



# Provincial Sales Tax (PST) Bulletin

Bulletin PST 130

Issued: November 2013

Revised: October 2022

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## Fabric and Craft Stores

### Provincial Sales Tax Act

Latest Revision: The revision bar ( | ) identifies changes to the previous version of this bulletin dated March 2016. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin provides information to help fabric and craft stores understand how PST applies to their businesses.

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### Examples of Exempt Items

Listed below are examples of exempt items commonly sold in fabric or craft stores. This is not a complete list. Products not on this list may be taxable and may be found on the Examples of Taxable Items list below. If an item is not on either list and you are unsure how PST applies, please contact us.

### **Yarn, Natural Fibres, Synthetic Thread and Fabric**

Yarn, natural fibres, synthetic thread and fabric commonly used in making or repairing clothing are exempt from PST, including:

- Fabric commonly used in making or repairing clothing – including corduroy, cotton, denim, faux fur, faux leather, faux suede, flannel, fleece, lace,

light-weight brocade, light-weight canvas, light-weight leather, light-weight suede, linen, lining, nylon, organza, polyester, rayon, satin, silk, taffeta, terry cloth, velour, velvet, wool, fabrics to make clothing that offers UV protection to the wearer

- Natural fibres from animal or plant sources, such as wool or cotton that can be spun into yarn or woven into cloth
- Kits consisting of fabric or yarn, and a pattern or instructions necessary to make a piece of clothing
- Sewing threads and knitting yarns commonly used in making clothing, such as cotton, nylon, polyester, metallic and rayon, unless they are specifically labelled for a purpose other than making clothing

## **Clothing Patterns**

Clothing patterns are exempt from PST, including instructions for crocheting, knitting or sewing clothing. This includes patterns for making:

- Baby blankets, bibs, cloth diapers and layettes
- Clothing for pets, including costumes
- Costumes
- Gloves, mittens, toques, hats, scarves, legwarmers and headbands

This does not include cross-stitch patterns, or patterns for making:

- Aprons or smocks
- Bags, backpacks or purses
- Blankets (other than baby blankets)
- Blinds or shades
- Cloths (e.g. dishcloths)
- Decorations (e.g. Christmas ornaments)
- Doilies
- Hair accessories
- Pillows, cushions or covers
- Quilts
- Rugs
- Stuffed animals, including patterns for making accessories or clothing for dolls or stuffed animals
- Table runners

## **Publications**

The following publications are exempt from PST:

- Books that are printed and bound, including pattern and instructional books (does not include catalogues, price lists, directories, albums or calendars)
- Qualifying magazines, newspapers and periodicals

For more information, see [Bulletin PST 205](#), Books, Magazines, Newspapers and Other Publications.

## **Gift Cards and Gift Certificates**

You do not charge PST on a purchase of gift cards or gift certificates because it is a purchase of store credit a customer may redeem later. When a customer redeems the credit, PST applies to the purchase as if the credit were cash. PST will apply if the item purchased is subject to PST.

## **Examples of Taxable Items**

This is a list of taxable items commonly sold in fabric and craft stores. This is not a complete list. Items not on this list may be found on the Examples of Exempt Items list above. If an item is not on either list and you are unsure how PST applies, please contact us.

- Equipment (e.g. sewing machines, sergers, quilting machines, cutting tools), as well as parts and accessories for the equipment
- Fabric packaged and sold as clothing (unless the item is children's clothing; see [Bulletin PST 201](#), Children's Clothing and Footwear)
- Fabric packaged or labelled for a purpose other than making or repairing clothing
- Fabric that is pre-printed with, or incorporates, a design or instructions and is not intended for making clothing
- Fabric or material not commonly used in making clothing. This includes:
  - aluminized heat-resistant fabric
  - ballistic nylon
  - barkcloth
  - batting or fibrefill
  - black-out or dim-out fabric
  - burlap
  - cheesecloth

- felt
- heavy duty canvas and heavy duck cloth
- heavy weight corduroy
- heavy weight leather and hides
- interfacing
- mesh fabric, other than mesh fabric designed for making or repairing clothing
- netting, other than tulle
- oilcloth
- plasticized, plastic backed, rubber backed or rubber coated fabric
- upholstery fabric, other than lightweight upholstery fabric
- vinyl fabric, including fabric created with polyvinyl chloride but not including lightweight vinyl fabric
- Individual patterns and instructions for non-clothing items
- Kits consisting of yarn, fabric or floss, a pattern or instructions, and other supplies necessary to make a decorative item, such as a hooked rug, a wall hanging or a needlepoint pillow or picture
- Notions, such as appliqués, bobbins, buttons, crochet hooks, cutting tools, drapery rods and fittings, dress shields, elastic, fabric dye, iron-ons, knitting needles, needles, pads, patches, pins, scissors, sewing boxes, snaps, stabilizers, tapes, velcro, zippers
- Pre-cut pieces of fabric packaged, labelled or offered for sale for a purpose other than making or repairing clothing
- Software, CDs and DVDs
- Thread that is not commonly used in making clothing or that is labelled for a non-clothing purpose, such as embroidery thread or floss and quilting thread
- Trimming, such as binding, braid, fringe, lace, ribbon, tassels

## **Services**

Related services are services to goods or services to install goods. Generally, if a good is taxable when purchased (e.g. a quilt), services provided to that item (e.g. quilt repair and maintenance) are also taxable unless a specific exemption applies.

## **Examples of Taxable Related Services**

Services that are subject to PST include services to:

- Apply protective treatments to taxable goods, such as fabric protection

- Stitch a customer's goods
- Repair or maintain quilts, drapes and other taxable goods
- Repair or reupholster furniture

**Note:** This is not a complete list.

## Examples of Exempt Related Services

The related services listed below are exempt from PST. This is not a complete list. Unless a specific requirement is provided below, service providers are not required to collect any information or documentation from the purchaser to show why they did not collect PST. However, the collector's records must support that the sale was exempt. For example, the nature of the service and the item to which the service is provided could be indicated on the bill, invoice or receipt.

- Cutting goods, other than cutting that is part or all of a service to repair, restore or recondition the goods or cutting that is provided to taxable goods along with another related service that is subject to PST (e.g. repair services)
- Measuring, weighing, grading or classifying goods, unless provided to taxable goods along with another related service that is subject to PST (e.g. repair services)
- Services to exempt goods (e.g. clothing and footwear)

For information on related services, including how PST applies to goods used in performing related services, see [Bulletin PST 301](#), Related Services.

## Services to Manufacture Goods

Generally, services to taxable goods are related services and are subject to PST. However, if the service you provide is the manufacture of goods for your customers, this is not a related service and is not taxable unless you also provide your customer with any of the materials you use to manufacture the goods, other than thread.

For example, if you provide longarm quilting services in the manufacture of a finished quilt for your customer, you are not providing a related service and do not charge PST if:

- your customer provides you with materials (e.g. the top sheet, quilt batting and quilt backing), and
- you sew these items together and produce a finished quilt.

If you provide any of the materials necessary to finish the quilt (e.g. the quilt batting or quilt backing), other than thread, you must charge PST on the materials **and** on the longarm quilting services.

If you provide longarm quilting services and **do not** finish the quilt, you are performing a related service and must charge PST on your services.

## **Purchases and Leases for Your Business**

### **Taxable Goods**

You must pay PST on the purchase or lease of new or used taxable goods you use in your business, such as:

- Advertising materials, such as flyers and brochures
- Energy for heat and light (except electricity)
- Items you use or consume in your business (e.g. cash register tapes, letterhead, toner, cleaning supplies, disinfectants, oil, grease)
- Items you purchase to give away as free promotions (see Promotional Materials below)
- Machinery, tools and equipment (e.g. cutting tools)
- Parts for your tools and equipment
- Shelving, storage racks, display cases, pallet jacks
- Stationery, furniture, office equipment, computer hardware
- Tools you use to provide services (e.g. cutting tools)

You must also pay PST on the following.

- Software, unless a specific exemption applies (e.g. custom software). For more information, see [Bulletin PST 105](#), Software.
- Related services you purchase for your own equipment, such as repairs to your office equipment. For more information, see [Bulletin PST 301](#), Related Services.

If your supplier does not charge you PST on taxable items, you must self-assess (pay directly to us) the PST due on your next PST return. If you are not yet registered for PST, 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 you obtained the taxable items. For example, if you purchase a taxable item in July, you must file the return and pay the PST no later than August 31.

## Goods for Resale or Lease

You are exempt from PST on goods you obtain solely for resale or lease to your customers. To purchase or lease 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 you make a purchase that includes both exempt goods for resale and taxable goods you will use in your business, tell your supplier which goods are exempt and which goods are taxable. If they do not charge you PST on the taxable goods, you must self-assess the PST due.

For more information, see [Bulletin PST 208](#), Goods for Resale.

## Change in Use

If you take taxable goods from your resale inventory for business or personal use, you must self-assess the PST due on your cost of the goods.

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 you used the goods for a taxable purpose.

If you take taxable goods from your lease inventory for business or personal use, you must self-assess PST as explained in [Bulletin PST 315](#), Rentals and Leases of Goods.

## Containers and Packaging Materials

You are exempt from PST on containers and packaging materials (except reusable containers) you obtain solely for packaging goods for sale or lease, or if you provide them to your customers with their purchases of goods. However, you must pay PST on containers and packaging materials if you use them for other purposes, such as storing, handling or shipping goods, or you use them to provide a service.

Generally, you are not required to charge PST on the containers and packaging materials you provide with goods and services, unless you separately charge your customers for them. However, in limited circumstances, you may be required to charge PST on the fair market value of the containers and packaging materials.

For more information, see [Bulletin PST 305](#), Containers and Packaging Materials.

## Goods Brought Into B.C.

You must pay PST if you purchase or lease taxable goods or services outside B.C. and bring or send them into B.C. or receive them in B.C. You must pay PST on the total amount you pay to bring the goods into B.C., including charges for transportation, customs, excise and any other costs, except the goods and services tax (GST).

If your supplier does not charge you PST at the time of the sale or lease, 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 the Casual Remittance Return ([FIN 405](#)) on or before the last day of the month following the month you brought or sent the goods into B.C. or received the goods in B.C.

For more information, see [Bulletin PST 310](#), Goods Brought Into B.C.

## Bonus Items

You may provide goods as bonus items with the purchase of other goods. For example, you may give your customer a bonus item when they purchase at least \$50 worth of fabric. For the purposes of PST, these transactions are sales of both items.

If all of the items (purchased and provided as a bonus) are taxable goods (e.g. sewing machine accessories provided with a purchase of a sewing machine), you must charge PST on the purchase price paid. You can purchase the bonus items exempt from PST as goods for resale.

If the transaction is for both taxable and non-taxable goods for a single price (e.g. taxable notions and a non-taxable pattern), you are making a bundled sale. The general rule for charging PST on a bundled sale is that you charge PST only on the fair market value of the taxable portion. The fair market value is the price a good or service would normally sell for on the open market.

For more information, see [Bulletin PST 316](#), Bundled Sales and Leases.

## Promotional Materials

Promotional materials are goods you use, give away or sell below cost to help advertise or promote your business. Examples of promotional materials include samples, gifts, premiums and prizes, and goods given away as part of a loyalty or rewards points program.



You must pay PST on all taxable goods you purchase or make as promotional materials. For example, you must pay PST if you buy calendars or balloons you will give away to promote your business.

Promotional materials on which you must pay PST also include taxable goods you obtain to sell at a price below cost. For example, you purchase a cutting wheel at a cost of \$15 per wheel. To promote greater sales, you offer the cutting wheel to preferred customers at a below cost price of \$12 per wheel. Your customer pays PST on the \$12 purchase price of the cutting wheel. In addition, on your next PST return, you must self-assess PST based on the following formula:

$$(\text{Cost} - \text{Customer's purchase price}) \times \text{PST rate} = \text{PST to self-assess}$$
$$(\$15 - \$12) \times 7\% = \$0.21 \text{ PST to self-assess}$$

**Note:** You do not self-assess PST on goods sold below cost if you are not selling the goods below cost for promotional purposes. For example, you purchased scissors at \$25 per item and attempted to sell them for \$50 per item. After some time, you decide to mark down the remaining scissors to \$20 per item because their value has decreased. In this case, your customer pays PST on the \$20 purchase price of the scissors, but you do not self-assess any additional PST.

For more information, see [Bulletin PST 311](#), Promotional Materials and Special Offers.

## **Sewing or Other Craft Classes**

If you provide sewing or other craft classes, you do not charge PST on the class fee. However, if you provide taxable materials or equipment to your students, PST may apply as set out below.

### **Student Materials and Equipment**

If you provide taxable materials or equipment in an all-inclusive class fee, you are making a bundled sale. As outlined below, PST applies differently depending on whether your students purchase the materials or equipment.

#### **Materials and Equipment Sold to Class Participants**

If your class participants are purchasing the materials and equipment (i.e. they may keep the taxable materials or equipment after the end of the class or series of classes), you:

- Must charge PST on the fair market value of the materials and equipment you sell to the class participants
- Do not pay PST when you obtain these materials and equipment, provided they are obtained solely for resale (e.g. to class participants)

For more information, see [Bulletin PST 316](#), Bundled Sales and Leases.

**Note:** If you list the charges for the class fee separately from the materials and equipment used in the class on your invoice to the class participants, you must charge PST on any taxable materials and equipment you sell or lease to class participants.

In either case, you do not pay PST when you purchase the materials and equipment if they are solely for resale or for leasing to other persons. To purchase these items exempt from PST, give the supplier your PST number or, if you have not yet received your PST number, a completed Certificate of Exemption – General ([FIN 490](#)).

### **Materials and Equipment Not Sold to Class Participants**

If the class participants are not permitted to keep the taxable materials and equipment after the end of the class (or series of classes), you:

- Do not charge PST on the materials and equipment you provide to class participants
- Must pay PST when you obtain the materials and equipment, as you are the user of these goods when you provide the class

## **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 bulletin is for your convenience and guidance and is not a replacement for the legislation.

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### **Latest Revision**

October 2022

- Revised to reflect that, effective April 1, 2019, electricity is fully exempt from PST for all purchasers
  - Added information about purchasing exempt and taxable goods together
  - Clarified how PST applies to goods removed from resale or lease inventory
  - Clarified information about goods brought into B.C.
  - Other minor revisions
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References: Provincial Sales Tax Act, sections 1 “promotional distribution”, “related service”, 16, 26, 81, 116, 119, 137, 140.1, 141 and 145; Provincial Sales Tax Exemption and Refund Regulation, sections 9, 11, 15-17, 73 and 77 and Schedule 5.