

## Prepare for Ontario's HST: # 17 – Multi-jurisdictional Vehicles Registered Under the International Registration Plan

This tax tip contains general information to help owners and lessees of multi-jurisdictional vehicles (MJV) that are registered under the International Registration Plan (IRP) prepare for the Harmonized Sales Tax (HST) in Ontario.

### Purchases

The HST of 13 per cent will generally apply to purchases from GST/HST registrants for MJVs, trailers, repair parts, and repair and maintenance services that are delivered or provided in Ontario after June 30, 2010, and on the supply of MJVs by way of lease for lease intervals that occur after June 30, 2010. Carriers and broker drivers that are GST/HST registrants may claim input tax credits (ITCs) for HST paid on their business purchases, with limited temporary restrictions.

#### Note:

*Additional information about the transitional rules that may apply to transactions straddling July 1, 2010 (e.g., for pre-payments after April 30, 2010 and before July 1, 2010) is available on our website at [ontario.ca/taxchange](http://ontario.ca/taxchange). Additional information about the application of the HST and the place of supply rules is available on the Canada Revenue Agency's website at [cra.gc.ca/harmonization](http://cra.gc.ca/harmonization).*

Effective July 1, 2010, private purchases of MJVs and trailers from non-GST/HST registrants will be subject to RST at a rate of 13 per cent. Purchasers will be required to pay RST at ServiceOntario Centres, Driver and Vehicle License Issuing Offices, or Ministry of Transportation Prorate Offices (MTPO) upon the transfer of their vehicles unless an exemption is available under the *Retail Sales Tax Act*. For further information regarding private purchases, please refer to **Tax Tip #12 – Private Purchases of Specified Vehicles** available on our website.

### Elimination of the MJV Tax

While Ontario will retain its membership in the IRP, the MJV tax will no longer apply to renewals or new registrations of MJVs under the IRP on or after July 1, 2010. However, the MJV tax will apply to renewals or new registrations that are effective prior to July 1, 2010, with no credits/refunds available for any portion of the period after July 1, 2010.

### Application of MJV Tax Prior to July 1, 2010

Prior to July 1, 2010, purchasers of MJVs were not required to pay the 8 per cent RST on vehicles that operated under the IRP. Repair parts, labour and trailers to be used with such vehicles could also be purchased exempt from RST. However, MJV tax was payable at the time the vehicle was registered for each year or part year the vehicle operated under the IRP in Ontario or a member jurisdiction. The MJV tax paid for a registration year was substantially less than the 8 per cent RST as the tax was payable over time and was based on a proportional formula which took into account the travel by the vehicle in the province.

With the introduction of the HST in Ontario and the elimination of the collection of MJV tax after June 30, 2010, the total MJV tax paid on a vehicle prior to July 1, 2010 was less than the RST that would have otherwise been payable over the life of the vehicle.

Vehicle registrations or renewals occurring prior to July 1, 2010 were generally subject to the MJV tax for the full vehicle licence year (12 months). The formula for the calculation of the MJV tax under these circumstances did not allow for a pro-ration of the tax and is based on a full vehicle licence year. As a result, IRP registrants will not be entitled to claim a refund of MJV tax paid for periods ending after June 30, 2010 or for any credits that remain on their accounts at the end of June 2010.

Owners of MJVs will not be required to pay exit tax on a vehicle that ceases to be registered under the IRP after June 30, 2010.

## Refunds

Certain RST refunds may still be available after July 1, 2010, for transactions occurring before July 1, 2010. IRP registrants may be eligible for a refund if:

- an MJV was used as a trade-in on the purchase of another MJV
- another vehicle was leased to replace an MJV which was under repair
- the owner was a non-Ontario IRP registrant, or
- RST was paid in error on the purchase of an MJV.

Refunds may be claimed by completing a **“General Application for Refund of Retail Sales Tax”** form and submitting it to the Ministry of Revenue along with supporting documentation by the earlier of four years from the date the RST was paid or June 30, 2014. Application forms can be obtained through the Ministry of Revenue website at [ontario.ca/revenue](http://ontario.ca/revenue).

## Insurance

RST will continue to apply to insurance premiums after June 30, 2010. Premiums that are currently exempt from RST, such as automobile insurance premiums, will continue to be exempt.

Pro-rations for insurance premiums that cover risks occurring outside of Ontario, such as cargo insurance, will also continue. The RST payable is calculated by multiplying the amount of the premium paid under the contract of insurance by the Ontario travel ratio for the vehicle.

For further information regarding insurance please refer to **Tax Tip #4 – Insurance Premiums** available on our website.

## For More Information

- Call Ontario's Budget hotline at 1-800-337-7222 and Teletypewriter (TTY) 1-800-263-7776 or visit [ontario.ca/taxchange](http://ontario.ca/taxchange) for general information on introduction of the HST in Ontario and wind down of the RST.
- Canada Revenue Agency is your source for the latest information on how the transitional rules apply, how to get ready for the HST and the application of HST. Visit the CRA's "Are You HST Ready" website at [cra.gc.ca/harmonization](http://cra.gc.ca/harmonization) or call 1 800 959-5525.