



Provincial Sales Tax (PST) Notice

Notice 2013-005

Issued: March 2013

Notice to Vehicle Leasing Companies Transitional Rules for Leases of Vehicles *Provincial Sales Tax Act*

This notice explains how the provincial sales tax (PST) and the passenger vehicle rental tax apply to leases of vehicles where the term of the lease straddles April 1, 2013. It also explains that the 7-10% PST rates on **passenger vehicles** apply to all lease payments that are subject to PST, even if the lease was entered into before April 1, 2013. **Passenger vehicles** are motor vehicles designed primarily as a means of transport for individuals, including trucks and vans that are three-quarter ton or less. Trucks and vans that are larger than three-quarter ton, camperized vans, motor homes, buses, ambulances, hearses and motorcycles with engines of 250 cc or less are not passenger vehicles.

For information on the transitional rules applicable to sales and leases of other goods, and to services, please see [Notice 2012-010](#), *General Transitional Rules for the Re-Implementation of the Provincial Sales Tax*.

For information on who must be registered for PST and on charging, collecting and remitting PST, please see [Bulletin PST 001](#), *Registering to Collect Provincial Sales Tax (PST)* and [Bulletin PST 002](#), *Charging, Collecting and Remitting PST*.

When Consideration Becomes Due

PST on the lease of vehicles in BC generally becomes payable when the consideration for the leased vehicle becomes due or is paid without having become due, whichever is earlier.

Consideration becomes due on the earliest of:

- the day the lessor first issues an invoice for the lease,
- the date of that invoice,
- the day the lessor would have, but for undue delay, issued an invoice for the lease, and
- the day the lessee is required to pay the consideration under a written agreement.

Transitional Rules for Leases of Vehicles

Vehicles Leased in BC

The lease of vehicles in BC for personal or business use will be subject to PST, unless a specific exemption applies.

When PST applies

For vehicles leased in BC, the general transitional rule is that PST applies to consideration for the lease of the vehicles that becomes due on or after April 1, 2013 and is not paid before April 1, 2013.

Example

In June 2012, a person leases a passenger vehicle in BC under a 4-year lease agreement and makes monthly payments due on the 15th day of each month. PST applies to lease payments due on or after April 1, 2013. Therefore, PST is due on the April 15, 2013 lease payment (unless paid before April 1, 2013) and on all subsequent lease payments.

Please note: Passenger vehicles are subject to PST at a rate of 7-10% (see the section below, Tax Rates on Vehicles).

Leased Vehicles Brought or Sent into BC

For leased vehicles brought or sent into BC for personal or business use, unless a specific exemption applies, PST applies if the leased vehicle is brought or sent into BC:

- by a BC resident for their own use or the use of another person at their expense,
- by a person for their own use or the use of another person at their expense, if the vehicle is registered for use in BC,
- by a non-resident who owns or, in certain circumstances, leases real property in BC, if the vehicle is:
 - for use primarily in BC during the year following the entry of the vehicle, and
 - for the non-resident's own use or the use of another person at their expense, or
- by a person for use in the course of the person's business, whether or not the person's business is carried on in BC.

When PST applies

For leased vehicles brought or sent into BC, the general transitional rule is that PST applies to:

- leased vehicles brought or sent into BC on or after April 1, 2013, and
- leased vehicles brought or sent into BC before April 1, 2013 if:
 - a rental period under the lease ends on or after April 1, 2013, and
 - any consideration for the lease price becomes due on or after April 1, 2013 and is not paid before April 1, 2013 without becoming due.

The amount of PST payable in a given rental period is determined based on the number of hours the leased vehicle is in BC in the rental period relative to the total number of hours in that rental period.

Please note: The number of hours the leased vehicle is in BC before April 1, 2013 is not included in determining the number of hours the leased vehicle is in BC in the rental period.

Example

In January 2012, a business leases a vehicle in Ontario for a 5-year term with the consideration for the lease due on the 15th day of each month. Each lease payment relates to the preceding rental period (i.e. from the 15th day of the previous month to the 14th day of the current month). The business brings the leased vehicle into BC on March 15, 2013 to use in the province for the remainder of the term of the lease.

PST applies to the portion of the April 15th lease payment attributable to the number of hours the vehicle is in BC between April 1, 2013 and April 14, 2013, inclusive. PST will also apply to subsequent lease payments for the remainder of the term of the lease.

Please note: Passenger vehicles are subject to PST at a rate of 7-10% (see the section below, Tax Rates on Vehicles).

For more information on the transitional rules, please see [Notice 2012-010](#), *General Transitional Rules for the Re-Implementation of the Provincial Sales Tax*.

Leased Motor Vehicles Registered for use in BC

Motor vehicles leased for more than 28 days from persons located outside of BC are subject to PST if registered for use in BC. PST applies on the fair market value of the motor vehicle on the date of registration if the motor vehicle is registered on or after April 1, 2013. PST is payable on the date of registration.

If a person leases a motor vehicle in BC from a person who is located outside of BC, or brings or sends into BC a motor vehicle leased from a person who is located outside of BC, but does not immediately register the motor vehicle for use in BC, PST applies to the lease payments due before the date of registration. On the date of registration, PST will be payable on the fair market value of the motor vehicle.

Upon termination or expiration of the lease, or upon removal of the lease vehicle for registration outside of BC, the person who paid PST on the fair market value of the motor vehicle on the date of registration will be eligible for a refund of the PST paid less the PST that would have otherwise been payable on the lease payments after the date of registration in BC.

Please note: Passenger vehicles are subject to PST at a rate of 7-10% (see the section below, Tax Rates on Vehicles).

Tax Rates on Vehicles

The following tax rates apply to all lease payments that are subject to PST as described above, even if the lease was entered into before April 1, 2013.

Leases of **non-passenger vehicles** will be subject to PST at 7% of the lease price or, in the case of vehicles leased outside of BC, at 7% of the taxable value.

The rate of tax on **passenger vehicles** leased in BC depends on the vehicle's tax rate value. The tax rate value for a passenger vehicle is the fair market value of the passenger vehicle on the first date the lessor leases the passenger vehicle. The rate of tax on passenger vehicles (see above) leased outside of BC depends on the vehicle's taxable value.

The taxable value for a vehicle leased from a person located outside of BC that is registered in BC is the fair market value of the vehicle on the date of registration.

The following tax rates apply to the lease price of passenger vehicles:

Tax Rate Value/Taxable Value	Passenger Vehicles
Less than \$55,000	7%
\$55,000—\$55,999.99	8%
\$56,000—\$56,999.99	9%
\$57,000 and over	10%

Please Note: For information on determining the PST rate applicable to passenger vehicles that are modified business vehicles¹ or modified motor vehicles², please see [Notice 2013-002](#), *PST on Vehicles*.

Passenger Vehicle Rental Tax

The \$1.50 per day passenger vehicle rental tax (PVRT) will apply to passenger vehicles that are leased in BC for more than 8 consecutive hours and 28 consecutive days or less. The general transitional rule for the PVRT operates on the basis of the time at which PST becomes payable on the lease in relation to days on or after April 1, 2013.

For example, consideration for the lease of a passenger vehicle that is leased from March 27 to April 6, 2013, becomes due on or after April 1, 2013 and is not paid before April 1, 2013. The \$1.50 per day PVRT applies to the lease of the passenger vehicle from April 1 to April 6, 2013.

For more information on the PVRT, please see [Bulletin PST 116](#), *Motor Vehicle Dealers*.

¹ A **modified business vehicle** is a passenger vehicle, other than a multijurisdictional vehicle, that was purchased or leased in BC, or brought, sent or delivered into BC, that has been modified by the addition of equipment or apparatus that enables the vehicle to be used for a specific business purpose that is not related to the operation of the vehicle.

² A **modified motor vehicle** is a motor vehicle, other than a multijurisdictional vehicle, that is

- manufactured or modified to facilitate the use of the vehicle by, or the transportation of, an individual using a wheelchair, or
- equipped with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability.
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Further Information

If you have any questions, please call us toll-free at 1 877 388-4440, or email your questions to CTBTaxQuestions@gov.bc.ca

You can also find information on our website at gov.bc.ca/PST

The information in this notice is for your convenience and guidance and is not a replacement for the legislation. You can access the legislation and regulations on our website under **Publications**.

For up to date information on the return to PST, subscribe to our What's New page at sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm