



# Provincial Sales Tax (PST) Notice

Notice 2013-002

Issued: February 2013

## PST on Vehicles

### *Provincial Sales Tax Act*

This notice provides information to help you understand how the PST applies to vehicles other than multijurisdictional vehicles registered under the International Registration Plan (IRP), effective April 1, 2013. More information, including information on multijurisdictional vehicles, will be provided in future bulletins and notices.

For information on circumstances in which the PST may apply to goods, including vehicles, acquired prior to April 1, 2013 and to transactions that straddle April 1, 2013, please see [PST Notice 2012-10](#), *General Transitional Rules for the Re-implementation of the Provincial Sales Tax*.

### Overview

You are required to pay PST on vehicles you purchase, lease or receive as a gift in BC **on or after April 1, 2013**, and vehicles you purchase, lease or receive as a gift outside BC and bring into the province **on or after April 1, 2013**, unless a specific exemption applies. You are required to pay PST regardless of whether the vehicle is for personal or business use. The rate of PST that you are required to pay is 7% to 10%, or 12%, depending on the type of vehicle and how it is acquired.

### Vehicles Purchased at a Private Sale in BC

If you purchase a vehicle at a private sale **on or after April 1, 2013** in BC, you are required to pay PST at the rate of 12% on the purchase price of the vehicle, unless a specific exemption applies. A **private sale** is a sale where the seller is not a GST registrant, or the seller is a GST registrant but the sale is not a taxable supply under the *Excise Tax Act* (Canada).

If you purchased a vehicle at a private sale in BC on or after July 1, 2010 and before April 1, 2013, but do not register the vehicle until on or after May 1, 2013, you will be required to pay PST on the purchase price of the vehicle at the time of registration, unless:

- a specific exemption applies, or
- you paid the tax on designated property (TDP) to the ministry prior to registration.

If you register the vehicle before May 1, 2013, you are required to pay TDP on the vehicle, unless a specific exemption applies. For information on the TDP, please see [Bulletin CTR 001](#), *Tax on Designated Property (Vehicles, Boats and Aircraft)*.

### Vehicles Purchased from GST Registrants in BC

If you purchase a vehicle from a GST registrant (e.g. an automotive dealer) on or after April 1, 2013, you are required to pay PST at a rate of 7% to 10% on the purchase price of the vehicle, depending on the purchase price and the type of vehicle.

If the vehicle is not a passenger vehicle (as defined below), the vehicle will be subject to PST at a rate of 7% on the purchase price.

If the vehicle is a passenger vehicle, the rate of tax depends on the purchase price. A **passenger vehicle** is a motor vehicle designed primarily as a means of transport for individuals. 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.

The following rates apply to the purchase price of passenger vehicles:

Purchase Price	Passenger Vehicles
Less than \$55,000	7%
\$55,000—\$55,999.99	8%
\$56,000—\$56,999.99	9%
\$57,000 and over	10%

## Vehicles Leased in BC

If you lease a vehicle in BC **on or after April 1, 2013**, you will be required to pay PST on the lease price of the vehicle, unless a specific exemption applies.

If you lease a vehicle outside of BC for a period of longer than 28 days and register that vehicle for use in BC, PST will apply to the fair market value of the vehicle (the taxable value) on the date of registration.

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 (see section above) 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 passenger vehicle leased outside BC and registered in BC is the fair market value of the passenger vehicle on the date of registration.

The following 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%

## Vehicles Acquired Outside of BC and Brought into BC

If you are a person who:

- resides, ordinarily resides or carries on business in BC, or
- enters BC with the intention of residing or carrying on business in BC

and you purchase a vehicle outside of BC and then, on or after April 1, 2013, bring, send or receive delivery of the vehicle in BC, you will be required to pay PST on the vehicle, unless a specific exemption applies.

If you received the vehicle as a gift, see the section below, Vehicles Received as Gifts.

If you are any other person who acquired a vehicle outside of BC and you bring, send or receive delivery of a vehicle that you register in the province **on or after April 1, 2013**, you will be required to pay PST on the vehicle, unless a specific exemption applies.

If you purchased the vehicle at a private sale outside BC but within Canada, you are required to pay PST at a rate of 12% on the depreciated purchase price of the vehicle. **Depreciated purchase price** is the greater of the depreciated value or 50% of the original purchase price.

If you purchased the vehicle as a taxable supply from a GST registrant outside BC but within Canada, or you bring a vehicle into BC from outside Canada, you are required to pay PST at a rate of 7% to 10% on the depreciated purchase price of the vehicle (see definition above). Which rate applies depends on the purchase price and the type of vehicle.

If the vehicle is not a passenger vehicle (see section above, Vehicles Purchased from GST Registrants in BC), the vehicle will be subject to 7% PST on the depreciated purchase price of the vehicle (see definition above).

If the vehicle is a passenger vehicle, the vehicle will be subject to tax on the depreciated purchase price of the vehicle (see definition above) as follows:

Depreciated Purchase Price	Passenger Vehicles
Less than \$55,000	7%
\$55,000—\$55,999.99	8%
\$56,000—\$56,999.99	9%
\$57,000 and over	10%

The **depreciated value** is determined as follows:

$$\text{Depreciated value} = \text{Purchase price} - [\text{purchase price} \times \text{depreciation rate}]$$

The depreciation rate for a vehicle is 30% for each year since you purchased the vehicle plus 2.5% per 30 day period<sup>1</sup> in a partial year.

<sup>1</sup> Periods of less than 30 days must be computed to the nearest 30 day period with 15 days counted as one 30 day period.

If you lease a motor vehicle outside the province and register the vehicle in BC **on or after April 1, 2013**, you are required to pay PST on the fair market value of the vehicle at the time of registration, unless a specific exemption applies.

If the leased vehicle is not a passenger vehicle, the PST will be 7% of the fair market value of the motor vehicle on the date it is registered. If the motor vehicle is a passenger vehicle, the rate will depend on the fair market value at the time of registration:

Fair Market Value at Registration	Passenger Vehicles
Less than \$55,000	7%
\$55,000—\$55,999.99	8%
\$56,000—\$56,999.99	9%
\$57,000 and over	10%

If you subsequently remove the leased vehicle from BC and register it in another jurisdiction, you may be eligible for a refund of some or all of the PST you paid. More information on refunds for PST paid on vehicles will be provided in the near future.

## Vehicles Received as Gifts

If you receive a vehicle as a gift in BC on or after April 1, 2013, or you receive a vehicle as a gift outside BC and bring or send the vehicle into the province on or after April 1, 2013, you are required to pay PST on the fair market value of the vehicle, unless a specific exemption applies.

You are required to pay PST at a rate of 12% unless the gift is received from a GST registrant as a taxable supply or the gift was received as an exempt supply from a GST registrant who is a charity<sup>2</sup>. In such cases, the rate depends on the fair market value and the type of vehicle.

If the vehicle received as a gift from a GST registrant (as described above) is not a passenger vehicle, the vehicle will be subject to PST at 7% of the fair market value at the time it is brought or sent into the province.

If the vehicle received as a gift from a GST registrant (as described above) is a passenger vehicle, the rate will depend on the fair market value of the vehicle at the time it is brought or sent into the province:

Fair Market 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%

<sup>2</sup> Charity, for this purpose has the same meaning as in Part IX of the *Excise Tax Act (Canada)*.

If you received a vehicle as a gift in BC on or after July 1, 2010 and before April 1, 2013, and the gift was received:

- from a person other than a GST registrant providing a taxable supply, or
- as an exempt supply from a GST registrant who is a charity<sup>3</sup>,

you are required to pay PST at the time of registration, if registration occurs on or after May 1, 2013, unless a specific exemption applies. The rate of tax will be 12% of the fair market value of the vehicle at the time the gift was received.

## Trade-ins

If, as part of the consideration for purchasing a vehicle in BC, the seller accepts goods in trade (a trade-in) on which an applicable tax has been paid or that was exempt from an applicable tax, the purchase price on which you are required to pay PST is reduced by the value of the trade-in attributed to the purchase by the seller.

To reduce the purchase price on which tax is payable, you must have paid an applicable tax on the vehicle or have been exempt from the applicable tax that would have otherwise been payable on the vehicle. An applicable tax is one of the following:

- PST (under the *Provincial Sales Tax Act*)
- Tax on designated property
- BC portion of the HST
- PST (under the *Social Service Tax Act*)

If, as part of the consideration for purchasing a motor vehicle out of province but within Canada, the seller accepts another motor vehicle in trade on which an applicable tax has been paid or that was exempt from the applicable tax (see above), the purchase price on which you are required to pay PST is reduced by the value of the trade-in attributed to the purchase by the seller.

## Modified Vehicles

### Vehicles Modified for Business Purposes

A **modified business vehicle** is a passenger vehicle (other than a multijurisdictional vehicle) that you:

- purchased or leased, or
- brought, sent or had 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.

If you acquire a modified business vehicle in circumstances where the PST rate may be 7% to 10%, the determination of which rate applies is based on the purchase price (or fair market value in the case of leases and gifts) of the vehicle less the portion of that purchase price or fair market value that can reasonably be attributed to the modifications.

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<sup>3</sup> Charity, for this purpose has the same meaning as in Part IX of the *Excise Tax Act (Canada)*.

## Motor Vehicles Modified for Persons with Disabilities

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.

If you acquire a modified motor vehicle, you are only required to pay PST on the purchase price (or fair market value in the case of leases and gifts) of the vehicle less the portion of that purchase price or fair market value that can reasonably be attributed to the special features or modifications of the vehicle.

In addition, if you acquire a modified motor vehicle that is a passenger vehicle in circumstances where the PST rate may be 7% to 10%, the determination of which rate applies is based on the taxable purchase price or fair market value described above.

More information on modified vehicles will be provided in the near future.

## Exemptions

There will be exemptions from PST in certain situations including, but not limited to, vehicles:

- gifted between immediate family members
- gifted to registered charities
- won as part of a lottery or prize
- received as part of the distribution of a deceased's estate
- transferred between closely related companies
- purchased solely for the purpose of resale

More information about exemptions will be provided in future bulletins and notices.

## Paying the PST

If you acquire a vehicle from a person who is registered to collect PST, the person will collect any PST payable on the vehicle.

In all other cases, you will need to pay the PST as set out below.

### Purchases and Gifts in BC

You are required to pay PST at the earlier of the time you register the vehicle with ICBC (in which case ICBC will collect the tax at the time of registration) and the last day of the month following the month in which you purchased or received the vehicle.

If you do not register the vehicle by the last day of the month following the month in which you purchased or received the vehicle, or you are not required to register the vehicle, you are required to pay the PST directly to the ministry. If you have not paid the PST to the ministry before you register the vehicle, you will be required to pay the PST to ICBC at the time of registration.

### **Vehicles Brought, Sent or Delivered into BC**

If you are required to pay PST on a vehicle brought, sent or delivered into BC, you are required to pay PST at the earlier of the time you register the vehicle with ICBC (in which case ICBC will collect the tax at the time of registration) and the last day of the month following the month in which you brought, sent or received the vehicle.

If you do not register the vehicle by the last day of the month following the month in which you brought, sent or received the vehicle, or you are not required to register the vehicle, you are required to pay the PST directly to the ministry. If you have not paid the PST to the ministry before you register the vehicle, you will be required to pay the PST to ICBC at the time of registration.

### **Documentation and Payment of PST**

If you paid PST to the ministry before registration, when you register the vehicle you will need to provide evidence that the PST was paid. Otherwise, ICBC is required to collect the PST from you.

Similarly, if you are eligible for an exemption, you may be required to provide information to substantiate that you are entitled to the exemption. Otherwise, ICBC is required to collect the PST from you.

If you are unable to provide documentation to show that the PST was paid or that you are entitled to an exemption, you may be eligible to apply to the ministry for a refund of the PST, if you provide the documentation to the ministry.

At the time of registration, you will be required to document the purchase price that you paid for the vehicle (or the fair market value of the vehicle in the case of leases and gifts) on the vehicle transfer form.

The ministry regularly reviews information on the transfer of vehicles to determine that PST was paid correctly. If the ministry is of the opinion that the documented purchase price or the documented fair market value of a vehicle does not accurately reflect the fair market value of the vehicle, the ministry may contact you and request information to substantiate the documented purchase price or value. If you are unable to substantiate the purchase price or fair market value claimed, you may be assessed for additional PST on the vehicle.

### **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](mailto:CTBTaxQuestions@gov.bc.ca)

You can also find information on our website at [gov.bc.ca/pst](http://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 [Forms and 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](http://sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm)