



## APPLICATION OF PRINCE EDWARD ISLAND RETAIL SALES TAX TO THE PURCHASE OF DESIGNATED PROPERTY

### INTRODUCTION

Effective April 1, 2013 the Province has harmonized its sales tax with the federal goods and services tax. As part of the implementation of the harmonized sales tax (HST) the Province has enacted a new *Retail Sales Tax Act* which, in part, provides for a tax to be levied on the private transfer of designated property.

The purpose of this guide is to provide information on the application of Prince Edward Island Retail Sales Tax (RST) to the purchase of designated property. RST is applicable to the purchase of designated property acquired through a private transfer, as defined below, for use in Prince Edward Island. The RST is payable by the purchaser or recipient of the designated property unless the transfer is specifically exempted under the *Retail Sales Tax Act* or Regulations.

### DEFINITIONS

1) **Designated Property:**

Designated property means vehicles, boats, and aircraft.

2) **Vehicle:**

A vehicle includes a motor vehicle, snow vehicle and all terrain vehicle as defined in the *Highway Traffic Act* or the *Off-Highway Vehicle Act*. The following definitions apply to designated property that is a vehicle:

- 1) **Motor Vehicle** means a highway vehicle that is powered, drawn, propelled or driven by any means other than muscular power, but does not include a moped.
- 2) **Snow Vehicle** means a motor vehicle designed or intended to be driven exclusively or chiefly upon snow or ice or both, and includes motor vehicles known to the trade as snowmobiles.
- 3) **All Terrain Vehicle** means a wheeled or tracked motor vehicle designed for travel primarily on unprepared surfaces such as open country and marshland, but does not include a snow vehicle, agricultural equipment or construction machinery.

### **3) Private Transfer:**

For purpose of this guide, a private transfer is the transfer of title or possession of designated property when the transfer is not a taxable supply made by a GST/HST registrant pursuant to PART IX of the *Excise Tax Act* (Canada). Specific exemptions and provisions for refunds are covered in detail in this Guide. For greater clarity, if the seller is not a GST/HST registrant, generally RST will be due on the transfer of designated property unless the supply is for an exempt use.

## **RST PAYABLE**

### **Calculation of RST Due on Designated Property**

RST on designated property, other than a vehicle, is calculated on the taxable value which generally is the purchase price as shown on the Bill of Sale or similar document.

The taxable value is subject to review by the Provincial Tax Commissioner (Commissioner). If this review determines that the taxable value is less than the fair value, an assessment for additional RST and interest may be levied by the Commissioner.

RST on designated property which is a vehicle is due on the greater of:

- 1) The declared purchase price; and
- 2) The lesser of
  - a) The average wholesale value as set out in the Canadian Red Book or the average wholesale value as set out in the Canadian Sport Vehicle Blue Book; and
  - b) A written appraisal.

The declared purchase price should be supported by a Bill of Sale, or similar document, if the vehicle was acquired through a purchase.

For vehicles not covered by the Canadian Red Book or Canadian Sport Vehicle Blue Book, the RST is due on the declared purchase price which should be supported by a Bill of Sale or similar document, if the vehicle was acquired through a purchase. If the vehicle was acquired by means other than a purchase, the tax is due on the declared fair value.

The purchase price or declared fair value on which the tax is paid is subject to review by the Commissioner. If this review determines that the declared purchase price or declared fair value is less than the actual fair value, an assessment for additional RST and interest may be levied by the Commissioner.

## **Vehicle Appraisals**

If the purchaser feels the Canadian Red Book value or the Canadian Sport Vehicle Blue Book value does not reflect the actual fair value of the vehicle they may substitute a written appraisal for the prescribed trade book value, at their own expense.

The following persons are authorized to make a written appraisal of the value of a motor vehicle:

- 1) A motor vehicle dealer who has a Class A or Class D license issued under the Dealer's Trade License Regulations; or
- 2) An appraiser authorized by the Commissioner.

The following persons are authorized to make a written appraisal of the value of an all terrain vehicle or snow vehicle:

- 1) A sport vehicle dealer who has a Class E license issued under the Dealer's Trade License Regulations; or
- 2) An appraiser authorized by the Commissioner.

Where the trade book value has been replaced by the appraised value, RST will be calculated on the greater of the purchase price or the appraised value. The appraised value will be recognized for RST purposes only if the appraisal is dated within 90 days of the date of purchase. An appraised value on which the RST is paid is subject to review by the Commissioner. If this review determines that the appraised value is less than the actual value, an assessment for additional RST and interest may be levied by the Commissioner.

## **Vehicles Brought into the Province:**

If a person brings a vehicle into the Province, RST will apply if

- 1) the vehicle was purchased outside Prince Edward Island from a seller who was not a GST/HST registrant; and
- 2) the vehicle does not qualify as settler's effects under the Regulations to the *Retail Sales Tax Act*.

## **When Payment of RST is Due**

RST on designated property, other than a vehicle, is due on or before the day that is 20 days after the end of the month in which the designated property, other than a vehicle, was purchased in PEI or brought into PEI.

RST on designated property that is a vehicle is due on the earlier of:

- 1) The day the vehicle is registered or licensed under the *Highway Traffic Act* or *Off-Highway Vehicle Act*, and
- 2) On or before the day that is 20 days after the end of the month in which the vehicle was purchased in PEI or brought into PEI.

### **Where to pay the RST**

The purchaser of designated property in a private transfer is required to pay the applicable tax directly to the Department of Finance, Energy and Municipal Affairs. A copy of the Bill of Sale must accompany the payment. Payments may be made in person at any Access PEI Centre or by mail to:

Taxation and Property Records  
Department of Finance, Energy and Municipal Affairs  
P.O. Box 1330  
Charlottetown, PE  
C1A 7N1

### **EXEMPTIONS FROM PAYMENT OF RST**

#### **Settler`s Effects**

A taxpayer is not subject to the RST on designated property that is brought into the province and meets the definition as settler`s effects as set out in the Regulations to the *Retail Sales Tax Act*. In order to qualify for the settler`s effects exemption from the RST the following criteria must be met:

- 1) The person must be an individual;
- 2) The designated property must be for personal use and not for any commercial purpose;
- 3) An individual who is not a student must have resided outside the province for a period of not less than 6 consecutive months;
- 4) An individual who is a student must have resided outside the province for a period of not less than 3 consecutive months;
- 5) The designated property must have been owned and used by the settler for a period of at least 30 days prior to taking up residence in the province; and
- 6) The designated property must be brought into the province within 6 months of taking up residence in the province.

## **Family Transfers**

Transfers of vehicles which meet the requirements of a “family transfer” are taxable on the consideration paid, without reference to the Canadian Red Book value or the Canadian Sport Vehicle Blue Book value. RST is due on the stated purchase price, even if that price is zero.

In order to qualify for the family transfer exemption the following requirements must be met:

- 1) The person who is the transferor:
  - a) Must have owned the vehicle for not less than twelve months; or
  - b) Paid the PST or HST on the purchase price or, if acquired in a private transfer, paid the RST or PST on the greater of the purchase price and the value that was set out in the Canadian Red Book or the Canadian Sport Vehicle Blue Book, when the vehicle was acquired.

2) A Family Transfer Form has been completed.

3) The transfer must be between an individual and a “member of his family” as defined below:

“Member of his family” in relation to a person means the spouse, common-law spouse, son, daughter, father, mother, grandfather, grandmother, brother, sister, grandson, granddaughter, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law, step-father, step-mother, step-son or step-daughter of that person.

A common-law relationship must have been in existence for at least six months prior to the transfer and the exemption only applies to a common-law spouse.

## **First Nations Exemption**

Vehicles and other designated property are not subject to the RST when the purchaser is a Status Indian and the sale and delivery of the goods takes place on a reserve.

## **Marriage Breakdown**

A person is exempt from paying tax in relation to designated property that the person acquires from a spouse or a former spouse under a written separation agreement, a marriage agreement or an order of a court on the dissolution of marriage or marriage-like relationship.

## **Inheritance**

Vehicles and other designated property are not subject to the RST when the property has been acquired through an inheritance, regardless of the deceased owner's former place of residence if:

- 1) The individual is named in the will;
- 2) The executor has the authority to disburse the assets; and
- 3) The designated property is received as part of the distribution of the deceased's estate.

Required documentation:

- 1) A copy of the will identifying the vehicle and other designated property;
- 2) A sworn statement from the executor; and
- 3) A certificate of death.

## **COMMERCIAL EXEMPTIONS**

### **Boats used by Commercial Fishers**

Boats purchased by commercial fishers are exempt from the RST if the boat is used in the commercial fishery and for no other purpose.

## **REFUNDS OF RST**

### **Designated Property**

Persons who purchase designated property in Prince Edward Island and pay the RST and who permanently remove the designated property from Prince Edward Island within 30 days of purchase may apply for a refund of the RST. Proof of tax paid to another province or territory is required.

Commercial fishers who purchase a boat, for use in a commercial fishery, in Prince Edward Island and pay the RST may apply for a refund.

## **FURTHER INFORMATION**

Copies of the *Retail Sales Tax Act* and Regulations are available on our website at [www.taxandland.pe.ca](http://www.taxandland.pe.ca). For inquiries regarding this Revenue Tax Guide, please contact:

Taxation and Property Records Division  
PO Box 1330  
Charlottetown, PE  
C1A 7N1  
Telephone: (902) 368-4171  
Fax: (902) 368-6164  
E-mail: [taxandland@gov.pe.ca](mailto:taxandland@gov.pe.ca)

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