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Tax Payment Agreements

Provincial Sales Tax Act

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

This bulletin provides information on voluntary tax payment agreements (TPAs) that eligible businesses may apply to enter into with the Ministry of Finance. A TPA allows eligible businesses to defer paying PST when they acquire or lease certain items for business use, and to self-assess and remit the PST due on any items later used for a taxable purpose.

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Definition

In this bulletin, **acquired** means:

- purchased in BC,
- brought or sent into BC, or
- received in BC.

Eligible Businesses

Qualifications for All Businesses

To qualify for a TPA, all businesses must meet the following **four** requirements:

1. You have conducted business in BC for at least three years.
2. You have a good compliance record with the PST (and with the *Excise Tax Act*, where applicable) over the past three years. For example, you self-assessed and remitted any PST or HST that was due on time.
3. You maintain a suitable accounting system. For example, you have a computerized accounting system; you use International Financial Reporting Standards, Accounting

Standards for Private Enterprises or other applicable accounting standards; and you have established procedures for assigning and tracking inventory.

4. You have an active PST number with the ministry (i.e. your business is registered to collect and remit, or self-assess, PST). If you do not have an active PST number, you need to apply for one at or before the time you apply for a TPA. For details on how to apply for a PST number, see [Bulletin PST 001](#), *Registering to Collect PST*.

Additional Qualifications

Unless you own or operate a commercial rail service that offers interprovincial or international rail transportation of passengers or goods to members of the public for a fee, you must meet the four requirements above **plus** both of the requirements listed below to qualify for a TPA.

1. You qualify for the PM&E exemption and/or you regularly acquire and store goods in BC for use outside the province.
2. Your average annual acquisitions and/or leases for the last three calendar years meet **one** of the minimum **requirements** outlined below. You must meet either (a) or (b), or you can combine your acquisitions and leases of PM&E in (a) with your acquisitions of inventory for use within and outside BC in (b).

(a) PM&E

In the previous three calendar years, you must have acquired and/or leased an average per calendar year of **at least \$250,000** worth of machinery, equipment and software that:

- was eligible for the PM&E exemption at the time of acquisition or lease, or
- would have been eligible for the PM&E exemption at the time of acquisition or lease, if the PST had been in place at that time (i.e. the acquisition or lease occurred prior to April 1, 2013).

Additionally, of the \$250,000 in acquisitions described above, **at least \$125,000** must have been acquisitions for which you received the PM&E exemption (or could have, if the PST had been in place).

Example 1

A manufacturer eligible for the PM&E exemption purchases six forklifts. The manufacturer claims the PM&E exemption for four of the forklifts because the manufacturer will use them for a purpose that is eligible for the PM&E exemption for machinery or equipment used to transmit or distribute goods at the qualifying part of the manufacturing site. The manufacturer does not claim the exemption for the other two forklifts because they will be used for a taxable purpose (e.g. primarily to transport goods from a first storage area to a loading area).

In order to determine whether or not the \$250,000 requirement has been met, the manufacturer includes the purchase price of all six forklifts. In order to determine whether or not the \$125,000 additional requirement has been met, the manufacturer includes the purchase price of only four of the forklifts.

(b) Goods Stored in Inventory for Later Use Within or Outside BC

In the previous three calendar years, you must have acquired an average per calendar year of **at least \$250,000** worth of goods stored in inventory for later use within or outside BC.

This includes inventory items that were eligible for a refund (or would have been, if the PST had been in place) because they were acquired and stored in BC and later shipped for use outside the province.

Additionally, you must have received a refund of PST on **at least \$125,000** worth of those goods (or could have, if the PST had been in place) because the items were acquired and stored in BC and later shipped for use outside the province.

Only **acquisitions** of inventory items may be included in the calculation (leases must not be included).

Example 2

A company purchases office furniture for its BC and Alberta offices. Before allocating the furniture to the respective offices, the company stores all the furniture in its BC warehouse. When the company later ships part of the furniture outside of BC for use at its Alberta office, the company claims and receives a refund of PST paid on this portion of the office furniture purchase.

In order to determine whether or not the \$250,000 requirement has been met, the company includes the purchase price of all the furniture, because it is all stored in inventory for later use within or outside BC. In order to determine whether or not the \$125,000 additional requirement has been met, the company only includes the portion of the office furniture for which they received a refund of PST paid because this portion was shipped out of BC for use outside the province.

If you have any questions about your business' eligibility for a TPA, please contact us.

Applying for and Receiving a TPA

Applying for a TPA

To apply for a TPA for your business, you must complete an *Application for Tax Payment Agreement (TPA)* (**FIN 384**). You may submit the application:

- **In person:** at your local **Service BC Centre**
- **By fax, e-mail or mail:** complete a paper form and fax, email or mail it to the ministry (see the contact information on the form)

Please note: You cannot submit the application online.

When you submit an application, you must include the following financial statements for your business for the past three years:

- Statement of Financial Position (also known as the Balance Sheet)
- Statement of Profit or Loss and Other Comprehensive Income (also known as the Income Statement)
- Statement of Cash Flows

The ministry will enter into only one TPA per PST number. If you require more than one TPA, please provide a separate PST number for each TPA required.

Signing the TPA Agreement and Receiving a TPA Number

If the ministry approves your application, the ministry will send you an agreement outlining the details of the TPA, such as how to maintain your eligibility. You must sign and return the original signed copy of the agreement before the TPA is sent to you. Please keep a copy of the signed agreement for your records.

When the ministry receives the original signed copy of the agreement, the ministry will send you a TPA number.

Using Your TPA Number

Prior to Receiving a TPA Number

You must not acquire or lease any items under your TPA agreement until you have received your TPA number. For acquisitions and leases eligible for the PM&E exemption, you must continue to complete a *Certificate of Exemption – Production Machinery and Equipment* ([FIN 492](#)) to receive a point-of-sale exemption.

After Receiving a TPA Number

Your agreement with the ministry will set out the details of what you can acquire and lease without paying PST to collectors by using your TPA number. Depending on these details, you may be eligible to use your TPA number when you:

- acquire and lease PM&E
- acquire and lease parts and materials for PM&E
- purchase software for PM&E
- acquire goods to be stored in BC for later use within or outside the province

If you own or operate a commercial rail service that offers interprovincial or international rail transportation of passengers or goods to members of the public for a fee, you can use your TPA number to acquire and lease railway rolling stock (and parts to be installed in railway rolling stock) without paying PST.

You **must not** use your TPA number to purchase accommodation, legal services, related services or telecommunication services without paying PST. This applies even if the related services are provided to exempt PM&E. In this case, you must continue to complete a *Certificate of Exemption – Production Machinery and Equipment* ([FIN 492](#)).

Documentation Requirements

To acquire or lease the goods, or purchase the software, to which your agreement applies without paying PST to collectors, give the collector your TPA number at or before the time you acquire or lease the goods.

The collector must keep your TPA number as part of their records to show why they did not collect PST. Also, you must keep records to show what items you acquired and/or leased using your TPA number, and how you used those items.

Self-Assessing PST

If you acquired or leased an item without paying PST and later used that item for a taxable purpose, you must self-assess and remit the PST due on that item.

For example, you must self-assess the PST due on:

- acquisitions and leases of PM&E eligible for the PM&E exemption that you used for a taxable purpose (e.g. as office equipment)
- goods acquired to be stored in BC for later use within or outside the province, if you actually used those goods in BC for a taxable purpose

If, after 12 months from the date of acquisition or lease, you do not know whether or not you will use an item for a taxable or exempt purpose, you must self-assess and remit PST on that item.

You must self-assess the PST due on your next PST return (i.e. for the reporting period in which the item was used for a taxable purpose, or for the reporting period in which the 12-month anniversary occurred).

Penalties and interest may apply if you do not self-assess the PST when it is due.

Please Note: If you are required to self-assess PST on an inventory item because the item remained in inventory for a period of 12 months and you later remove that item from inventory and use it for an exempt purpose, you can claim a refund from the ministry for the PST paid on the exempt item. For more information on refunds, see [Bulletin PST 400](#), *PST Refunds*.



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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

June 2014

- As a result of Budget 2014 changes to the legislation, effective April 1, 2013, a refund is available for PST that is self-assessed on inventory goods that are later used for an exempt purpose.
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References: *Provincial Sales Tax Act*, sections 1 “lease”, 9, 10, 12, 13, 32, 145 and 158; Provincial Sales Tax Exemption and Refund Regulation, sections 90-120; Provincial Sales Tax Regulation, sections 12-14.