



TaxNewsFlash

Canada

Reminder — Online Marketplaces Face New B.C. PST Rules

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Many online marketplace facilitators will have to collect British Columbia's 7% provincial sales tax (PST) starting July 1, 2022. Under this change, which was announced in British Columbia's 2022 budget, online marketplace facilitators must register and collect PST on many of the taxable sales facilitated through their marketplaces. In addition, affected facilitators and certain other entities will also have to collect PST on certain online marketplace services starting July 1, 2022.

As a result of these changes, online marketplace facilitators and other affected entities that are subject to the new PST rules must identify all affected sales and ensure their systems are updated to collect and remit the sales tax as required.

Background

British Columbia announced the new PST registration obligations for online marketplace facilitators and certain other entities in its 2022 provincial budget (see *TaxNewsFlash-Canada* 2022-08, "[Highlights of the 2022 British Columbia Budget](#)"). In general, the new PST rules require entities that meet the statutory definition of "online marketplace facilitator" to collect and remit PST on retail sales of taxable goods, software, accommodation and taxable services sold by online sellers through their online marketplaces, including on certain newly taxable services rendered by the online marketplace facilitators (and certain other entities) to the online sellers.

These tax changes, which take effect on July 1, 2022, were enacted on June 2, 2022.

Marketplace facilitators — Start collecting British Columbia's PST

In general, online marketplace facilitators must register and collect British Columbia's PST starting July 1, 2022 under the new PST rules where they facilitate online marketplace sellers' retail sales of:

- Goods that are located within Canada at the time the goods are sold, provided or leased to a person in British Columbia
- Software for use on, or with, an electronic device ordinarily situated in British Columbia
- Accommodation in British Columbia
- Taxable services, other than legal services, to a person in British Columbia.

Marketplace facilitators that facilitate only a small amount of taxable sales may not be required to register under these new rules. This relief is generally available for marketplace facilitators where the gross value of such retail sales, provision and leases of goods, software and taxable services that they make or facilitate is \$10,000 or less in the preceding 12 months. A number of conditions and rules apply under this exception.

There are also additional rules that apply where an online marketplace is operated, owned or controlled by more than one online marketplace facilitator.

Who is required to collect PST?

Online marketplace facilitators that are registered for PST purposes (or that are required to be registered) and who facilitate sales for online marketplace sellers must collect and remit PST on qualifying sales. However, both the online marketplace facilitator and online marketplace seller remain jointly and severally liable to pay an amount of related PST, interest or penalty assessed against the facilitator, according to the new PST rules.

KPMG observations

As a reminder, online marketplace sellers may still be required to register and collect PST on taxable sales they make otherwise than through online marketplace facilitators under pre-existing PST rules.

Certain online marketplace services are now taxable

Marketplace facilitators and certain other entities must also collect and remit PST on an expanded list of taxable "online marketplace services", effective July 1, 2022. Many services sold to marketplace sellers by online marketplace facilitators (or by an agent, partner, joint venture or associated corporation of the facilitator) will be taxable under these new rules, including:

- The listing of goods, software or taxable services, other than legal services
- Advertising or promotion
- Customer service
- Storage
- The fulfillment of orders or bookings
- The collection or facilitation of payment, either directly or indirectly, and transmission of the payment to the online marketplace seller
- Accepting or assisting with cancellations, changes, returns or exchanges of goods, software or taxable services other than legal services
- Other services to facilitate an online marketplace seller's sale, provision or lease of goods, or sale or provision of software or taxable services, other than legal services, through an online marketplace.

Note that certain online marketplace facilitators and other entities who sell \$10,000 or less of such taxable services may not be required to register under the new PST rules. A number of conditions and rules apply.

KPMG observations

British Columbia indicated in its 2022 budget that it intends to expand the new PST collection obligations to certain goods shipped from outside Canada to consumers in British Columbia, but has not yet released further details. Until then, online marketplace facilitators and online sellers should watch for forthcoming announcements to identify any further changes to their collection obligations.

Non-resident businesses and online marketplace facilitators should review all the federal and provincial PST compliance rules, including many recently enacted changes, to ensure they meet all their GST/HST, QST and PST compliance obligations. Specifically, British Columbia has expanded the PST registration rules for many non-resident businesses over the last few years including, most recently, revisions to the PST rules in 2021. Saskatchewan and Manitoba have also introduced PST obligations for marketplace facilitators. Further, Canada and Quebec introduced extensive new GST/HST and QST rules related to e-commerce that have applied since July 1, 2021. It is important to note that, although these rules largely focus on online marketplace facilitators and e-commerce, they contain significantly different definitions, rules and tax obligations, which can be challenging to manage.

We can help

Your KPMG adviser can help you assess the effect of British Columbia's new PST rules for e-commerce transactions on your business. For more details, contact your KPMG adviser.

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