PST on the portion of the lease price attributable to the portion of that lease period. The portion of the lease period is based on the number of days remaining in the lease period divided by the total number of days of that lease period.
- **For all remaining lease periods:** You must self-assess PST on the lease price attributable to each lease period. This applies even if you later use the goods for a purpose that would have been an exempt purpose. For example, as a qualifying farmer, you leased a farm tractor exempt from PST solely for a farm purpose. You later used the tractor for a taxable purpose and then finally returned the tractor to being used solely for a farm purpose. You are no longer eligible for an exemption for the tractor and must self-assess the PST due as provided above.

**Note:** Any amounts not attributable to a rental period under the lease (e.g. a down payment) must be attributed equally across all rental periods and included in the lease price for the purpose of self-assessing PST. See Leased Goods Brought Into B.C. by Lessee above for an example of how to attribute a down payment equally across all rental periods.

## Self-Assessing on Inventory for Re-Lease

If you lease goods (as a lessee) for the sole purpose of leasing those goods to other persons (i.e. for re-lease), you must self-assess PST if you use the goods for a taxable purpose, including for business or personal use, except occasionally supplying the goods with an operator (see Goods Occasionally Supplied with an Operator above for more information).

Example:

You have a 12-month lease for a taxable good that is in your lease inventory and make monthly lease payments of \$1,000 for that good. The lease periods begin on the first day of the month and end on the last day of the month. On July 21, you use the taxable good in your lease inventory for a taxable purpose. You self-assess PST as follows:

- For the July lease period, you self-assess PST on 35% (11 days ÷ 31 days in July) of \$1,000 (the lease price attributable to that rental period).  
The PST payable is \$24.50 (35% × \$1,000 × 7%)
- For all remaining lease periods, you self-assess PST on \$1,000 (the total lease price attributable to each rental period). The PST payable is \$70 (\$1,000 × 7%).

## Self-Assessing 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 a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month in which the rental period ends. For example, if you use a lease inventory item in June, you must file the return and pay the PST no later than July 31.

## **Bundled Leases**

### **Taxable and Exempt Goods Leased for a Single Price**

If, for a single price, you lease a taxable good together with an exempt good or real property, you must charge PST on the fair market value of the lease of the taxable good.

Example 1:

For \$35, you lease a kayak together with a helmet for one day. The kayak is subject to PST and the helmet is exempt. The fair market value of a kayak lease in your city is \$30 per day, so you charge \$2.10 PST per day on the lease (7% of the fair market value of the kayak rental).

Example 2:

For \$15,000 per month, you lease a restaurant building with affixed machinery (beer tap equipment) and various furniture. While the lease of the building is non-taxable, the leases of the beer tap equipment and the furniture are taxable. The fair market value of the beer tap equipment lease is \$2,500 per month, and the fair market value of the furniture lease is \$1,000 per month, so you charge \$245 PST per month (7% of the fair market value of the beer tap equipment lease and 7% of the fair market value of the furniture lease).

## **Refunds**

### **Refund or Credit of Lease Price**

If you provide a full or partial refund or credit of the lease price of taxable goods to your customer within four years from the lease, you may also refund or credit the applicable amount of PST. For example, if you refund or credit 10% of the lease price of taxable goods to your customer, you may also refund or credit 10% of the PST to your customer.

This includes if you provide a full or partial refund or credit of the lease price because:

- The goods have been returned
- The lease has been cancelled or shortened
- You provided a price reduction
- You provided your customers with a discount for early payment

To be eligible for a refund of the PST you refund or credit to your customer, you **must** provide the refund or credit of the PST to your customer at the same time you provide the full or partial refund or credit of the lease price.

## Other Refunds

In some situations, your customer may be eligible for a refund of PST they paid on a lease, including the following.

- Your customer was not required to pay PST and paid it in error. You may refund or credit your customer the PST paid within 180 days from the date the PST was paid. After 180 days, you cannot refund your customer the PST (if you do, you are not eligible to make an adjustment on your PST return for this amount and you are not eligible for a refund from us). However, your customer may claim a refund from us within four years from the date the PST was paid.
- Your customer did not provide you with the required information to obtain an exemption at the time of the lease. **Note:** You may refund or credit your customer the PST they paid if they provide the required information within 180 days from the date the PST was charged; after 180 days, your customer must apply to us for a refund.

## Leased Goods Used Outside B.C.

If you leased taxable goods to your customer in B.C. and your customer used those goods outside B.C. during a rental period, your customer may be eligible for a full or partial refund of the PST they paid for that rental period.

The refund is equal to the PST they paid for that rental period **less** the PST attributable to the proportional number of hours the goods were used in B.C. during the rental period. The amount of the refund can be determined by the following formula:

$$\text{PST Refund} = \text{PST Paid} - [\text{Lease Price} \times \text{Applicable PST Rate} \times (\text{B.C. Hours} \div \text{Total Hours})]$$

B.C. Hours is the total number of hours the taxable goods are in B.C. during the rental period and Total Hours is the total number of hours in the rental period.

**Note:** For the purpose of Lease Price in the above formula, any amounts not attributable to a rental period under the lease (e.g. a down payment) must be attributed equally across all rental periods under the lease and included in the Lease Price. See Leased Goods Brought Into B.C. by Lessee above for an example of how to attribute a down payment equally across all rental periods.

## **Applying to us for a Refund**

Generally, to apply for a refund from us, your customer must complete an Application for Refund – General ([FIN 355](#)) and provide the supporting documentation listed in the instructions to the application. However, other application forms apply to refunds of PST paid by qualifying farmers, commercial fishers and aquaculturists, and PST paid on multijurisdictional vehicles.

For more information, see [Bulletin PST 400](#), PST Refunds.

## **Leased Goods that Become Part of Real Property**

Real property is land and anything attached to the land so it becomes part of real property after installation (i.e. ceases to be personal property at common law). This would normally include buildings, structures, and things, such as machinery or equipment, that are attached to the land (or to buildings or structures) by some means other than their own weight.

If taxable leased goods are used so they become part of real property during the term of the lease, the goods are deemed to have been sold at a retail sale immediately before they became part of real property. The lessee is deemed to be the purchaser and must pay PST on the fair market value of the taxable goods at that time. This is in addition to any PST paid or payable on the lease price for the goods.

The above rule **does not apply** if the taxable leased good is affixed machinery when it becomes part of real property. In this case, the lessee continues to pay PST on the lease of the affixed machinery. If the lessee purchases the affixed machinery, the lessee must pay PST on the purchase price of that affixed machinery (see our [Defining real property](#) page).

## **Paying the PST**

If a lessee purchases or leases goods or affixed machinery from a person who is registered to collect PST, that person must charge any PST payable on the purchase or lease. In all other cases, if the seller or lessor does not charge PST as required, you must self-assess the PST due using a Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month in which the goods were used so they became part of real property. For example, if the goods became real property in June, the PST must be paid no later than July 31.





## 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)

[Subscribe](#) to receive email notifications when B.C. tax information is updated.

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

April 2025

- Added information about online marketplace facilitators and lessors
  - Clarified that a rebate received under the B.C. PST Rebate on Select Machinery and Equipment does not disqualify a good from having tax paid status
  - Clarified that certain related services provided to goods during a lease are not exempt if the services are provided by the lessor, or by a third party through a contract with the lessor, to the leased good or to goods used with, resulting from or related to the leased good
  - Other minor revisions
- 

References: Provincial Sales Tax Act, sections 1 “accommodation”, “affixed machinery”, “band”, “boat”, “electronic device”, “fair market value”, “First Nation individual”, “improvement to real property”, “lease”, “lease price”, “lessee”, “lessor”, “manufactured building”, “manufactured mobile home”, “manufactured modular home”, “month”, “multijurisdictional vehicle”, “portable building”, “related service”, “retail sale”, “sale”, “tangible personal property”, “telecommunication service”, “use”, “vehicle”, “vendor”, 12, 13, 22, 23, 25, 28, 33, 35, 39, 41, 42, 44, 45, 82, 82.01, 83, 88, 102, 130, 141, 142, 145-147, 151-153, 157, 168 and 169; Provincial Sales Tax Exemption and Refund Regulation, sections 1 “obtain”, “qualifying aquaculturist”, “qualifying commercial fisher”, “qualifying farmer”, 7, 8, 9, 15, 16, 30-35, 46, 48, 49, 55, 77.2 and 90-120; Provincial Sales Tax Regulation, sections 3.1, 23, 34, 35, 48, 51.1, 52, 55.1 and 79.