

Ministry of Finance

Tax Bulletin



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Tax on Designated Property (Vehicles, Boats and Aircraft)

Consumption Tax Rebate and Transition Act

Are you purchasing a vehicle, boat or aircraft at a private sale, or bringing these items into British Columbia?

Do you know how tax applies to these items when purchased at a private sale or brought into British Columbia?

This bulletin explains how the provincial tax on designated property applies to vehicles, boats and aircraft purchased at a private sale in British Columbia or brought into the province.

Table of Contents

Overview.....	2
Definitions.....	2
Paying the Tax.....	3
Depreciated Value.....	4
Trade-Ins.....	5
Change of Use.....	5
Exemptions.....	5
Refunds.....	8

Overview

A 12% provincial tax on designated property (TDP) applies to:

- vehicles, boats and aircraft purchased at a private sale in British Columbia, and
- vehicles purchased at a private sale in another province and then brought or sent into British Columbia.

Please note: The TDP applies to vehicles brought or sent into British Columbia and received as a gift, unless an exemption applies (see the section below, Gifts).

The TDP does not apply to:

- boats and aircraft purchased privately in another province and then brought or sent into British Columbia, or
- vehicles, boats and aircraft imported into British Columbia from outside Canada.

However, in these circumstances, the HST or the provincial component of the HST may apply. The Canada Revenue Agency (CRA) is responsible for the administration of the HST. For information on the obligation to pay the federal and provincial components of the HST, please contact the CRA at 1 800 959-5525.

Definitions

Boat includes any watercraft, regardless of the method of propulsion or lack of method of propulsion, but does not include a floating home, or other floating structure or device that is used principally for purposes other than transportation.

Designated property means a vehicle, boat or aircraft.

Taxable value generally means the purchase price of designated property, but may be adjusted either by the trade-in value on a purchase, or depreciation.

Private sale means a sale where:

- the seller is not a goods and services tax (GST)/harmonized sales tax (HST) registrant, or
- the seller is a GST/HST registrant, but the sale is not a taxable supply under the *Excise Tax Act* (Canada).

Please note: A sale of a vehicle that is not a taxable supply is not subject to GST/HST. GST/HST registrants that sell designated property are required to apply the GST/HST in accordance with the *Excise Tax Act* (Canada). If a GST/HST registrant is uncertain as to

the application of the GST/HST on their sales of designated property, they should contact the CRA at 1 800 959-5525.

Vehicle means a device in, on, or by which a person or thing is, or may be, transported or drawn on land, but does not include:

- a device designed to be moved by human power,
- a device used exclusively on stationary rails or tracks,
- a motor-assisted cycle, as defined in the *Motor Vehicle Act*, or
- a mobility aid as defined in the *Motor Vehicle Act Regulations*.

Paying the Tax

Vehicles, Boats and Aircraft Purchased in British Columbia

If you purchase a vehicle, boat or aircraft at a private sale in British Columbia, you are required to pay 12% TDP on the taxable value of these items.

You pay TDP on a vehicle when you register or license the vehicle with the Insurance Corporation of British Columbia (ICBC). However, for designated property that you are not required to register or license with ICBC, such as all-terrain vehicles (ATVs), off-road motorcycles, boats and aircraft, you pay the tax due using the *Casual Remittance Return for Tax on Designated Property* form ([FIN 315](#)).

The payment of TDP is due the earlier of:

- the time you register the vehicle with ICBC, or
- 23 days after the last day of the month in which you purchased the vehicle, boat or aircraft.

The ministry reviews the records of ICBC, Transport Canada and the CRA to ensure TDP has been paid on taxable transactions involving designated property. You may be contacted by the ministry to confirm that you paid the TDP due. This may require you to provide documentation related to the purchase of the designated property.

Please note: If a vehicle would normally be required to be registered with ICBC but you choose not to do so, you are still required to pay the TDP. You need to pay the tax due using the *Casual Remittance Return for Tax on Designated Property* form ([FIN 315](#)) within 23 days of the last day of the month in which you purchased the vehicle.

Vehicles Brought into British Columbia from Another Province

If you are:

- a person who resides in British Columbia,
- a person who carries on business in British Columbia or enters British Columbia with the intent to carry on business, or
- a non-resident who owns or has a long-term lease of real property in British Columbia,

and you purchase a vehicle at a private sale in another province and bring or send that vehicle into British Columbia, you are required to pay TDP at the earlier of:

- the time you register the vehicle with ICBC, or
- 23 days after the last day of the month in which the vehicle was brought or sent into British Columbia, or in which delivery of the vehicle was received in British Columbia,

All other persons who bring, send into or receive in British Columbia a vehicle that was acquired at a private sale in another province are required to pay TDP at the time the vehicle is registered with ICBC.

Depreciated Value

In the case where a vehicle is brought or sent into British Columbia, delivered into British Columbia, or there has been a change of use of designated property (e.g. originally purchased exempt and subsequently used for a taxable purpose), the taxable value of the designated property is the **greater** of the following amounts:

- the depreciated value at the time of entry into British Columbia or change of use, or
- 50% of the purchase price.

To determine the depreciated value of designated property, use the following formula:

$$\text{depreciated value} = \text{price} - [\text{price} \times \text{depreciation}]$$

where

price = either

- (a) in the case of a gift, the fair market value of the designated property at the time the gift was received, or
- (b) in any other case, the purchase price of the designated property;

depreciation = the depreciation determined as the total of the following:

- (a) for an aircraft, 25% for each year or 2.0833% for each month,
- (b) for a vehicle, 30% for each year or 2.5% for each month, or
- (c) for a boat, 15% for each year or 1.25% for each month

for which the designated property was used by the person liable to pay the tax.

Trade-Ins

When you provide designated property as a trade-in to a seller at a private sale in British Columbia, you pay TDP on the difference between the purchase price of the designated property you are purchasing and the fair market value of the trade-in.

Please note: Only designated property (vehicles, boats and aircraft) can be accepted in trade to qualify for this provision.

Change of Use

If you qualify for an exemption from TDP and the subsequent use of that designated property changes to a use for a taxable purpose, TDP immediately becomes payable. For example, if you are a motor vehicle dealer and you acquire a vehicle for resale but later use the vehicle for another purpose (e.g. as a loaner), you are required to pay TDP on the greater of the depreciated value or 50% of the purchase price (see below). The TDP is due 23 days after the last day of the month in which the designated property was used for a taxable purpose.

Exemptions

New Residents

You are exempt from TDP if you are a new resident who brings designated property into British Columbia for your sole personal use provided:

- the designated property arrived in British Columbia within 6 months of you becoming a resident of the province, or would have arrived within that time if it was not for circumstances that made it impractical for you to bring the designated property in within that time, and
- the designated property was owned, physically possessed and used by you for at least 30 days before you became a resident of British Columbia.

Gifts

Gifts in British Columbia

You are not required to pay TDP on a British Columbia vehicle, boat or aircraft received as a gift in British Columbia.

Gifts from out of province

As boats and aircraft brought or sent into British Columbia from another province are exempt from TDP, this section applies only to vehicles provided as a gift.

Vehicles purchased at a private sale in another province and then brought or sent into British Columbia are generally subject to TDP. However, you are exempt from the requirement to pay TDP on a vehicle from another province received as a gift if the donor paid one of the following taxes on the gift:

- the British Columbia social service tax (PST),
- the TDP,
- the provincial component of the HST (paid in a province that imposes HST), or
- the sales tax imposed by another province.

Claiming the gift exemption

To claim the exemption, both you and the person who gave you the gift vehicle must complete the *Gift of Designated Property* form ([FIN 319](#)) prior to registering or licensing the vehicle with ICBC. You both must complete and sign the form, whether the vehicle is gifted to you within British Columbia or from out of province. Completion of this form is subject to audit once the exemption has been provided.

For more information on the exemption for gift vehicles, please see [Notice 2011-002](#), *Gift Vehicles and the Tax on Designated Property*.

Inheritance

You are exempt from TDP if you receive designated property as part of the distribution of a deceased's estate.

To claim the exemption, you must provide copies of the estate documents, such as the death certificate and the will, to ICBC at the time of registration. Additional documentation may be required, depending on the circumstances of the inheritance.

Designated Property Shipped Outside of British Columbia

You are exempt from TDP if you purchase designated property for use outside of British Columbia. The designated property must be shipped out of British Columbia by the seller with no use made of it while in the province, other than to store it.

Vehicles for Use Outside British Columbia

You are exempt from TDP if you purchase a vehicle primarily for use outside of British Columbia provided you do not register, license or use it for business purposes in British Columbia.

If you purchase a vehicle in British Columbia for primary use outside of the province, and you require a temporary operation permit from ICBC to move the vehicle out of British Columbia, you are not required to pay TDP as the vehicle is not considered to be registered or licensed.

Vehicles Modified to Accommodate an Individual with a Disability

You are exempt from TDP if you acquire a vehicle for transporting an individual with a wheelchair and the vehicle has been manufactured or modified to facilitate the placement or transportation of a wheelchair in the vehicle.

You are exempt from TDP if you acquire a vehicle that has been equipped with auxiliary driving controls for operation by an individual who requires the use of the auxiliary driving control to operate the vehicle.

In either case, the vehicle must not be used for a business, commercial or industrial purpose.

Transfers Due to Dissolution of Marriage or Relationship

You are exempt from TDP on designated property transferred from your spouse, or former spouse, to you as a result of the dissolution of marriage or marriage-like relationship. The transfer is to be indicated under a written separation agreement, a marriage agreement or by a court order.

Purchases by a New Corporation

If a corporation purchases designated property on or before the day the corporation starts to carry on business, the corporation may qualify for an exemption from TDP if certain conditions are met. For more information, please see [Bulletin CTR 002, Purchases of Designated Property by a New Corporation](#).

Vehicles Assembled From Parts Acquired Outside of British Columbia

You are exempt from TDP if you acquire parts and assemble a vehicle outside of the province and then bring the vehicle into British Columbia. However, the vehicle may be subject to the provincial component of the HST at the time you bring it into British Columbia.

Commercial Fishing Boats

If you fish for commercial purposes under the authority of the *Fisheries Act* (Canada), you are exempt from TDP on the purchase of a boat provided:

- the boat is used only in catching fish for human consumption, and
- you either:
 - earned gross income of at least \$10,000 in the immediately preceding year from commercial fishing in waters in, or adjacent to, British Columbia, or
 - earned at least 51% of your gross income in the immediately preceding year from commercial fishing in those waters.

Purchases for Resale

If you purchase designated property at a private sale in British Columbia, or bring in a vehicle purchased at a private sale from another province, for the sole purpose of resale, you are exempt from TDP. However, the designated property must not be used for personal or business use.

Temporary Use

If you bring designated property into British Columbia for temporary use and remove it from British Columbia within 30 days of its date of entry, you are exempt from TDP provided it is in the province for less than 30 days in a calendar year.

Other Exemptions

You are exempt from TDP if:

- you are a member of a visiting force or a member of the diplomatic and consular corps, or
- you qualify as an Indian or band under the *Indian Act* (Canada) and the sale takes place on reserve land or the designated property is delivered to reserve land as a part of the sale.

Refunds

You may be eligible for a refund of TDP if you:

- paid the TDP in error,
- returned the designated property to the previous owner within 30 days from the date of purchase,
- sent the designated property out of British Columbia within 30 days from the date of purchase and you paid tax to another jurisdiction that imposes a sales tax or the provincial component of the HST,

- resold the designated property within 7 days from the date of purchase in British Columbia, or
- purchased a boat as a commercial fisher and you hold a commercial fishing licence issued under the *Fisheries Act* (Canada).

To apply for a refund, you need to complete the *Application for Refund of Tax Paid on Designated Property* form (**FIN 318**). You must also submit the required supporting documentation as detailed on the refund application form.

Send your refund application and supporting documents to:

Ministry of Finance
Refund Section
PO Box 9628 Stn Prov Govt
Victoria BC V8W 9N6

The ministry must receive your refund application within four years from the date you paid the tax.

Need more info?

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

For information regarding the provincial or federal components of the HST, please contact the Canada Revenue Agency at 1 800 959-5525.

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Consumption Tax Rebate and Transition Act* and Regulations are available on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Designated_Property/designated_property.htm