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RETURN OF BC PST – APRIL 1, 2013

Current: October 12, 2012

Although the BC provincial sales tax (“PST”) is being introduced as a new piece of legislation, the PST should be reinstated with all the same exemptions and the same rates as before. Therefore, you should expect the same exemptions and rates previously:

- Luxury automobiles will have a sliding PST scale from 7% to 10%;
- Liquor at 10%, Hotel at 8%, and other previous taxes will be reinstated at the same rates as before;
- PST will not apply to purchase of and services to real property;
- Exemptions for food (including prepared foods), safety gear, printed and bound books, goods purchased for resale and other previous exemptions will be reinstated.

However, the new PST will not be the same as the previous PST some of the more apparent changes will be:

- Exemptions for children sized clothes will be reintroduced with an exemption for adult sized clothes purchased for children;
- Exemptions are regulated rather than embedded in legislation allowing the government to modify the rules without going to the legislature;
- Stronger rules to tax software will be introduced;
- Rules to clarify what is and is not real property (“Affixed Machinery”);
- Arm’s length gifts will be taxable at the fair value of transferred property,
- A 12% PST will apply to 2nd hand automobile sales; and
- Self- assessment rules will be introduced for out of province purchases.



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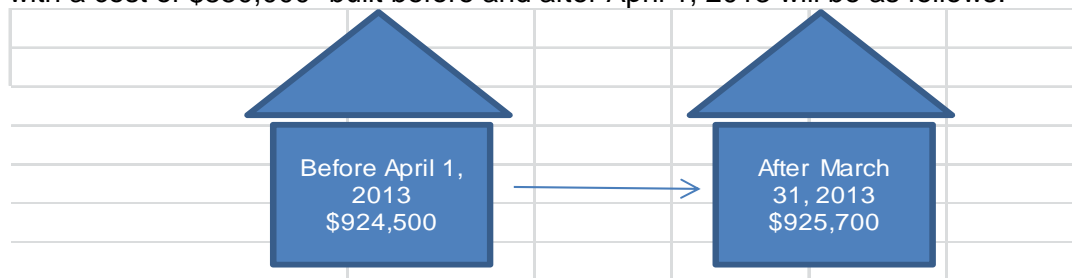
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RESIDENTIAL REAL PROPERTY

Buying or Building a New House?

The overall end cost of an \$850,000 or less should be relatively similar. However, we have provide some analysis of what to expect if you are building or buying a newly constructed home.

The overall cost, including applicable PST, HST, GST and property transfer tax, of a new house with a cost of \$850,000¹ built before and after April 1, 2013 will be as follows:



New housing rules have been introduced to equalize houses started prior to April 1, 2013, but completed after April 1, 2013.² In order to balance the cost of a house a builder rebate equal to the cost of the embedded PST will be provided and a tax of 2% of the property cost will apply for properties that are built overlapping April 1, 2013. The overall costs through the transition period will range from \$924,053 to \$929,133 (see Appendix A for detail calculations).

There are additional transitional rules for properties that were being built prior to the introduction of HST and for constructing your own property, please contact us should you require more details.

Repairing or Renovating a House?

The cost of installations on real property should also decrease depending on the cost of underlying materials:

	Current	Subsequent	Current	Subsequent	Current	Subsequent
Percent of cost related to material	75%		50%		25%	
Cost of labour	50,000	50,000	100,000	100,000	150,000	150,000
Cost of materials	120,000	120,000	80,000	80,000	40,000	40,000
Markup on materials (assumed 25%)	30,000	30,000	20,000	20,000	10,000	10,000
PST on materials		8,400		5,600		2,800
HST/GST	200,000	208,400	200,000	205,600	200,000	202,800
HST/GST	24,000	10,420	24,000	10,280	24,000	10,140
Net cost	224,000	218,820	224,000	215,880	224,000	212,940
Savings		2.31%		3.63%		4.94%

¹ \$850,000 prior to April 1, 2013; \$867,000 (\$850,000 x 1.02) after March 31, 2013

² http://www.hstinbc.ca/buying_goods/buying_a_home/new_home_purchases



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OTHER CHANGES

Affixed Machinery – (taxable fixtures)

The new rules introduce a concept of affixed machinery. Affixed machinery and services upon affixed machinery will be taxable for PST purposes. Affixed machinery is generally equipment that may be affixed to real property, but could be removed and used elsewhere or is mobile at the site (i.e. on rails). Alternatively equipment that is permanent attached to real property for its useful life would be considered a fixture and part of real property.

Software

Software will become taxable based on use rather than medium and location of the seller. Exemptions for certain services on software are still expected to expected to remain.

Work In Process

Transitional rules have yet to be announced; however, it is expected that services that are reasonably considered to be rendered prior to April 1, 2013 should be billed with HST and services provide after should be billed GST and PST.

Therefore, it will likely be necessary to bill work in process up to March 31, 2013 to create a hard cutoff or to segregate the amount of a bill that relate to before and after April 1, 2013 and bill accordingly.

WHAT YOU NEED TO DO

<p>Prior to January 2, 2013</p>	<p>Review your business and determine if you are subject to PST. A good starting point may be PST001 Registering to Collect Provincial Sales Tax (see www.sbr.gov.bc.ca/documents_library/bulletins/pst_001.pdf)</p> <p>Still not certain:</p> <ul style="list-style-type: none"> • Contact us; or • The government offers assistance and a binding review at www.sbr.gov.bc.ca/ctb/ask_a_tax_specialist.htm; or
<p>January 2, 2013</p>	<p>Register for PST (letter to be provided by Ministry of Finance in December) – online, in person at 1802 Douglas Street Victoria, or by fax or mail using form FIN 418 Application for Registration for Provincial Sales Tax</p>



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March 31, 2013	At the end of business on March 31, 2013 you will need to ensure that your systems are updated to stop collect HST at 12% and to begin collecting GST at 5%.
April 1, 2013	Prior to business on April 1, 2013, you will need to ensure your systems are updated to collect the new PST at a rate of 7%.
After April 1, 2013	PST returns will be required to be filed Monthly, Quarterly, Semi-annually, or annually. A commission of up to \$198 per reporting period. If you have total Canadian sales of \$1,500,000 you will be required to file your PST return electronically.

WHERE TO GO FOR MORE INFORMATION

The Return to PST website may be found here: www.pstinbc.ca.

OUR TEAM

Please contact us with any questions that you may have.

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Appendix A

Cost of Newly Constructed Housing With Transition Rules

The following table provides details on estimated overall cost of properties during the transition period:

	Before April 1, 2013	Transitional								After April 1, 2013
		75% - 89%		50% - 74%		25% - 49%		10% - 24%		
Ranges rebates applied										
Rate of rebate applied	n/a	0.20%		0.50%		1.00%		1.50%		n/a
Percentage complete before April 1, 2013	90%	89%	75%	74%	50%	49%	25%	24%	10%	9%
Cost of building prior to April 1, 2013	850,000	756,500	637,500	629,000	425,000	416,500	212,500	204,000	85,000	76,500
Cost of building after March 31, 2013	-	93,500	212,500	221,000	425,000	433,500	637,500	646,000	765,000	773,500
2% PST on materials after April 1, 2013	-	1,870	4,250	4,420	8,500	8,670	12,750	12,920	15,300	15,470
Rebate to builder	-	1,700	1,700	4,250	4,250	8,500	8,500	12,750	12,750	-
Net cost to purchase	850,000	850,170	852,550	850,170	854,250	850,170	854,250	850,170	852,550	865,470
PTT	15,000	15,003	15,051	15,003	15,085	15,003	15,085	15,003	15,051	15,309
HST / GST	102,000	42,509	42,628	42,509	42,713	42,509	42,713	42,509	42,628	43,274
Provincial HST rebate	-	42,501								
PST - transitional portion		17,003	17,051	17,003	17,085	17,003	17,085	17,003	17,051	
Total	924,499	924,685	927,280	924,685	929,133	924,685	929,133	924,685	927,280	924,053