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Security Systems

Provincial Sales Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated October 2015. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin explains how PST applies to sales, installation and servicing of security systems.

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Overview

Security systems and components of security systems are taxable. Either you or your customer pays PST depending on the type of security system. For the purposes of the PST, there are three general categories of security systems as follows. PST applies differently to each one.

Category of Security System Installed	Who Pays PST
<p>1. Systems that Become Part of Real Property Includes most security systems that are physically attached to real property – see definition below</p>	Generally, the contractor pays PST on components needed to fulfill the contract and does not charge the customer PST on the security system or installation.
<p>2. Systems that Remain Goods Includes security systems that are not attached to real property or components minimally attached for the better use of the components</p>	The contractor charges PST on the security system and installation.
<p>3. Mixed Systems Includes security systems with components that become part of real property and components that do not</p>	<p><i>Apply PST separately for different components as follows.</i></p> <p>Components that become part of real property:</p> <ul style="list-style-type: none">▪ Generally, the contractor pays PST on components needed to fulfill the contract. <p>Components that remain goods:</p> <ul style="list-style-type: none">▪ The contractor charges PST on the components and installation.

In some cases, you charge PST when you provide maintenance and repair services, depending on the category of security system you service. You also charge PST on security systems and components you sell or lease without installation.

Definitions

In this bulletin:

- **contract** means an agreement under which goods are supplied and affixed, or installed, so that they become part of real property
- you are a **contractor** if you supply and affix, or install, goods that become part of real property (for more information, see [Bulletin PST 501, Real Property Contractors](#))
- **goods** are personal property that you can see, weigh, measure or touch, or that are in any other way perceptible to the senses
- **obtain** means:
 - purchased or leased in BC,
 - brought or sent into BC, or
 - received in BC.

- **real property** is land and anything that is attached to land so it becomes part of real property after installation (i.e. ceases to be personal property at common law)

Real property normally includes buildings, structures and other items, such as camera equipment, attached to the land (or to buildings or structures) by some means except their own weight. For more information, see [Bulletin PST 501](#), *Real Property Contractors*.

How to Determine the Category of Security System

Generally, security systems or components that are attached to real property, even minimally (except simply being plugged in), become part of real property. Security systems or components that are not attached to real property, such as remote controls, remain goods and do **not** become part of real property.

However, if the security systems or components are only minimally attached to real property for the better use of the components, they do not become part of real property.

For example, a monitor that is bolted to a wall, including with a wall mount, is not part of real property because it is attached to the wall for the better use (i.e. better viewing) of the monitor. However, if the monitor is more substantially attached so that removing it would cause significant damage to the real property (e.g. it is built into a wall) it becomes part of real property, even if it is attached for the better use of the monitor.

The above are guidelines only. Each situation may be different. If you are unsure whether a particular item becomes part of real property, please contact us.

Security Systems that Become Part of Real Property

If you supply and install a security system made up only of components that become part of real property, you must pay PST on taxable components you obtain to fulfil the contract. You do not charge your customers PST on the sale or lease of a security system that you install in this case.

For example, if you supply and install a security system that includes cameras, motion sensors, a control panel and cabling, and all of the components become part of real property after installation, you must pay PST on the purchase price of all the components. You do not charge your customer PST.

As a contractor, you must pay PST because you are the user of the goods. You are not selling or leasing goods to your customer and you are not eligible for the PST exemption for goods obtained for resale or lease.

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

Exceptions: 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 in [Bulletin PST 501](#), *Real Property Contractors*).

Examples

The following are examples of security equipment that generally become part of real property after installation. This is not a complete list. If any of the equipment is sold without installation, it is subject to PST as goods.

- Cables that are inside walls or attached to walls (e.g. stapled)
- Cameras and motion sensors that are attached to walls or ceiling by screws even if wireless and battery powered
- Cameras, motion sensors and control panels that are hardwired
- Lights that are attached to walls/ceiling by screws, even if wireless and battery powered

Security Systems that Remain Goods

If you supply and install a system in which all of the components remain goods and do **not** become part of real property, you must charge PST on the purchase or lease price of the components and any installation charge.

For example, if you supply and install a portable system with cameras and motion sensors that will be moved as needed and are not attached to real property (e.g. they rest on their own weight), you must charge PST for the components and installation.

Examples

The following are examples of security equipment that generally do **not** become part of real property after installation, unless they are attached to real property. This is not a complete list.

- Cables – free hanging (e.g. power cables that plug into outlets)
- Cameras and motion sensors that are intended to remain portable (i.e. not attached to real property such as walls or ceilings)
- Components that are not attached to real property (e.g. wireless flood detectors that are placed in locations on the floor)
- Computers – to become part of real property they must be substantially attached to real property
- Key fobs and swipe cards
- Monitors, even when mounted on walls with a bracket – to become part of real property they must be substantially attached to real property
- Remote controls
- Security systems for boats
- Security systems for vehicles
- Video recorders
- Wireless control panels, even when mounted on walls by screws – to become part of real property they must be substantially attached to real property

Mixed Security Systems

If you supply and install a mixed security system that includes components that become part of real property after installation and components that do not, and you separately itemize the security system equipment on your bill or invoice, PST applies as follows.

- You **pay** PST on the components that become part of real property. You do not charge PST for those components or their installation.
- You **charge** PST on the components that remain goods (e.g. cameras that do not become part of real property as they rest on their own weight) **and** on the installation service you provide for those components.

For example, you supply and install a system with a control panel and motion sensors that become part of real property and cameras that remain goods after installation (e.g. they rest on their own weight). If you separate the charges for different components on the invoice, you charge PST for the cameras and pay PST for the motion sensors and control panel.

If you are **selling** a mixed security system and you do not separately itemize the equipment on your bill or invoice (i.e. you charge a single price), the bundled sales rule applies (see Bundled Sales below).

If you are **leasing** a mixed security system to your customer and you do not separately itemize the components on your bill or invoice (i.e. you charge a single lease price), you charge PST on the fair market value of the taxable portion of the bundled lease. The fair market value is the price that a good would normally lease for in the open market.

Security Systems and Components Sold or Leased without Installation

You must collect PST on the full purchase or lease price of goods you sell or lease without installation unless a specific exemption applies. This includes the following:

- components of security systems that you sell or lease without installation (e.g. key fobs, swipe cards, cameras and monitors)
- security systems that you sell or lease as packages to customers without installation
- security systems that do not require any installation such as personal alarms

Services to Existing Security Systems

How you apply PST to security system repairs and maintenance depends on whether the components you are servicing are part of real property after installation.

Systems that Are Part of Real Property

If you repair a security system and all of the components you repair are part of real property, you do not charge PST for your labour, as services to real property are not taxable.

If you install repair parts while providing the service, you pay PST on the parts and you do not charge your customer PST for the parts, unless a specific exemption applies (see Exemptions for Contractors in [Bulletin PST 501](#), *Real Property Contractors*).

Systems that Remain Goods

If you repair a security system in which all of the components are goods and **not** part of real property, you charge PST on your repair services, including charges for parts, labour and travel time. For more information, see [Bulletin PST 301](#), *Related Services*.

Mixed Systems

If you repair a system that includes components that are part of real property and components that are not and you separately itemize the security system components on your bill or invoice, PST applies as follows.

- You do not charge PST on services to components that are part of real property.
- You charge PST on services to components that are **not** part of real property (e.g. video cameras that rest on their own weight).

Generally, when you provide services for a single price that includes services to goods and services to real property, you charge PST only on the fair market value of the taxable portion of the services (i.e. services to goods). For more information, see Bundled Sales below.

Monitoring Services

Monitoring services generally include a monitoring centre that is alerted when the customer's security system is set off. In some cases, the monitoring centre will dispatch a security guard or notify the police. There is usually a monthly or yearly fee for the monitoring service.

If you provide stand-alone monitoring services, you generally do not charge PST as these services are non-taxable.

Example:

You provide your customer with a monitoring service that alerts your security centre when the customer's security system is set off. The alarm system uses your customer's existing telephone line to send the signal to your security centre. You do not collect PST on the charge for your monitoring service.

However, if you provide software or a telecommunication service to your customer as part of your monitoring service, you must collect PST on the software or telecommunication service.

Examples:

You provide your customer with a mobile device app that allows them to manage their security system (e.g. arm or disarm the system) remotely using their cell phone. By providing your customer with the right to use an app, you are providing your customer with the right to use software. Because the right to use software is subject to PST, you must collect PST on any charge for the right to use the app.

If you charge your customer a single price for monitoring services and the right to use the app, the bundled sales rule applies (see Bundled Sales below). For more information, see [Bulletin PST 105](#), *Software*.

You provide your customer with the ability to send and receive messages using a cellular link because your customer has no telephone land line. When your customer's security system is set off, a cellular link is established that allows your customer to use the system control panel in their home for two-way voice communication with an agent in your security centre. You are providing your customer with a telecommunication service and you must collect PST on any charge for the telecommunication service.

If you charge your customer a single price for monitoring services that includes two-way voice communication, the bundled sales rule applies (see Bundled Sales below). For more information, see [Bulletin PST 107](#), *Telecommunication Services*.

Conditional Sales Agreements

Under a conditional sales contract, also known as a mandatory buyout, a customer makes regular payments and becomes the owner of the goods once they have made all the payments. To be a conditional sales contract, the contract **must** require that the customer becomes the owner of the goods at the end of the contract (i.e. the customer does not have an option to return the goods).

If you have a conditional sales contract for a security system and the system includes taxable components, you charge PST at the start of the contract on the total of all payments your customer must make for the taxable components. If you separate interest from the other charges, you do not charge PST on the interest.

Note: Leases are not conditional sales. Under a conditional sales contract, ownership passes to your customer once certain terms and conditions are met. Under a lease agreement with an option to purchase, ownership passes to your customer only if they select the option to purchase.

Bundled Sales

If the transaction is for both taxable and non-taxable goods and/or services for a single price (e.g. taxable video cameras and a non-taxable monitoring service), 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 component(s). The fair market value is the price that a good or service would normally sell for in the open market.

Bundled Sales Exemption

Your customer is exempt from PST on a bundled sale if all of the following criteria are met:

- the taxable portion is sold for a single price with the non-taxable portion,
- the fair market value of the taxable portion is:
 - \$50 or less, and
 - 10% or less of the total fair market value of all the items and services sold for the single price,
- the taxable portion is pre-packaged with the non-taxable portion or you do not ordinarily sell the taxable portion separately from the non-taxable portion,

- the taxable portion is not being provided by way of promotional distribution (see Promotional Materials below), and
- the taxable portion does **not** include liquor, telecommunication services or legal services.

Example:

You sell your customer an installed security system for a single price of \$1,000. The components all become part of real property upon installation except for a remote control that arms and disarms the system. The remote control has a fair market value of \$40. Because the taxable portion (the remote control: \$40) is less than \$50 and less than 10% of the single price (\$1,000), the entire single price is exempt from PST.

For more information on bundled sales, including information on exemptions, see [Bulletin PST 316](#), *Bundled Sales and Leases*.

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
- equipment you use to perform your services, such as tools, computers, vehicles and cleaning supplies
- items you purchase to give away or sell as promotions (see below)
- shelving and display equipment
- stationery, furniture and office equipment
- supplies, such as ink, toner and paper for your own use (e.g. office use)
- uniforms

You must also pay PST on the following.

- Telecommunication services such as monthly phone and Internet access charges. For more information, see [Bulletin PST 107](#), *Telecommunication Services*.
- Software, unless a specific exemption applies (e.g. custom software). For more information, see [Bulletin PST 105](#), *Software*.
- Related services that you purchase for your own equipment, such as repairs to your office equipment or vehicles. 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 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 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.

Promotional Materials

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

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

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

Goods Brought Into BC

You must pay PST if you purchase or lease taxable goods outside BC and bring, send or receive the goods in BC. You must pay PST on the total amount you pay to bring the goods into BC, 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, sent or received goods into BC. For example, if you receive a taxable item in BC in July, you must file the return and pay the PST no later than August 31.

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

Exempt Purchases

Goods for Resale or Lease

You do not pay PST on the goods you obtain solely for resale or lease to your customers. For example, if you purchase key fobs to sell to your customers, you do not pay PST. 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](#)).

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 the *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*.

Contractors Who Also Sell Goods Without Installation

If you are a contractor who also holds an inventory for retail or wholesale purposes, see [Bulletin PST 504](#), *Contractors Who are Also Retailers or Wholesalers* for information on PST and your inventory.

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 retail 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.

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

Bonus Items

You may provide goods as bonus items with the purchase of other goods or services. For example, you may give your customer a free security system when they purchase an alarm monitoring service contract. For the purposes of the PST, these transactions are sales of both items.

If all of the good or services (i.e. purchased items and bonus items) are taxable (e.g. a display monitor provided with the purchase of 12 cameras), 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 or services for a single price (e.g. portable video cameras and a monitoring service), you are making a bundled sale (see Bundled Sales above).



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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

April 2016

- Clarified that, effective April 1, 2013 (subject to Bill 14, *Finance Statutes Amendment Act, 2016* receiving royal assent), 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.
- Corrected an error in the section for Change in Use for goods removed from lease inventory.
- Clarified the section on Goods Brought Into BC
- Minor revisions

References: *Provincial Sales Tax Act*, sections 1 “fair market value”, “lease”, “non-taxable component”, “promotional materials”, “purchase price”, “related service”, “reusable container”, “sale”, “software”, “tangible personal property”, “taxable component”, “use”, 11, 16, 26, 28, 34, 37, 49, 55, 79, 80, 81, 105, 119, 130, 141 and 192.