

Refund of PST Tax Paid on PAC-Funded Purchases for Schools

Effective July 01, 2002 Parent Advisory Councils (PACs) and School Boards became eligible for a refund of Social Service Tax (PST) paid **on goods purchased with PAC-raised funds and given to a school for school use.**

PAC-raised funds are:

- funds raised directly by a PAC through its fundraising activities (sales of coupon books, fun fairs, auctions, garage sales, run-a-thons, and a wide variety of other activities);
- cash donations made directly to a PAC; and
- government funding provided directly to a PAC (includes funds under the Direct Access Program).

PAC-raised funds **do not include** funds provided to PACs either directly or indirectly by school boards (i.e., the \$400 PAC operating grants distributed by DPAC are **not** considered PAC-raised funds and any goods purchased with these grants are not eligible for a PST rebate).

Who is eligible to claim a Refund?

The refund is available to both public school PACs and School Boards. Under the Social Services Tax Act, a refund of tax can only be made to the person who purchased the goods and paid the tax on that purchase. Therefore,

- if goods are purchased **directly** by a PAC (paid outside of the school records), only the PAC can claim a refund on that purchase;
- if the PAC provides PAC-raised funds to the School Board, and the School Board purchases the goods and pays the tax, **a refund can only be made to the School Board;**
- if the PAC provides PAC-raised funds to the school and the school purchases the goods and pays the tax, the purchase is made on behalf of the School Board and **a refund can only be made to the School Board.**

Important information regarding Restrictions to Refunds:

Improvements to Real Property

Where PAC-raised funds are used to pay for the supply and installation of playground equipment or other improvements to the school realty, it is important that the contract is structured as a "time and material" contract if a refund is desired. Under such a contract, the PAC is the purchaser of the equipment and is eligible for the refund. If, on the other hand, the contract is structured as a fixed price or lump sum real property contract, the contractor is the purchaser and taxpayer on the purchase of the goods, and no refund is available, even if the purchase was made with PAC-raised funds.

Time and Material or Cost-Plus Contracts

Under a time and material or cost-plus contract, the charge for labour and the charge for the supply of tangible personal property are separately stated or accounted for in the contract. Under such contracts, the contractor is considered to be selling the tangible property becomes an improvement to realty on installation, the contractor is required to collect tax from the customer on the total charge for the tangible personal property.

Lump-Sum or Fixed-Price Contracts

Under a lump-sum or fixed-price contract, there is a single charge for the tangible personal property and the labour supplied under the terms of the contract. Under such contracts, the contractor is considered to be the consumer of all items that, on installation, become an improvement to realty. Therefore, *unless an exemption applies*, contractors are required to pay tax on their purchases of all materials, machinery and equipment acquired and installed under a lump-sum contract, including any equipment and tools owned or leased by the contractor and used in carrying out the terms of the contract. Social service tax does not apply to the charge to customers for a lump-sum contract because the customer is purchasing an improvement to realty which is not subject to tax under the Act. Contractors who undertake only lump-sum contracts to improve realty are not required to register as vendors under the *Social Service Tax Act* because they pay tax on their purchases as consumers and are not required to collect tax on such contracts.

How to Apply for a Refund

The school must complete the VSB form entitled “**PAC-FUNDED PURCHASES FOR SCHOOLS**” in order to obtain a refund of PST related to goods purchased by the school (either via a school cheque or a VSB requisitioned purchase). **In order to qualify for a PST rebate, the goods must have been purchased using PAC-raised funds and been given to the school for school use.** In support of this form, the following must be provided:

- a list describing each item purchased with PAC-raised funds and given to a school for its use.
- **the original invoice** (not a copy) for each purchase of goods for which a refund of tax paid is claimed. The invoice must show the purchase price, the amount of tax paid, and the date of purchase. The invoice will be returned when the application has been processed. The school must retain a photocopy of the invoice(s) within the school accounting records.

When to Apply for a Refund

The VSB form entitled “**PAC-FUNDED PURCHASES FOR SCHOOLS**” is to be completed on an annual basis. However, if this is not possible, more than one year can be claimed on one form. The VSB will be submitting one claim a year to the Ministry.

Schools should send signed printouts of their completed form to Perpetua Siglos (local 5116) in the VSB Accounting Department, and e-mail her the completed spreadsheet as well (M. Perpetua Siglos / msiglos@vsb.bc.ca). Both the hard copy and the electronic copy will be forwarded to the Ministry. Please note that as of May 1, 2007 refund claims will only be allowed to go back four years from the date that the tax was paid (prior to May 1, 2007 claims could go back six years from the date that the tax was paid).

Additional Details

If a school makes a purchase of goods for school use through the VSB Purchasing Department and intends for all or a part of the purchase to be paid for using PAC-raised funds, the school must request that the purchase is to be "**Repayable By School.**" The Accounts Receivable Clerk at the VSB will invoice the school (and attach a copy of the relevant supplier invoice to the VSB invoice). In this instance, the school is to include this purchase on the VSB form entitled "**PAC-FUNDED PURCHASES FOR SCHOOLS**" in order to receive the relevant PST refund. Arrangements will then be made at the VSB to attach the **original** invoice behind the rebate request form.

Distribution of the PAC PST Refunds

Each year, the VSB will apply for (on behalf of all schools) and receive a PAC PST Refund. Each school will then be refunded their approved claimed amount accordingly by the VSB. **This refund is to be credited to the PAC account.**

Refunds for PACs Operated Outside of the School's Accounting System

If a PAC keeps its accounting records outside of the school's One-Write Plus computerized accounting system (i.e. the PAC pays its own expenses through a separately established PAC bank chequing account) **only the PAC can claim a PST refund on the eligible purchases.** This refund is to be claimed by completing the ministry form **FIN 413/PAC/WEB** entitled **APPLICATION FOR SOCIAL SERVICE TAX REFUND ON PAC-FUNDED PURCHASES.** The PAC should review this form in its entirety before completing the claim (please ensure that the most currently revised version is used). This form can be accessed via the internet.

Questions? Please direct any questions that you have regarding the process of obtaining a PST Refund on purchases made with PAC-raised funds and given to a school for school use to Helen Yee (local 5104) in the VSB Accounting Department.