

Motor Vehicle Repairs

About this Guide

This *Guide* provides tax information to help motor vehicle repair shops understand how Retail Sales Tax (RST) applies to their services and purchases. This *Guide* has been rewritten and replaces the previous version dated May 2001.

For general RST information that applies to all businesses such as registration for vendor permits, general exemptions, and how to charge and collect tax, see ***Small Business Pointer 901 – The Basics of Retail Sales Tax***.

Taxable Repairs and Service

Vendors who provide motor vehicle repairs must charge, collect and remit RST on any taxable materials consumed, taxable parts sold or taxable repairs (services) performed to motor vehicles. The following are examples of taxable materials and services.

Materials

- accessories
- any separate charges for shop supplies (see “Taxable Shop Supplies” section of this Guide)
- conversion kits
- oil, grease, antifreeze, and other fluids
- paint, protective finish, undercoating and body filler
- parts such as filters, sparkplugs, brakes, mufflers, shock absorbers, bumpers and tires
- windshields, mouldings and trim

Services

- application of signage or decals
- battery charging
- conversion of vehicles to operate on alternative fuels
- diagnosis, when further work is done at the same time
- engine tune-up, oil change and chassis lubrication
- installation or removal of parts such as fenders, rocker panels and bumpers
- motor vehicle repair and auto body repainting
- muffler installation or removal
- radiator re-coring
- rust-proofing and finish protection
- tire installation, removal, balancing and repair
- wheel alignment

Non -Taxable Services

Persons who provide non-taxable repair services should not charge RST to their customers. However, they must pay RST on all materials bought for use in providing these services. Examples include:

- car washing, including waxing and engine shampooing
- diagnosis, safety inspections, and estimates when no further work is done at the same time
- environmental disposal services for items such as oil, antifreeze, batteries and tires
- lock-out services
- provision of storage space
- towing and emergency battery boosting

Drive Clean Tests Retail Sales Tax (RST) is not applicable to charges for Drive Clean emissions testing even if other repair work is performed at the same time. Where the emissions test and repairs/adjustments to the vehicle are billed under one charge, RST should be charged on the repairs/adjustments only as the emissions test is a set charge and can easily be identified and separated from the taxable charges.

Taxable Purchases

Shop Supplies RST must be paid on shop supplies at the time of purchase since the shop uses the supplies. Examples of taxable shop supplies include:

- masking tape, sandpaper, and other supplies
- shop tools and equipment
- soaps and cloths
- solvents used for cleaning purposes

On occasion, auto body repairers separate an amount on the billings to the vehicle owner for shop supplies. The fact these charges are separated on a sales invoice does not alter their tax status. The charge for supplies is one component of the total repair charge, on which the purchaser must pay RST.

Exempt Purchases

Repair/Replacement Parts An exemption may be claimed by the repairer on materials that become part of the customer's vehicle. Examples include:

- | | |
|------------------------------|-----------|
| • doors | • paint |
| • engine | • tires |
| • engine oil and oil filters | • windows |
| • nuts and bolts | |

To obtain the exemption, the repairer must provide a valid purchase exemption certificate (PEC) to its supplier.

Warranty, Extended Warranty, Service or Maintenance Contracts

Customers are required to pay RST at the rate of 8 per cent on their purchase of warranty contracts, extended warranty contracts, service or maintenance contracts, or guarantees. If a customer pays a deductible as part of the warranty repair, the customer must also pay RST of 8 percent on the deductible amount.

RST does not apply to parts and labour used to carry out repairs or replacements under warranty contracts, service or maintenance contracts, or guarantees. Repairers can purchase repair parts exempt from RST by providing their supplier with a valid PEC.

Repairs Under Contracts of Insurance

Tax Payable on Repairs RST applies to the total charge for both repair parts and labour and is payable by the insurer on behalf of the insured. The repairer must charge RST on the total amount before any deductible is applied.

Deductibles Generally, when repairs are performed under an insurance contract, the repairer of the goods, on behalf of the policy holder (insured) sends the invoice directly to the insurance company (insurer) after reducing it by the amount of the deductible. The insured is billed or notified separately for the deductible amount. RST is payable on the amount of the deductible by the insurer on behalf of the insured. The insured pays only the deductible amount as specified in the insurance contract.

Deductibles
(continued)

Where the repairer waives the deductible payable by the customer, the insurance company must still pay Retail Sales Tax (RST) on the full cost of the repair. The amount paid by the insurer to the repairer will be net of the deductible but includes the full amount of RST. The amount of the deductible must be shown on the bill to the insurer.

Example of repair with waiver of deductible:

Charge for Repair	1,000
GST Payable	50
RST Payable	<u>80</u>
Invoice Total	1,130
Less Deductible	<u>-100</u>
Net Amount Paid by Insurer	\$1,030

Exempt Purchasers

RST does not have to be charged on repair parts, repair services, warranty, service and maintenance contracts for motor vehicles owned by:

- **Status Indians** living on reserves who present their federal “Certificate of Indian Status” card. The vendor must record on the invoice the Status Indian’s card number, name and Indian band or registry number to substantiate the non-collection of RST. Indian bands and band councils must issue a valid PEC. See ***RST Guide 808 – Status Indians, Indian Bands and Band Councils.***
- **foreign representatives** or officials and their spouses who hold a federal identification card stating that they are exempt from provincial sales taxes. Entities of foreign states and international organizations are also eligible for the exemption. The vendor must record the person’s name, address and card number on the sales invoice. Entities of foreign states such as diplomatic missions and international organizations such as the United Nations agencies must issue a valid PEC. See ***RST Guide 803 – Foreign States, Representatives and Officials.***
- **carriers and/or broker drivers** when their vehicles are registered under the International Registration Plan (IRP). Parts purchased and work performed on trailers used with a multijurisdictional vehicle will also qualify for the exemption. Consumables are also eligible for the exemption when supplied as part of a work order prepared by the vendor. To obtain the RST exemption, carriers and/or broker drivers must quote the carrier’s account number and provide a copy of the cab card to their supplier for the vehicle being repaired. See ***RST Guide 809 – Multijurisdictional Vehicle Tax Payable under the International Registration Plan.***
- **farmers**, if repairs are made to farm equipment. Licensed vehicles are subject to RST. To obtain the exemption, farmers may present their Farmer ID card (issued by a general farm organization) or a valid PEC. The Farmer ID card identifies the farmer’s name and farm business registration number. The vendor must record this information on their sales invoices. See ***RST Guide 807 – Farmers.***
- **manufacturers**, if the items repaired are exempt. Licensed vehicles are subject to RST. To obtain the exemption, manufacturers must issue a valid PEC. See ***RST Guide 400 – Manufacturers.***

Certain repairs and repair parts purchased for qualifying fire fighting vehicles used exclusively by a municipality, university, public hospital, local services board or volunteer group may be purchased exempt from RST. Qualifying repairs and parts include only those components which were permanently attached or incorporated into the vehicles at the time of the vehicle’s purchase (i.e., lights, sirens, tires, etc.) To receive the exemption, the purchaser must provide the repairer with a valid PEC.

Out-of-Province Customers


Goods Removed By Customer


Repairers must charge, collect and remit Retail Sales Tax (RST) on all vehicle repairs and parts purchased by an out-of-province customer who will remove or arrange for permanent removal of the vehicle and/or parts outside Ontario. The customer may apply to the ministry for a refund of RST paid on parts if the repaired vehicle is removed from Ontario within 30 days from the date of purchase. In order to qualify for the refund, the RST paid on parts must be \$50 or more and the customer must provide proof that the applicable tax has been paid to the other Canadian jurisdiction in which the vehicle will be used. No refund is available on labour charges as it is consumed in Ontario. PEC's cannot be accepted in this case.


Goods Shipped by Vendor

Repairers should not charge, collect or remit RST on vehicle repairs and parts where they directly ship or arrange for shipment of the vehicle or parts to a location outside of Ontario. The repairer must retain documentation (e.g., bill of lading) to support the exempt sale.

More Information

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 Online:
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 Written Interpretation:
To obtain a written interpretation on a specific situation not addressed in this publication, please send your request in writing to:

Ministry of Revenue
Tax Advisory Services Branch
Retail Sales Tax Section
33 King Street West, 3rd Floor
Oshawa ON L1H 8H5

Disclaimer and References

The information contained in this publication is provided only as a guideline and is not intended to replace the legislation.

Legislative References:

- *Retail Sales Tax Act*: section 1, subsections 2(1), 2(3), 3, paragraphs 7(1)13, 40, 42, 59, 60, 7(5)
- Regulation 1012 subsections 17.1, 17.2

Cette publication est disponible en français sous le titre « Réparations de véhicules automobiles, n° 600F ».
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