

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 tax applies on vehicles, boats and aircraft purchased in British Columbia at a private sale or brought into British Columbia.

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Overview

Effective July 1, 2010, vehicles, boats and aircraft purchased in British Columbia at a private sale are subject to a 12% tax on designated property (TDP). TDP also applies to specified motor vehicles purchased at a private sale in another province and then brought into British Columbia.

TDP does not apply to boats and aircraft purchased privately in another province and then brought into British Columbia, or to vehicles, boats and aircraft imported into British Columbia from outside Canada. (See sections below, Boats and Aircraft Brought into British Columbia from Another Province and Vehicles, Boats and Aircraft Brought into British Columbia from Outside Canada).

Definitions

Boat includes 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, deemed to be included in the definition of improvements in the *Assessment Act*.

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 by a seller who is not a goods and services tax (GST)/harmonized sales tax (HST) registrant.

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.

Specified motor vehicle generally includes all motor vehicles, but does not include racing cars and non-motorized vehicles, such as horse-drawn carriages.

Paying the Tax

Vehicles, Boats and Aircraft Purchased in British Columbia

Effective July 1, 2010, if you purchase a vehicle, boat or aircraft in British Columbia at a private sale, 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 vehicles that you are not required to register or license, such as all-terrain vehicles (ATVs), off-road motorcycles, boats and aircraft, you must self-assess and pay the tax due by using the *Casual Remittance Return for Tax on Designated Property* form ([FIN 315](#)).

The form is available on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Designated_Property/designated_property.htm

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.

To ensure that TDP has been paid on all taxable boats and aircraft, the ministry routinely reviews the records of Transport Canada and the Canada Revenue Agency (CRA), and matches changes in registered ownership with tax payments. Therefore, when you register a boat or aircraft, you may be contacted by the ministry to confirm that you paid the TDP due.

Specified Motor Vehicles Brought into British Columbia from Another Province

If you purchase a specified motor vehicle at a private sale in another province and bring that vehicle into British Columbia on, or after, July 1, 2010, you are required to pay TDP. You are also required to pay TDP if you register a specified motor vehicle that was brought, or sent, into British Columbia for your use.

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 brought, or sent, the vehicle into British Columbia, or received delivery of the vehicle in British Columbia.

Specified motor vehicles purchased from a GST/HST registrant and vehicles that are not specified motor vehicles (i.e. horse-drawn carriages) purchased in another province, and brought into British Columbia on, or after, July 1, 2010, may be subject to the provincial component of the HST (see Please Note below).

Boats and Aircraft Brought into British Columbia from Another Province

If you purchase a boat or an aircraft at a private sale in another province and then bring it into British Columbia on, or after, July 1, 2010, you are not required to pay TDP. However, you may be required to pay the provincial component of the HST (see Please Note below).

Vehicles, Boats and Aircraft Brought into British Columbia from Outside Canada

If you import a vehicle, boat or aircraft into British Columbia from outside of Canada on, or after, July 1, 2010, you are not required to pay TDP. However, you may be required to pay both the federal and the provincial components of the HST (see Please Note below).

Please Note: For information on the obligation to pay the federal and provincial components of the HST, please contact the CRA at 1 800 959-5525.

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. As a result, you are required to self-assess 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.

Depreciated Value

In the case where a vehicle is brought, or sent, into British Columbia, delivered in 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.

Exemptions

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 (vehicle is not registered or licensed) 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.

If you are a person with a disability, you are exempt from TDP if you purchase a vehicle that has been equipped with auxiliary driving controls required by you.

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

Vehicles Assembled Outside of British Columbia

You are exempt from TDP if your vehicle is assembled outside of British Columbia provided the parts are acquired outside of British Columbia. As the component parts would not generally be considered to be a specified motor vehicle at the time the parts were acquired, the vehicle may be subject to the provincial component of the HST at the time you bring it into British Columbia (see Please Note above).

Boats Used by Commercial Fishers

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.

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.

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.

Purchases by a New Corporation

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

Inheritance and Gifts

You are exempt from TDP if you receive a vehicle, boat or aircraft as a gift from a person within British Columbia, or as part of an inheritance.

If you receive a specified motor vehicle as a gift from a person from another province, you are exempt from TDP if the person who gave you the gift paid one of the following taxes on the gift:

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

You qualify for this exemption regardless of whether you receive delivery of the gift within British Columbia, or bring or send the gift into British Columbia yourself.

Purchases for Resale

If you purchase designated property in British Columbia at a private sale, or bring in a specified motor 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.

Other Exemptions

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

- the specified motor vehicle 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 specified motor vehicle was owned, physically possessed and used by you for at least 30 days before you became a resident of British Columbia.

You are also 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 condition of the sale.

Refunds

You may be eligible for a refund of TDP if designated property is:

- returned to the previous owner within 30 days from the date of purchase,
- sent 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 within 7 days from the date of purchase in British Columbia, or

- a boat you purchased as a commercial fisher and you hold a licence issued under the *Fisheries Act* (Canada). Your gross income from commercial fishing in a 12-month period ending within a year after the purchase of the boat must be at least \$10,000 or at least 51% of your total gross income for that year.

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. The form is available on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Designated_Property/designated_property.htm

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