

March 2009

Retail Sales Tax

Motor Vehicle Repairs

SBP 905

About this Pointer

This *Pointer* will help you if you repair motor vehicles and operate a service station, garage, auto body shop, machine shop, auto dealership, muffler shop, lube or transmission shop, or similar business. It explains the basic Retail Sales Tax (RST) rules for your type of business. Revisions to previous content (March 2004) have been identified by a bar (|).

What is a repair?

A repair includes labour, material and parts provided to maintain or restore a motor vehicle to its operating condition. For RST purposes, a repair is a taxable service which includes any service provided to install, assemble, dismantle, repair, adjust, restore, recondition, refinish, or maintain “tangible personal property”.

Charging RST

When you repair or service a motor vehicle, you must charge your customer 8% RST on the parts, materials and labour you use in the repair or service.

This includes all parts and materials that become part of the vehicle, such as:

- filters, spark plugs, brakes, mufflers, shock absorbers, bumpers, tires
- windshields, mouldings and trim
- paint, protective finish, undercoating and body filler
- oil, grease, antifreeze and other fluids
- replacement parts.

Examples of taxable labour include:

- mechanical and body shop repairs including repainting
- engine tune-ups, oil changes, and chassis lubrication
- installation or removal of parts, such as bumpers, fenders, mufflers
- tire installation, removal, balancing and repair
- wheel alignment
- radiator re-coring
- rustproofing and finish protection
- stain protection of vehicle upholstery
- battery charging
- diagnosis, when other related work is done at the same time.

If you sell any parts or accessories separately, without installing them, you must charge RST on the sale of these parts. For example, if you sell an item such as a gas cap, a fan belt or a headlamp without installation, you must charge your customer RST. Also, any charges you make separately for shop supplies are taxable to your customer.

What services are not taxable?

Some services are not taxable. Do not charge your customer RST when you provide:

- diagnosis, safety inspections, and estimates, without doing any other related work at the same time
- tire and other disposal services, (e.g. oil, antifreeze)
- towing or emergency battery boosting
- lock-out services
- vehicle cleaning, such as car washing and engine shampooing.

“Drive Clean” emissions testing

You do not charge RST on a Drive Clean emissions test or retest, even if repair work is being performed on the vehicle at the same time. Where the emissions test and the repairs/adjustments to the vehicle are billed under one charge, you must collect RST on the repairs/adjustments only. The emissions test is a set charge and can be easily identified and separated from the taxable charges.

- Insurance claims** For repairs covered by insurance, Retail Sales Tax (RST) applies to the total charge for both repair parts and labour. Generally, when you do a repair for an insured person, you charge the insurance company RST on the total repair charge. If there is a deductible amount, then you will reduce the invoice to the insurance company by that amount after you charge RST on the full amount. The insured person pays the deductible amount. You do not charge the insured person RST on the deductible amount because the RST has already been charged on the total amount.
- Example:** Windshield Repair \$600.00 + \$48.00 (RST) = \$648.00 (GST has not been included for purposes of this example). If the deductible is \$100.00, then the insurance company will pay \$548.00. The insured person will pay \$100.00.
- Warranty repairs or replacements** You are not required to pay RST on any parts or labour used to carry out repairs or replacements under warranty contracts, service or maintenance contracts, or guarantees. To claim an exemption you must provide your supplier with a valid Purchase Exemption Certificate (PEC). If you bill a customer for a deductible as part of the warranty repair, you must charge and collect RST on the amount.
- On what do I pay RST?** You must pay RST to your supplier for materials that do not become part of the customer's vehicle. You are considered to be the consumer of the materials such as masking tape and sandpaper, soaps and cloths, and solvents used for cleaning purposes. You must pay RST to your suppliers for these materials even if you charge your customers a separate shop supply fee and collect RST on it.
- You must also pay RST on your purchase of shop equipment, shop tools and other machinery, as well as office equipment and supplies, such as computers, cash registers, stationery, receipt books, invoices, and furniture.
- What can I purchase without paying RST?** You do not pay RST to your supplier for materials that become part of the customer's vehicle, such as tires, new or used replacements parts, engine oil and oil filters. To claim an exemption for these materials, you must provide a valid PEC to your supplier. For details on PECs, please refer to **RST Guide 204 - Purchase Exemption Certificates**.
- Keeping records** You must keep all books and records to support your sales and purchases for at least seven years. Such records include sales invoices and journals, purchase invoices and journals, bank records and financial statements.

More Information



Telephone:

1 866 ONT-TAXS (1 866 668-8297)
Teletypewriter (TTY) 1 800 263-7776



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Written Interpretation:

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

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Cette publication est disponible en français sous le titre « CPPE 905F - Réparations de véhicules automobiles ».
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