

RESOLVING PST INCONSISTENCIES WITH REAL PROPERTY CONTRACTORS (2016)

Ever since the reintroduction of the Provincial Sales Tax (PST) back in 2012, issues of administering and collecting the sales tax continues to pop up to this day. The latest issue involving the PST is regarding the collection of the sales tax by real property contractors.

Back in 2008, the provincial government changed the way real property contractors collected and remitted the PST on behalf of customers. Starting in October 2008, real property contractors were required to pay the PST on any materials used in the completion of a contract to improve real property, unless explicitly stated otherwise in the contract that the customer would pay. Shortly after this change, the BC government began the transition to the HST, which made this transition by real property contractors moot.

When the provincial government transitioned back to the PST, they reverted back to the October 2008 method for real property contractors to pay PST on materials. But not all contractors began to pay the PST on materials they used to complete their projects. Instead, some contractors continued to use their PST exemption number when they purchased materials and then charged the customer the PST back on their invoice. These contractors would then remit the PST they collected from the customer to the provincial treasury.

Since real property contractors aren't allowed to collect the PST from customers under current legislation, any customer charged PST would have to be refunded that amount. At the same time, those contractors who used their exemption on materials still owed the provincial government for the PST on said materials, even though the provincial government already received the PST that the contractor collected from the customers.

This honest error has created a situation where the provincial government would receive a second PST payment for the same material. For some contractors, working on large contracts or multiple projects, this amount they are said to owe is in the tens of thousands of dollars. As a small business operator, with smaller operating margins, this amount is a significant hit on the bottom line for any small business owner.

Real property contractors thought they were doing the right things when they collected the PST from customers. Under current legislation this turns out not to be the case, but an honest mistake that is impacting the viability of a number of small businesses.

This issue does raise the question as to what is the best, most efficient way for real property contractors to collect and remit PST. The Chamber has been consistent in its view, that the introduction of a value-added tax would solve many of these problems, but with the re-introduction of the PST it is vital that the provincial government work with real property contractors to find the right balance that works for them to collect the PST and remit it to the government.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. review the current method for real property contractors to collect and remit PST with all stakeholders;
2. for the real property Contractor to Collect PST Directly from the Customer and remit tax to the Gov't & contractors use PST Exemption # to purchase all goods directly; and
3. offer a one -time relief program for those real property contractors who made an honest mistake in the way they purchased and/or remitted PST since the reintroduction in 2012. To ensure at least the correct amount of PST has been remitted to the gov't. but no refund to the real property contractor for over-collection of PST as they customer paid this not the contractor.

Submitted by the Policy Development Committee