



## Contractors Who are Also Retailers or Wholesalers

*Provincial Sales Tax Act*

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

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This bulletin explains the options available to contractors who are also retailers or wholesalers to account for the PST on their inventory.

### Table of Contents

Definitions.....	1
Contractors and Inventory .....	2
Option 1 – Maintain Separate Inventories.....	2
Option 2 – Pay PST and Claim Refunds.....	3
Option 3 – Obtain Exempt for Resale .....	4
Exemptions for Your Resale Inventory .....	5

### Definitions

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In this bulletin:

- **contract** means an agreement under which goods are supplied and affixed, or installed, so they become part of real property
- you are a **contractor** if you supply and affix, or install, goods that become part of real property (for an explanation of what is real property, see [Bulletin PST 501](#), *Real Property Contractors*)
- **obtain** means:
  - purchased or leased in BC,
  - brought or sent into BC, or
  - received in BC.

## **Contractors and Inventory**

If you are a contractor, you must pay PST on taxable goods (e.g. building materials) you obtain to fulfil a contract, unless a specific exemption applies.

However, as a retailer or wholesaler, you are exempt from PST on goods you obtain solely for resale. In this bulletin, these goods are referred to as your resale inventory.

If you are a contractor and a retailer or wholesaler or both and, at the time you obtain goods, you do not know whether you will use the goods to fulfil a contract or if you will resell the goods without installing them, you can account for the PST by using one of the following three options (note that you must meet additional criteria to follow Option 3 – Obtain Exempt for Resale).

### **Option 1 – Maintain Separate Inventories**

You can maintain separate inventories of goods for resale and goods you will use to fulfil a contract. This requires accounting for the PST on the basis of the inventory in which the goods are held.

In this case, you:

- are exempt from PST on the goods that you will hold in your resale inventory, and
- must pay PST on the goods you will hold in the inventory for fulfilling your contracts.

### **Change in Use of Resale Inventory**

If you later identify goods in your resale inventory to be used in fulfilling a contract, you must self-assess (pay directly to us) PST on your cost of the goods, unless they are to be used in a contract with an exempt person. For more information, see [Bulletin PST 501](#), *Real Property Contractors*.

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 you identify the goods for use in fulfilling the contract.

### **Refund – Resale of Goods That Were for Fulfilling Your Contracts**

If you paid PST on goods you hold for fulfilling your contracts and you later resell those goods without installing them, you can claim a refund from us for the PST you paid on those goods if you made **no** use of those goods (other than storage).

To apply for this refund, complete an *Application for Refund – General* ([FIN 355](#)) and provide:

- a fully completed refund claim schedule (as described in the instructions to the application form),
- a copy of your purchase invoices for the goods you obtained to fulfill your contracts, and
- a copy of your resale invoices for the goods you resold.

We may request additional documentation when processing your refund claim.

## Refund – Goods Incorporated Into Other Goods for Resale

If you paid PST on goods you hold for fulfilling your contracts and you later incorporate those goods into other goods you resell without installing them, you can claim a refund from us for the PST you paid on those goods if you made **no** use of those goods (other than storage and the incorporation into the other goods).

If you incorporate only a portion of the goods that you paid PST on, into goods that you resell, you can only claim a refund on the portion that was incorporated.

Example:

You pay PST on a box of 100 nails and a bundle of 12 pieces of plywood. You use 50 of the nails and 4 of pieces of the plywood to fulfill a contract. You use the remaining 50 nails and 8 pieces of plywood to make a door that you resell and do not install. You can claim a refund equal to half the PST paid on the box of nails and two-thirds of the PST paid on the bundle of plywood.

To apply for this refund, complete an *Application for Refund – General* ([FIN 355](#)) and provide:

- a fully completed refund claim schedule (as described in the instructions to the application form),
- a copy of your purchase invoices for the goods you obtained to fulfill your contracts, and
- a copy of your resale invoices for the goods you resold.

We may request additional documentation when processing your refund claim.

## Refund – Goods Used in Fulfilling Contracts with Exempt Persons

If you paid PST on goods you hold for fulfilling your contracts and you later use those goods to fulfil a contract with a person who is exempt from PST, you can claim a refund from us for the PST you paid on those goods.

**Please note:** To be eligible for a refund of PST you paid on goods you used to fulfil a contract with a First Nation individual or band, under the terms of the contract, title to and possession of the goods must be transferred to the First Nation individual or band on reserve.

To apply for the refund, complete an *Application for Refund – General* ([FIN 355](#)) and provide the supporting documentation listed in the instructions to the form. Other relevant documents to provide in support of your claim include:

- A *Certificate of Exemption – Contractor* ([FIN 491](#)) with Part A completed by your customer (your customer's certification they are eligible for the exemption).
- A copy of your contract with the person who is exempt from PST.

We may request additional documentation when processing your refund claim.

## Option 2 – Pay PST and Claim Refunds

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You can pay PST on all the goods that you will either resell or use to fulfil a contract. If you later resell any of the goods or incorporate those goods into other goods you resell, you can claim a

refund from us for the PST you paid on those goods if you made **no** use of those goods (other than storage). If you use the goods to fulfil a contract with a person who is exempt from PST, you can claim a refund.

To apply for these refunds, follow the instructions under the above sections, Refund – Resale of Goods That Were for Fulfilling Your Contracts, and Refunds – Goods Used in Fulfilling Contracts with Exempt Persons.

### **Option 3 – Obtain Exempt for Resale**

You can obtain goods for resale without paying PST even if you use the goods to fulfil a real property contract at a later date. In order to obtain goods exempt as goods for resale, the goods must meet the following criteria:

- the goods must be a type you sell at retail or wholesale **and** that you provide under a contract – the goods may not be a type you only obtain for use in fulfilling contracts,
- the goods will be in your possession, and
  - will be readily available for resale (e.g. on store shelves or in your resale inventory), or
  - are for incorporation into goods for resale – for example, you obtain wood that will be incorporated into cabinets you will sell to a contractor, and
- you are **not** obtaining the goods to fulfil an existing contract.

If you obtain goods exempt from PST as described above and later use those goods to fulfil a contract, you must self-assess PST as described in Change in Use of Resale Inventory above.

Example:

Flooring Store – You own a flooring store where you sell carpeting, laminate and hardwood flooring at retail, and also provide the option to have a store employee install the flooring. Your store also provides the option of supplying and installing tile flooring, but you do not sell tile at retail from your store.

You may obtain carpeting, laminate and hardwood flooring for your inventory without paying PST if the flooring is not intended for a specific contract. However, you must pay PST on obtaining tile because you do not sell tile at retail or wholesale.

If you enter into a contract in the future and identify some hardwood flooring in your resale inventory to be used to fulfil the contract, you self-assess PST on the amount of hardwood identified in your inventory.

## Exemptions for Your Resale Inventory

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As noted above, you are exempt from PST on goods you purchase solely for resale. To purchase these goods exempt from PST, give the supplier your PST number or, if you do not have a PST number, a completed *Certificate of Exemption – General* ([FIN 490](#)).

If your supplier charges PST on your purchase of goods for resale, you may apply to us for a refund of the PST you paid. For more information, see [Bulletin PST 400, PST Refunds](#).



### Need more info?

Online: [gov.bc.ca/pst](http://gov.bc.ca/pst)

Toll free in Canada: 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

January 2016

- Clarified when contractors are eligible for a refund of PST paid on goods incorporated into other goods for resale.
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References: *Provincial Sales Tax Act*, sections 1 “affixed machinery”, “apparatus”, “improvement to real property”, “sale”, “tangible personal property”, “use”, 11, 28, 34, 37, 49, 55, 152 and 192.