



# Provincial Sales Tax (PST) Notice

Notice 2022-001

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## Notice to Real Property Contractors Provincial Sales Tax Act

On October 25, 2021, the B.C. Court of Appeal issued a judgment on how provincial sales tax (PST) applies to real property contracts that use the “exception rule” (see [Chemainus Gardens RV Resort Ltd. v. British Columbia \[Attorney General\], 2021 BCCA 402](#)).

Generally, real property contractors must pay PST on all goods they purchase and install to fulfil a real property contract. However, under the exception rule, the real property contractor and their customer can agree that the customer will pay the PST rather than the contractor. The exception rule only applies when certain conditions are met.

In the October 2021 decision, the court ruled that real property contracts using the exception rule do not require an explicit reference to the “tax imposed under section 80 [of the Provincial Sales Tax Act].” Further, the court ruled that a reference to “PST” in a written agreement is sufficient for the parties to use the exception rule provided all other conditions for the rule are met.

In response to the decision, government intends to introduce legislation that:

- supports how it administered the legislation prior to the court case, and
- enhances certainty for real property contractors and their customers by clarifying the evidentiary requirements for using the exception rule for both past and future contracts.

We recommend that real property contractors and their customers continue to follow the guidance outlined in our public information. For more information, see “Exemptions for Contractors” in [Bulletin PST 501](#), Real Property Contractors.



## Need more info?

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

Toll free: 1-877-388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

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The information in this notice is for your convenience and guidance and is not a replacement for the legislation.