



Real Property Contractors

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated December 2017. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information for contractors on how PST applies to goods they acquire to fulfil contracts to supply and affix, or install, goods so they become part of real property.

Table of Contents

- Definitions..... 1
- What is Real Property?..... 1
- Who is a Contractor? 3
- How PST Applies to Contractors 3
- Exemptions for Contractors 4
- Refunds 6

Definitions

In this bulletin:

- **Acquire** means:
 - purchase in BC,
 - bring or send into BC, or
 - receive in BC.
- **Contract** means an agreement under which goods are supplied and affixed, or installed, so they become part of real property (see What is Real Property? below).

What is Real Property?

Real property is land and anything that is 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.

For the purpose of the PST, things that are attached so they become part of real property are either:

- improvements to real property, or
- affixed machinery (see [Bulletin PST 503](#), *Affixed Machinery*).

Improvements to real property include:

- Buildings and integral components of buildings or land, such as windows, doors, plumbing, electrical and heating systems
- Structures affixed to land, including concrete driveways and sidewalks
- Topsoil, sod, gravel and other materials that have been installed (e.g. spread) on real property
- Certain very large machinery or equipment that is constructed on site, such as machinery used in sawmills, pulp mills or other industrial locations, that is specifically excluded from the definition of affixed machinery

It does not matter whether your contract is to supply and affix, or install, an improvement to real property or affixed machinery. In either case, you must pay PST on the goods you acquire to fulfil the contract as outlined below (see How PST Applies to Contractors below).

Determining Whether Goods Become Part of Real Property

To determine whether a good becomes part of real property, use the guidelines below. However, each situation may be different as the rules are based on common-law principles (i.e. by court decisions).

General Rule – Goods that are Attached Become Part of Real Property

Generally, goods that are attached to real property, even minimally (except simply being plugged in), become part of real property.

Exception – Attachment for the Better Use of the Good

The general rule does not apply if the purpose of the attachment is for the better use of the good itself (e.g. bolting a free-standing bookshelf to a wall for stability). In this case, such a minimal attachment would generally mean that the good does not become part of real property.

However, a more substantial attachment (e.g. an attachment that would cause significant damage to the real property if the good were removed) would generally mean that the good does become part of real property, even if the good was attached for the better use of the good itself.

For examples of goods that generally become part of real property after installation, see [Bulletin PST 502](#), *Examples – Goods That Generally Become Part of Real Property and Goods That Do Not*.

If you are unsure whether a particular good becomes part of real property, please [contact us](#).

Who is a Contractor?

You are a contractor if you supply and affix, or install, goods that become part of real property. This includes contractors and subcontractors in the construction industry, and businesses that:

- Supply goods with installation services if the goods become part of real property after installation
- Supply goods as part of providing a service to real property where the goods become part of real property during that service (e.g. painters, landscapers)

The following are examples of contractors:

- Bricklayers
- Cabinet installers
- Carpenters
- Carpet layers
- Drywallers
- Excavators
- Electricians
- Fence builders
- Foundation contractors
- Framing contractors
- Glass and glazing contractors
- Heating system installers
- Home builders
- Kitchen installers
- Landscapers
- Locksmiths
- Masonry contractors
- Mechanical contractors
- Painters
- Pavers
- Plumbers
- Roofers
- Sheet metal contractors
- Siding contractors
- Sundeck builders
- Window installers

How PST Applies to Contractors

You must pay PST on taxable goods you acquire to fulfil a contract. You do not charge your customers PST.

You pay PST because you are the user of the goods used to fulfil the contract. You are not selling those goods to your customer and you are not eligible for the PST exemption for goods acquired for resale.

You must pay PST regardless of whether your contract is a time and materials contract or a lump sum contract.

You pay PST on taxable goods (e.g. building materials) you acquire to fulfil a contract, even if the real property where you will affix or install the goods is outside BC. However, you may be eligible for a refund of the PST if:

- you ship the goods out of BC **and** make no use of the goods in BC, or
- you ship the goods out of BC, even if the goods are processed, fabricated, manufactured into, attached to or incorporated into other goods, and the goods themselves or the resulting goods are affixed or installed so that they become part of real property situated outside BC.

For more information, see [Bulletin PST 506](#), *Real Property Situated Outside BC*.

Exception: You are exempt from PST on goods you use to fulfil a contract if the contract is with certain persons who are exempt from PST. You may also be exempt if you have an agreement that states your customer agrees to pay the PST on the goods and that agreement meets specific conditions (see Exemptions for Contractors below for complete details).

Installing Goods that Do Not Become Part of Real Property

If the goods you supply and install do **not** become part of real property after installation, you must register as a PST collector and charge your customers PST on the goods and on the installation services.

For example, if you install or maintain ornamental plants in portable or freestanding containers, you must charge PST on the plants, containers and on the services to install and maintain them.

For information on registering for PST, see [Bulletin PST 001](#), *Registering to Collect PST*. For information on related services, see [Bulletin PST 301](#), *Related Services*.

Supplying and Installing Both Goods that Become and Do Not Become Part of Real Property

If you supply and install both goods that become part of real property and goods that do not become part of real property after installation, you must:

- pay PST on the goods that become part of real property, and
- register as a PST collector and charge your customers PST on the goods that do not become part of real property **and** on the related services you provide to those goods, such as installation services. You are exempt from PST when you acquire these goods if they were acquired solely for resale.

Contractors Who Also Sell Goods Without Installation

If you are a contractor who also operates a retail or wholesale facility (i.e. you also sell goods without installation), you are a contractor for the goods you supply and affix, or install, that become part of real property. If this applies to you and you use goods from your retail or wholesale inventory to fulfil your contracts, see [Bulletin PST 504](#), *Contractors Who are Also Retailers or Wholesalers*.

Exemptions for Contractors

Agreement by the Customer to Pay the PST

You are exempt from PST on goods you acquire to fulfil a contract if you and your customer have an agreement that your customer agrees to pay the PST on those goods and the agreement meets the following conditions.

To qualify for the exemption, the agreement must:

- be in place at or before the time you acquire the goods,
- contain a statement that your customer:
 - agrees to pay the PST on the goods under section 80 of the *Provincial Sales Tax Act*, such as “the contractor and the customer agree that the customer is responsible for paying the PST on the materials to be installed under this agreement, as provided for under section 80 of the *Provincial Sales Tax Act*”, or

- agrees to assume your responsibility for paying the PST on the goods, such as “the contractor and the customer agree that the contractor is transferring the PST liability on the goods listed in this contract to the customer”,
- state the purchase price of the goods, and
- either be a written agreement signed by your customer, or a signed written statement verifying a verbal agreement. An electronic signature is acceptable if the agreement or written statement is in an electronic format.

If there is no written evidence of an agreement that meets all of the above conditions for the exemption, your customer is not required to pay PST and you are not exempt from PST. However, if your customer does pay PST, they may be entitled to a refund.

Registering for PST and Charging PST

If you have an agreement that meets the above conditions, you must:

- be registered as a PST collector before the goods are supplied,
- charge your customer PST on the greater of your purchase price of the goods or the purchase price in the agreement, and
- remit the PST you charged your customer, whether or not the PST has actually been collected from the customer (e.g. sales on credit). The PST is payable by your customer when the purchase price of the goods is paid or becomes due, whichever is earlier.

For more information, see [Bulletin PST 001](#), *Registering to Collect PST* and [Bulletin PST 002](#), *When to Charge and Collect PST*.

Note: If you have a contract to supply and affix, or install, goods that become real property situated outside BC, you must pay PST on the goods you acquire to fulfil the contract. You **cannot** transfer the PST liability to your customer. However, you may be eligible for a refund of the PST if:

- you ship the goods out of BC **and** make no use of the goods in BC, or
- you ship the goods out of BC, even if the goods are processed, fabricated, manufactured into, attached to or incorporated into other goods, and the goods themselves or the resulting goods are affixed or installed so that they become part of real property situated outside BC.

For more information, see [Bulletin PST 506](#), *Real Property Situated Outside BC*.

Contracts with Persons Exempt from PST

You are exempt from PST on goods you acquire to fulfil a **written** contract if the contract is with:

- The Government of Canada (unless the Government of Canada has agreed to pay the PST)
- One of the following persons who would be exempt from PST if they had acquired the goods instead of the contractor:
 - a First Nations individual or band (see [Bulletin PST 314](#), *Exemptions for First Nations*)
 - a person eligible for the production machinery and equipment (PM&E) exemption (see [Bulletin PST 110](#), *Production Machinery and Equipment Exemption*)
 - a qualifying aquaculturist (see [Bulletin PST 103](#), *Aquaculturists*)
 - a qualifying farmer (see [Bulletin PST 101](#), *Farmers*)
 - a member of the diplomatic or consular corps (see [Bulletin CTB 007](#), *Exemption for Members of the Diplomatic and Consular Corps*)

Note: To claim this exemption, you must have the written contract in place at or before the time you acquire the goods.

Documenting Exemptions for Contractors

To claim an exemption, you must provide the following information to your supplier at or before the time of sale:

- If you have an agreement stating the customer agrees to pay the PST on the goods, you must provide your PST number or, if you do not yet have a PST number, you must provide a completed *Certificate of Exemption – Contractor* ([FIN 491](#)).
- If you have entered into a written agreement with a person who is exempt from PST (as noted above), you must provide a *Certificate of Exemption – Contractor* ([FIN 491](#)) that has been completed by both you **and** your customer. You cannot use your PST number to claim this exemption.

Subcontractors

If you are a subcontractor performing work for a general contractor who is exempt from the PST (as noted above), you must provide both of the following documents to your supplier, even if you have a PST number:

- a *Certificate of Exemption – Subcontractor* ([FIN 493](#)) that you have completed, **and**
- a copy of the *Certificate of Exemption – Contractor* ([FIN 491](#)) that has been completed by the general contractor you are working for and their customer who is exempt from PST.

Refunds

Contract with Person Exempt from PST

If you paid PST on goods you intended to use to fulfil a real property contract, and then used the goods to fulfil a contract with a person who is exempt from PST (as described above in Contracts with Persons Exempt from PST), you are eligible for a refund of the PST you paid on those goods.

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

To apply for the refund, complete an *Application for Refund – General* ([FIN 355](#)) and provide the supporting documentation listed on 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.

Goods You Shipped Out of BC

You may be eligible for a refund if you paid PST on goods you:

- shipped out of BC and did not use in BC, except to store them, or

- shipped out of BC to fulfil a contract and the goods are affixed or installed so that they become part of real property situated outside BC (**note**: this refund also applies if the goods are processed, fabricated, manufactured into, attached to or incorporated into other goods, as long as the other goods are affixed or installed so that they become part of real property situated outside BC).

For more information, see [Bulletin PST 506](#), *Real Property Situated Outside BC*.



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Email: 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.

Latest Revision

July 2020

This bulletin has been revised to reflect that:

- Real property contractors who supply and affix, or install, goods so that they become part of real property situated outside BC can apply for a refund of PST they paid on those goods. This refund also applies to goods that are processed, fabricated, manufactured into, attached to or incorporated into other goods, as long as the other goods are affixed or installed so that they become part of real property situated outside BC. Real property contractors are no longer required to pay sales tax to another jurisdiction to be eligible for this refund.

This change is effective February 19, 2020, subject to legislative and regulatory approval.

References: *Provincial Sales Tax Act*, sections 1 “affixed machinery”, “apparatus”, “band”, “collector”, “First Nation individual”, “improvement to real property”, “related service”, “sale”, “tangible personal property”, “use”, 11, 26, 28, 34, 37, 49, 55, 79-80.8, 137, 158, 158.1, 170, 179 and 192; *Provincial Sales Tax Exemption and Refund Regulation*, section 126.1; *Provincial Sales Tax Regulation*, sections 44-46 and 79.