

Automotive Services and Parts

Social Service Tax Act

Are you in the automotive repair industry?

Do you sell automotive parts?

This bulletin provides specific tax information to help automotive repair shops and parts stores understand how the social service tax, also called the provincial sales tax (PST), applies to their businesses.

For general PST information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

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The revision bar (|) identifies changes to the previous version of this bulletin dated **May 2009**.

When to Charge PST

You charge PST on the sale of automotive services and parts, such as:

- new and used automotive parts and materials, such as replacement parts, tools, paints, fluids and accessories,
- shop supplies, including if you charge your customer a flat rate instead of listing each shop supply that you use, and
- most automotive services, such as tune-ups, oil changes, repairs, maintenance, painting, and the installation of windshields, tires (except for roadside tire changing services), mufflers or other parts.

You charge PST on the full price of your services, including charges for parts, labour and travel time. For more information, please see [Bulletin SST 018](#), *Taxable Services*.

When Not to Charge PST

You do not charge PST on the sale of automotive services and parts, such as:

- natural gas and propane conversion kits for internal combustion engines or kits to convert a motor vehicle to operate exclusively on electricity, and the services to install them,
- services that are specifically non-taxable, such as towing, roadside tire changing and battery boosting (but not battery recharging),
- inspection services when no repairs are performed, such as general motor vehicle inspections, safety inspections, diagnostics, testing and estimates, and
- services to multi-jurisdictional vehicles (MJVs), MJV trailers or on replacement parts that become part of, or are attached to, an MJV; however, you charge PST on consumables used in providing your service. Record your customer's prorate account number on the sales invoice (for more information, please see [Bulletin SST 073](#), *Multi-Jurisdictional Vehicles*).

For detailed lists of taxable and non-taxable automotive services and parts, please see our website at www.sbr.gov.bc.ca/industry_specific/automotive_parts/automotive.htm

Sales to PST Registered Businesses

You do not charge PST on automotive services and parts for resale to registered businesses if they provide their PST registration number. For example, you do not charge PST to motor vehicle dealers on repairs to their resale vehicles.

You also do not charge PST to lease or rental companies on repairs to their lease or rental vehicles. For example, you do not charge a car rental company PST on repairs to vehicles in its rental fleet when the company provides its PST registration number. You do not charge PST when the Insurance Corporation of British Columbia (ICBC) pays for the rental company repairs, as long as you obtain the rental company's PST registration number.

When you sell to other businesses, you record their PST registration number on each invoice and keep it in your records to show why you did not charge PST.

Sales to Non-Resident Customers

You charge PST on automotive services and parts sold to non-residents while they are visiting British Columbia, unless the service or parts are specifically non-taxable (please see the section above, *When Not to Charge PST*).

However, you do not charge PST for services where goods are brought or sent into the province solely to receive the service and, immediately after receiving the service, are removed from the province. Parts sold with the non-taxable service are taxable, unless you ship the goods out of the province.

For example, when a non-resident customer brings a vehicle into the province solely to receive a service, and removes the vehicle from the province immediately afterwards, you do not charge PST on the service. However, you charge PST on any parts sold with the service because the customer takes possession of the parts in the province. When a non-resident customer ships a vehicle into the province solely to receive a service and **you** ship the vehicle back immediately afterwards, you do not charge the customer PST on the service or any parts sold with the service. This is because the customer did not take possession of the parts in the province.

Keep records of the circumstances of the sale to show why you did not charge PST. For example, keep shipping invoices showing the date you received the vehicle and the date you shipped it from your shop to an out-of-province location. If shipping invoices are not available, obtain a written statement from your customer certifying that they brought the vehicle into the province solely to receive the service and will remove the vehicle from the province as soon as the service is completed.

For more information, please see [Bulletin SST 030](#), *Purchases by Non-Residents of British Columbia*.

Combining Taxable and Non-Taxable Services

You charge PST only on the taxable portion when you provide both taxable and non-taxable services together, and the price for each service is listed separately on the invoice. If a non-taxable service is bundled together with a taxable service and sold together for a single price, you charge PST only on the fair market value of the taxable service. However, there are exceptions to this rule.

For more information, please see [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-Taxable Goods or Services Sold Together for a Single Price*.

Emission Control Devices for Diesel Vehicles

You do not charge PST on emission control devices for diesel vehicles, including commercial motor vehicles, provided that the device reduces particulate matter emissions from that type and model year of diesel engine by at least:

- 20%, if purchased on, or before, March 31, 2010, or
- 50%, if purchased between April 1, 2010 and March 31, 2012,

and the exemption only applies if the device has been verified:

- by the California Air Resources Board,
- by the United States Environmental Protection Agency, or
- under the Canadian Environmental Technology Verification Program.

You also do not charge PST on services to qualifying diesel emission control devices, such as installation.

Aerodynamic Devices on Commercial Tractor-Trailers

You do not charge PST on the following devices when purchased for the purpose of increasing the aerodynamics of commercial tractor-trailers, including MJVs and in-province vehicles:

- tractor-trailer gap fairings,
- tractor roof fairings,
- trailer side skirts,
- aerodynamic bumpers,
- tank skirts,
- base flaps, and
- boat tails.

These devices can significantly improve the fuel efficiency of commercial tractor-trailers when operated at highway speed.

Anti-Idling Devices

Effective February 18, 2009, you do not charge PST on the following devices when purchased for use in, or on, trucks and truck-tractors (including MJVs and in-province vehicles) with a gross vehicle weight of 5,000 kg or more:

- auxiliary power units,
- cabin heaters, and
- engine heaters.

These devices can significantly improve fuel efficiency and reduce emissions by reducing the need for trucks to idle. This exemption will expire on March 31, 2012.

Environmental Levy on Batteries

You charge a \$5 provincial environmental levy on each new lead-acid battery that weighs 2 kg or more. This includes batteries you install into new or used vehicles that you repair, but does not include rebuilt, reconditioned or used batteries.

You do not charge PST on the battery levy, and you must identify the levy on the invoice separately from the PST.

You record the amount of the levy you charge in Box B on your next tax return. The vendor's commission (Box C) applies to the total amount of PST and the levy collected during the reporting period.

For more information, please see [Bulletin SST 015](#), *Environmental Levy on Batteries*.

Purchases

When to Pay PST

You pay PST on the purchase or lease of new or used goods and services that you use in your business, such as:

- stationery, furniture, display cases and office equipment,
- advertising materials, such as flyers and brochures,
- goods you purchase to give away as free promotions,
- computer hardware and software (unless custom software),
- supplies that do not become part of the vehicles you are servicing, such as oil for your machinery, cloths to clean your hands or cleaning supplies,

- equipment used to perform your services, such as tools, machinery, hydraulic lifts, diagnostic machines, paint spraying equipment, hammers, screwdrivers, welders and reference materials,
- services to your own equipment, such as repairs to your tools; however, you do not pay PST on any services by your employees on your own equipment or vehicles, and
- delivery and other business vehicles, including parts to repair the vehicles. PST may apply differently if you are a motor vehicle dealer. For more information, please see [Bulletin SST 042](#), *Motor Vehicle Dealers and Leasing Companies*.

If the supplier does not charge you PST on the above items, you self-assess and record the PST due at Step 3 of your next tax return.

Parts or Services Provided at No Charge

You pay PST on your cost of give-away items when you provide taxable goods or services at no charge without any conditions attached. You self-assess and record the PST due at Step 3 of your next tax return.

However, you do not pay PST when you give away a taxable good or service with the purchase of another good or service, such as a “buy one—get one free.” In this case, your customer has already paid the PST because both items were sold at a discount (i.e. 50% off each).

Another example is when your customer buys 9 oil changes and you provide the 10th oil change free. You do not pay PST on the parts or services for the free oil change. You do not charge your customer PST because all 10 oil changes were offered at a discounted price (i.e. 10% off each oil change). For more information, please see [Bulletin SST 080](#), *Promotions and Special Offers*.

When Not to Pay PST

You do not pay PST on the following:

- goods you purchase for resale or lease to your customers,
- parts and materials that will become part of the vehicle you are servicing, such as replacement parts, grease, glue, fabric protectors and paint, and
- automotive services that you contract out, such as an auto body shop that sends a customer’s vehicle to a third party for repairs.

To purchase the above items without paying PST, give the supplier your PST registration number.

If you take taxable goods, such as parts, from your resale inventory for business or personal use, you self-assess PST on your cost of the goods.

If you purchase both non-taxable goods for resale and taxable goods you will use in your business as a single purchase, you need to tell the supplier which goods are non-taxable and which goods are taxable.

Purchases from Out-of-Province Suppliers

If you purchase or lease taxable goods or services from an out-of-province supplier, you pay PST on the total purchase price, including charges for transportation, customs, excise and any other costs, except the federal goods and services tax (GST). If the supplier does not charge you PST, you self-assess and record the PST due at Step 3 of your next tax return. For more information, please see [Bulletin SST 043](#), *Goods Purchased from Out-of-Province Suppliers*.

Courtesy Vehicles

Passenger Vehicle Rental Tax (PVRT)

You charge a PVRT of \$1.50 for each day, or portion of a day, when you rent or lease a vehicle for a period of more than 8 consecutive hours, but less than 28 consecutive days. The PVRT is calculated according to each 24-hour period, or portion of a 24-hour period, in which the courtesy vehicle is rented.

For example, a vehicle that is rented or leased on Friday afternoon and returned Monday morning will be assessed for **3 days** of PVRT.

You do not charge the PVRT if the courtesy vehicle is provided for 8 consecutive hours or less, or for more than 28 consecutive days.

Retroactive Exemption for Courtesy Vehicles

Prior to April 1, 2008, you were not required to charge your customers the PVRT on courtesy vehicles, which included courtesy vehicles provided for a fee or under an alternative transportation program. The exemption applied only where you provided courtesy vehicles to your customers because they received services to their vehicles from you. Your customers may be eligible for a refund of the PVRT paid prior to April 1, 2008 (see the section below, Refunds). You may also be eligible for a refund if you paid the PVRT on vehicles you rented for use as courtesy vehicles. Effective April 1, 2008, you need to charge your customer the PVRT as outlined above.

Compensation from Insurers

If you provide a courtesy vehicle to your customer and you receive compensation for the use of the vehicle from ICBC under their Alternative Transportation Service (ATS), or you receive compensation from a non-ICBC insurer under an equivalent program, you charge the insurer PST on the amount of the compensation. Effective April 1, 2008, you also charge the insurer the PVRT as outlined above.

If you do not provide a courtesy vehicle or any form of transportation to your customer but you receive compensation under ICBC's ATS or an equivalent program, you charge the insurer PST on the amount of the compensation. In this case, PST is payable because the compensation amount forms part of the charge for the taxable repair service.

If you provide transportation other than a courtesy vehicle (e.g. a bus ticket or taxi voucher) and you receive compensation from the insurer, you do not charge PST on the compensation amount. In this case, PST and the PVRT do not apply because these forms of alternative transportation are not taxable.

ICBC's ATS replaced their Alternative Transportation Program (ATP) in November 2008. For information on how PST applied to courtesy vehicles prior to November 1, 2008, please see the notice [*Courtesy Vehicles Provided under an Alternative Transportation Program \(ATP\) Prior to November 1, 2008.*](#)

Compensation from Customers

If you provide a courtesy vehicle to your customer and you charge them a fee for the use of the vehicle (i.e. you do not receive compensation from an insurer), you charge your customer PST. Effective April 1, 2008, you also charge your customer the PVRT.

If you provide a courtesy vehicle to your customer at no charge, please see the section below, Change from Exempt to Taxable Use.

Purchase of Courtesy Vehicles

You do not pay PST on courtesy vehicles you purchase or lease **solely** for re-lease. However, if you know at the time of purchase or lease that you will use the vehicle for business or personal use at any time, the exemption does not apply and you must pay the PST. Business use includes when you provide a courtesy vehicle to your customer at no charge (i.e. when you do not receive compensation from either an insurer or your customer).

Change from Exempt to Taxable Use

If you purchase or lease a courtesy vehicle solely for leasing purposes and you later change the use to a taxable use, the vehicle becomes taxable when the use changes. This may occur if you use the courtesy vehicle for your own business or personal use, or if you provide it to a customer at no charge (i.e. when you do not receive compensation from either an insurer or your customer).

Unless the vehicle is eligible for the dealer-use formula, you must pay PST as outlined below (please note that the dealer-use formula is available only to motor vehicle dealers).

- If you purchased the vehicle, you pay PST on the depreciated value of the vehicle. You calculate the PST due and remit it with your next tax return.
- If you lease the vehicle, you pay PST on the vehicle's lease payments from the date that the use changes. You need to notify the lessor to charge you PST on the lease payments for each period that the vehicle is used for a taxable purpose.

For information on depreciation rates, please see our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/depreciation_rates.htm

For information on the dealer-use formula, please see [Bulletin SST 123](#), *Calculating the Dealer-Use Formulas*.

Change from Taxable to Exempt Use

If you **lease** a vehicle for taxable use and later decide to use it solely for re-lease, the vehicle becomes exempt when the use changes. You claim a PST exemption on your lease payments by providing your PST registration number to the lessor.

However, if you **purchase** a vehicle for taxable use and later decide to use it solely for re-lease, there is no PST refund available.

Refunds

If you paid PST on the purchase or lease of courtesy vehicles used for ICBC's alternative transportation program between March 24, 2001 and March 23, 2007, you may be eligible for a refund. You may also claim amounts you paid through audit assessments or denied refunds in respect of PST paid on these courtesy vehicles. For more information on claiming refunds on courtesy vehicles used for ICBC's alternative transportation program between March 24, 2001 and March 23, 2007, please [contact us](#).

If you paid PST on the purchase or lease of courtesy vehicles used for any alternative transportation program after March 23, 2007, you may also be eligible for a refund. The ministry must receive your refund claim within four years from the date you paid the tax.

Refunds of PVRT Paid Prior to April 1, 2008

If you paid the PVRT on courtesy vehicles rented on behalf of your customer prior to April 1, 2008, you may be eligible for a refund of the PVRT paid. If you charged your customers the PVRT prior to April 1, 2008, they may also be eligible for a refund of the PVRT paid. It is your customer's responsibility to apply to the ministry for a refund.

Refund applications must include supporting documents and must be received by the ministry within four years from the date the tax was paid. Claims for less than \$10 (in total, not per item) are not eligible for a refund.

Warranties and Service Contracts

Sales of Warranties or Service Contracts

You may or may not charge PST to your customers depending on the type of warranty or service contract you sell. You charge PST on the following types of warranties and service contracts:

- mandatory, or included in the purchase or lease price,
- optional, with scheduled maintenance, and
- optional, with specific or a limited number of services.

You do not charge PST on optional warranties or service contracts where the services are provided only on an as-needed basis.

Parts and Services Provided Under Warranty

You may or may not pay PST on parts and services you provide under a warranty, depending on whether or not your customer initially paid PST on the warranty.

If your customer initially paid PST on the warranty:

- you do not pay PST on parts or services provided under the warranty, even if a third party performs the service.

If your customer did not pay PST on the warranty:

- you pay PST on your cost of parts provided under the tax-exempt warranty, and
- you also pay PST on your purchase of any services provided by a third party.

If you perform repairs under a warranty, and your customer pays for a portion of the taxable parts or services you provide, you charge PST on the cost of the taxable parts or services. For example, if repairs cost \$300 and a warranty covers the first \$200 of repairs, you charge PST on your customer's remaining \$100 portion.

Manufacturer's Warranty

You do not pay or charge your customer PST when you replace parts at no charge under a manufacturer's warranty or recall. The parts and the services you provide are both not taxable. For more information, please see [Bulletin SST 110](#), *Warranties, Service Contracts, and Maintenance Agreements*.



Need more info?

Automotive Services and Parts website: www.sbr.gov.bc.ca/industry_specific/automotive_parts/automotive.htm

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/legislation.htm

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References: *Social Service Tax Act*, Sections 1, 5, 6, 20, 26, 40-45, 67, 77(a), 78(1), 78(2), 80-82, 92 and 93, and Regulations 2.45, 2.46, 2.47, 2.48, 2.55, 3.20, 3.28.1, 3.37, 5.6, 12, 12.1 and 13.10.3.