

## Related Party Asset Transfers

### *Provincial Sales Tax Act*

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Latest Revision: *The revision bar ( | ) identifies changes to the previous version of this bulletin dated December 2014. For a summary of the changes, see Latest Revision at the end of this document.*

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This bulletin explains the PST exemptions for related party asset transfers.

This bulletin does not provide information on how the PST exemptions for related party asset transfers apply to:

- conveyances used interjurisdictionally (i.e. interjurisdictional aircraft, railway rolling stock and other conveyances, and parts for those items), or
- intangible software purchased for use in multiple jurisdictions (i.e. software subject to a proportional amount of PST).

For information on how the PST exemptions for related party asset transfers apply in these situations, contact us.

### Table of Contents

Overview.....	2
Definitions.....	3
Definition of Related Corporations.....	3
Definition of a Tax Paid Asset.....	5
Exemption for Transfers of Assets Between Related Corporations .....	7
Exemption for Assets Leased From a Related Corporation.....	9
Exemption for Transfers of Assets to a New Corporation – Wholly Owned and Controlled.....	10
Exemption for Transfers of Assets to a New Corporation – Not Wholly Owned and Controlled .....	12
Documentation Requirements .....	14
Approval Required for Transfers of Vehicles .....	14
Tax if Relationship Requirement Not Maintained.....	15
Non-Qualifying Transfers.....	16

Other Exemptions for Related Corporations .....	17
Corporate Amalgamations .....	17

## Overview

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For greater clarity, terms that are defined for the purposes of this bulletin are in *italics*.

For PST purposes, unless a specific exemption applies, a taxable sale occurs when taxable *assets* are transferred:

- from an individual or partnership to a corporation,
- between corporations, or
- from a corporation to an individual (e.g. as part of a winding up, as a dividend in kind, or as a return of capital).

For general information on PST exemptions, see [Bulletin PST 200](#), *PST Exemptions and Documentation Requirements*.

## PST Exemptions for Related Party Asset Transfers

The following PST exemptions are explained in this bulletin:

- Transfers of assets between related corporations
- Assets leased from a related corporation
- Transfers of assets to a new corporation – wholly owned and controlled
- Transfers of assets to a new corporation – not wholly owned and controlled

If you are unsure how PST applies to your specific circumstances, contact us.

## Taxable Transfers

No exemptions apply when taxable *assets* are transferred from a corporation to an individual, including as part of a winding up, as a dividend in kind, or as a return of capital. Also, transfers of *assets* from a corporation to a shareholder are not “gifts”. Generally, these transfers are subject to PST on the fair market value of the *assets* being transferred.

For example, if *assets* are transferred to a shareholder that is an individual, consideration has been paid for the *assets* because the shareholder’s shares are reduced in value or cancelled as a result of the transfer. Therefore, the shareholder is required to pay PST on the fair market value of the *assets* being transferred.

For other types of asset transfers, see [Bulletin PST 319](#), *Partnerships* and [Bulletin PST 318](#), *Trusts*.

## Definitions

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In this bulletin:

- **assets** means:
  - goods (i.e. tangible personal property), and
  - intangible software (e.g. provided over the Internet, including by email, FTP, download or other electronic means; for more information, see [Bulletin PST 105, Software](#))
- **previous owner** means the seller of the *asset* (**note:** in the section “Definition of a Tax Paid Asset”, *previous owner* includes a lessor)
- **PST** means the current BC PST that was implemented on April 1, 2013 under the *Provincial Sales Tax Act*
- **SST** means the former BC provincial sales tax that was in effect from July 1, 1948 to June 30, 2010 under the *Social Service Tax Act*
- **tax on designated property (TDP)** means the former 12% BC tax on private sales of vehicles, boats or aircraft that was in effect from July 1, 2010 to March 31, 2013 under the *Consumption Tax Rebate and Transition Act*
- **wholly owns and controls** refers to a person who beneficially owns shares in a corporation, provided that at least 95% of the outstanding shares of each class of the share capital of the corporation are beneficially owned by that person, or by that person and that person’s spouse

**Please note:** A person who *wholly owns and controls* a corporation as explained above continues to wholly own and control that corporation even if that person transfers shares in that corporation:

- without consideration, to a trustee of a trust whose only beneficiaries are one or more of that person, that person’s spouse or that person’s children, or
- with consideration, to a trustee of a trust whose only beneficiaries are that person’s spouse or the person and that person’s spouse.

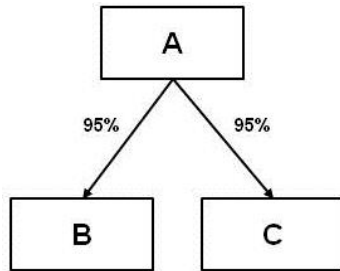
## Definition of Related Corporations

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In this bulletin:

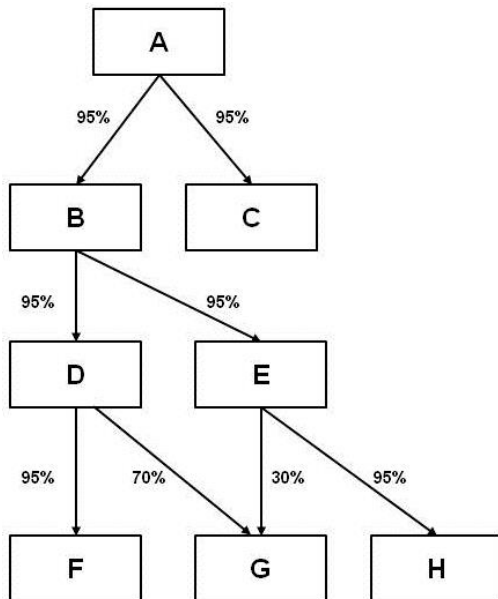
- two corporations are **related corporations** if:
  - one of the corporations is a *wholly owned subsidiary* of the other corporation, or
  - both of the corporations are *wholly owned subsidiaries* of the same corporation.
- a corporation is a **wholly owned subsidiary** of another corporation if at least 95% of the outstanding shares of each class of the share capital of the subsidiary corporation are beneficially owned by one or both of:
  - the other corporation
  - a *wholly owned subsidiary*, or *wholly owned subsidiaries*, of that other corporation.

## Example 1 – Related Corporations



B is a *related corporation* of A because it is a *wholly owned subsidiary* of A. C is a *related corporation* of A for the same reason. Also, B and C are *related corporations* because both of the corporations are *wholly owned subsidiaries* of the same corporation, A.

## Example 2 – Related Corporations



All of the corporations (A to H) are *related corporations* because:

1. B and C are *related corporations* of A because they are *wholly owned subsidiaries* of A.
2. D and E are *wholly owned subsidiaries* of B. Therefore, D and E are *wholly owned subsidiaries* of A, because 95% of the outstanding shares of each class of the share capital are beneficially owned by a *wholly owned subsidiary* of A.
3. For the same reason, F and H are *wholly owned subsidiaries* of A.
4. G is also a *wholly owned subsidiary* of A because 100% of the outstanding shares of each class of the share capital are beneficially owned by *wholly owned subsidiaries* of A.

## Definition of a Tax Paid Asset

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For an *asset* to qualify for a related party asset transfer PST exemption, it must be a *tax paid asset*. Generally, this means the *previous owner* paid a qualifying tax on that *asset*. However, in certain situations, an *asset* may also qualify as a *tax paid asset* if the *previous owner* was not subject to, or was exempt from, tax.

In this bulletin, an *asset* is a *tax paid asset* if the criteria listed below under 1, 2 or 3 are met:

### 1. Tax Paid

An *asset* is a *tax paid asset* if the *previous owner* (see exception below) paid one of the following taxes on the *asset*, and did not receive and was not eligible for a refund, credit or rebate of that tax (including input tax credits of **any** amount, claimed or unclaimed):

- PST or SST, except for
  - tax paid on lease payments
  - multijurisdictional vehicle (MJV) tax
  - temporary use tax (i.e. the 1/3<sup>rd</sup> or 1/36<sup>th</sup> formula) unless all payments have been made and the asset is fully tax paid; there are no credits for **partial** tax paid under the temporary use formulas and the receiving corporation **cannot** take over the payments from the *previous owner* (for more information, see [Bulletin PST 307](#), *Goods Brought into BC for Temporary Use*)
  - the 0.4% tax on energy products (ICE Fund tax) or the former SST levies for lead-acid batteries or pneumatic tires
  - PST self-assessed by a lessor when lease inventory is occasionally supplied with an operator (for more information, see [Bulletin PST 315](#), *Rentals and Leases of Goods*)
- the BC portion of the harmonized sales tax (HST), or
- the *tax on designated property (TDP)*

### Exception

For the exemption for transfers of assets between related corporations only, an *asset* is a *tax paid asset* if **either** the *previous owner* **or** a *related corporation* of either corporation paid one of the taxes listed above, provided they did not receive and were not eligible for a refund, credit or rebate of the tax (including input tax credits of **any** amount, claimed or unclaimed).

### Non-Qualifying Taxes

If the *previous owner* only paid one of the following taxes on an *asset*, the *asset* will not qualify as a *tax paid asset* under the criteria explained above:

- the BC portion of the HST, if the *previous owner* claimed or was eligible for a refund, credit or rebate of the tax (including input tax credits of **any** amount, claimed or unclaimed)
- GST only (e.g. in Alberta, Yukon, Northwest Territories or Nunavut)
- HST to another province (Ontario, PEI, Nova Scotia, New Brunswick, Newfoundland and Labrador)
- sales tax to another province (Manitoba, Saskatchewan)
- Quebec Sales Tax (QST)

## 2. Previous Owner Not Subject to, or Exempt from, Tax

An *asset* is a *tax paid asset* if the *previous owner* acquired the *asset* in BC, brought or sent the *asset* into BC, or received delivery of the *asset* in BC:

- before July 1, 1948 (i.e. before BC originally implemented the SST)
- on or after July 1, 1948 but before July 1, 2010, if the *asset* was not subject to, or was exempt from, SST (see exception below)
- on or after July 1, 2010 but before April 1, 2013, if the *asset* would not have been subject to, or would have been exempt from, PST if the PST had been in effect at that time (see exception below)
- on or after April 1, 2013 if the *asset* was not subject to, or was exempt from, PST (see exception below)

### Exception

The *asset* will **not** qualify as a *tax paid asset* under the last three bullets above if the *asset* was not subject to, or was exempt from, tax because the *asset* was:

- for resale or lease,
- to be delivered or transported outside BC, or was for use outside BC, or
- used or was to be used for a particular purpose, including:
  - by a qualifying farmer solely for a farm purpose
  - by a commercial fisher solely for a commercial fishing purpose
  - by an aquaculturist solely for an aquaculture purpose
  - as production machinery and equipment (PM&E) under the PM&E exemption
  - for use for hydroelectric power generation.

**Please note:** this exception does not apply (i.e. the *asset* may qualify as a *tax paid asset*) if the *previous owner* was not subject to, or was exempt from, tax for another reason, including, if they acquired the *asset*:

- through a previous related party asset transfer PST exemption,
- through an inheritance,
- through a transfer resulting from the dissolution of a marriage or marriage-like relationship,
- as a non-taxable or exempt gift,
- at an exempt sale from a small seller or independent sales contractor,
- at a sale that qualified for a First Nations exemption, or
- during a period when that type of *asset* was unconditionally not subject to, or exempt from, PST or SST (e.g. non-motorized adult-sized tricycles that were exempt under the SST from February 20, 2008 to June 30, 2010).

## 3. Asset Acquired Outside BC but Exemption Would Have Applied

For the exemption for transfers of assets between related corporations only, an *asset* is a *tax paid asset* if the *previous owner*:

- acquired the *asset* outside BC, and
- would have qualified for a related party asset transfer PST exemption for that *asset* if they had purchased the *asset*, on that date, at a sale in BC.

This exemption only applies to goods (i.e. tangible personal property), and does not apply to intangible software.

**Please note:** If the date the previous owner acquired the *asset* was prior to April 1, 2013, the above criteria for a *tax paid asset* is to be applied as though the *Provincial Sales Tax Act* and regulations were in effect on that date (as they read on April 1, 2013).

### Example 3 - Tax Paid Asset

It is assumed that Mozart Corporation, Beethoven Inc. and Brahms Corporation are all *related corporations*, and that for all transfers described below, the relationship requirement described in the section below, Exemption for Transfers of Assets Between Related Corporations, has been met.

Mozart Corporation purchased a vehicle in October 2009, paid SST on the vehicle, and is not eligible for a refund, credit or rebate of that SST. In November 2013, Mozart Corporation transferred that vehicle in Alberta to Beethoven Inc. Beethoven Inc. would have qualified for a related party asset transfer PST exemption had they purchased the vehicle, on that date, at a sale in BC. Beethoven Inc. never brought the vehicle into BC, and in April 2014, transferred the vehicle to Brahms Corporation. Brahms Corporation immediately brought the vehicle into BC for use.

Brahms Corporation is eligible for the exemption for transfers of assets between related corporations because the vehicle is a *tax paid asset* as the above criteria have been met.

## Exemption for Transfers of Assets Between Related Corporations

### Exemption Criteria

A corporation is exempt from PST if that corporation:

- purchases a *tax paid asset* in BC from a *previous owner* who is a *related corporation*,
- acquires a *tax paid asset* outside BC from a *previous owner* who is a *related corporation* and brings, sends or receives that *tax paid asset* into BC, or
- receives a *tax paid asset* that is a vehicle, boat or aircraft as a gift in BC from a *previous owner* who is a *related corporation*.

### Relationship Requirement

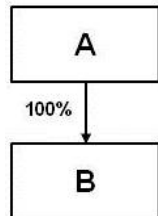
The exemption only applies if either:

- the corporation and the *previous owner* remain *related corporations* for at least eight months **after** the *tax paid asset* is purchased, acquired or received by the corporation, or
- all the following criteria are met:
  - the corporation and the *previous owner* were *related corporations* for at least eight months **before** the *tax paid asset* is purchased, acquired or received by the corporation,
  - on or after the day the *tax paid asset* is purchased, acquired or received by the corporation, the *previous owner* is dissolved or wound up under the:
    - *Bank Act* (Canada),
    - *Business Corporations Act*,
    - *Canada Business Corporations Act*, or the

- *Winding-up and Restructuring Act* (Canada), and
- the corporation and the *previous owner* remain *related corporations* until the *previous owner* is dissolved or wound up.

If this relationship requirement is not maintained for the entire eight months, the corporation must self-assess the PST due. For more information, see *Tax if Relationship Requirement Not Maintained* below.

#### Example 4 – Transfers of Assets Between Related Corporations



Corporations A and B are *related corporations*. In April 2014, Corporation B transfers the assets listed below to Corporation A. The history of how Corporation B purchased each of these assets is as follows:

- PM&E – purchased exempt from PST as PM&E in October 2013
- vehicles – purchased and paid PST in May 2013 and Corporation B is not eligible for a refund, credit or rebate of that PST
- office equipment – purchased and paid BC HST in May 2012 and Corporation B received an input tax credit on the equipment
- turbine aircraft – purchased exempt from SST in June 2009
- computers for resale (i.e. inventory) – purchased exempt from PST from June 2013 to March 2014
- repair tools – previously purchased exempt from PST from Corporation A in June 2013 under a related party asset transfer PST exemption

The following explains whether each asset qualifies for an exempt transfer:

- PM&E – not a *tax paid asset* as the PM&E was acquired exempt from PST because the PM&E was used or was to be used for a particular purpose. If Corporation A also qualifies for the PM&E exemption, to claim that exemption, they must provide Corporation B with a completed *Certificate of Exemption – Production Machinery and Equipment* ([FIN 492](#)).
- vehicles – qualify as *tax paid assets* and may be transferred exempt
- office equipment – not a *tax paid asset* because an *asset* is not tax paid if the previous owner received, or was eligible for, a refund, credit or rebate of the tax (including input tax credits of **any** amount, claimed or unclaimed)
- turbine aircraft – qualify as *tax paid assets* as at the time, turbine aircraft were unconditionally exempt from SST (and still are under PST)
- computers for resale (i.e. inventory) – not a *tax paid asset* as the computers were purchased exempt from PST for resale. If Corporation A is also purchasing the computers solely for resale, they must provide Corporation B with their PST number or, if they are not registered, a completed *Certificate of Exemption – General* ([FIN 490](#)).

Continued on next page.



### Example 4 continued

- repair tools – qualify as *tax paid assets* and may be transferred exempt

Corporation A is only eligible for the exemption for transfers of assets between related corporations for the vehicles, turbine aircraft and repair tools, and only if the relationship requirement described above is met. If the relationship requirement is not met, only the turbine aircraft will be exempt from PST (because turbine aircraft are unconditionally exempt from PST).

## Exemption for Assets Leased From a Related Corporation

This section only applies to goods (i.e. tangible personal property), and does not apply to intangible software.

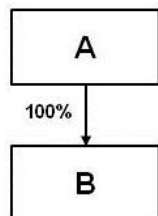
### Exemption Criteria

A corporation (lessee) is exempt from PST if that corporation leases a *tax paid asset* in BC from a lessor who is a *related corporation*.

### Relationship Requirement

The exemption only applies as long as the lessee and the lessor remain *related corporations*. If the lessee and the lessor are not *related corporations* on the date that tax would have been payable on the lease payment, the lease payment is subject to PST, unless another exemption applies.

### Example 5 – Assets Leased from a Related Corporation



Corporations A and B are *related corporations*. In April 2014, Corporation A leases a vehicle to Corporation B. Corporation A purchased the vehicle in November 2013, paid PST on the vehicle, and is not eligible for a refund, credit or rebate of that PST.

Corporation B is eligible for the exemption for assets leased from a related corporation on the lease payments for the vehicle as long as the corporations remain *related corporations*.

# Exemption for Transfers of Assets to a New Corporation – Wholly Owned and Controlled

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## Exemption Criteria

A corporation is exempt from PST if that corporation, at any time **on or before** the date on which that corporation starts to carry on business:

- purchases a *tax paid asset* in BC from a *previous owner* who *wholly owns and controls* that corporation, or
- acquires a *tax paid asset* outside BC from a *previous owner* who *wholly owns and controls* that corporation and brings, sends or receives that *tax paid asset* into BC.

## Meaning of Carry on Business

For the purposes of the exemption for **Transfers of Assets to a New Corporation – Wholly Owned and Controlled**, “the date on which that corporation starts to carry on business” refers to the day on which that corporation first performs the function for which the corporation was formed.

For example, a corporation established to conduct a retail business starts to carry on business on the first day it attempts to make retail sales. A corporation established to operate a sawmill starts to carry on business on the first day it uses mill equipment to perform a mill-related activity.

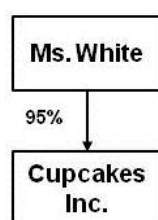
A corporation only has one date on which that corporation starts to carry on business. For example, a corporation operated for a number of years and then became inactive. Later, the shares of that corporation were purchased by another party and the corporation was reactivated. Assets are then transferred to the reactivated corporation by the new owner. This transfer is not eligible for the exemption for transfers of assets to a new corporation – wholly owned and controlled because the corporation’s “date on which that corporation starts to carry on business” occurred before the new owner purchased the shares.

## Relationship Requirement

The exemption only applies if the *previous owner* continues to *wholly own and control* that corporation for at least eight months **after** the *tax paid asset* is purchased or acquired.

If this relationship requirement is not maintained for the entire eight months, the corporation must self-assess the PST due. For more information, see Tax if Relationship Requirement Not Maintained below.

## Example 6 – Transfers of Assets to a New Corporation – Wholly Owned and Controlled



In April 2014, Ms. White rolls over her cupcake business into a new corporation which she *wholly owns and controls* (Cupcakes Inc.). On or before the date on which Cupcakes Inc. starts to carry on business, Ms. White transfers the *assets* listed below to Cupcakes Inc. The history of how Ms. White acquired each of these *assets* is as follows:

- vehicle – purchased and paid BC HST in March 2013 and Ms. White, who previously operated her cupcake business as a sole proprietor, received an ITC on the vehicle
- baking equipment – acquired by Ms. White in Alberta in October 2006 at a time when she was a resident of Alberta. Ms. White later became a resident of BC in December 2009 and at that time, brought the baking equipment into BC exempt under the SST exemption for new resident's effects. Ms. White did not use the baking equipment for a business purpose until June 2010.
- office equipment – purchased and paid SST in June 2010 and Ms. White is not eligible for a refund, credit or rebate of that SST
- displays – purchased from an independent sales contractor exempt from PST in November 2013
- affixed machinery – purchased in December 2013 from a contractor under a contract to install the affixed machinery. The contract was not subject to PST.
- packaging materials – purchased exempt from PST from November 2013 to March 2014
- uniforms – purchased from a small seller exempt from PST in October 2013

The following explains whether each asset qualifies for an exempt transfer:

- vehicle – not a *tax paid asset* as an *asset* is not tax paid if the *previous owner* received, or was eligible for, a refund, credit or rebate of the tax (including input tax credits of **any** amount, claimed or unclaimed)
- baking equipment – qualify as *tax paid assets* and may be transferred exempt
- office equipment – qualify as *tax paid assets* and may be transferred exempt
- displays – qualify as *tax paid assets* and may be transferred exempt
- affixed machinery – qualify as *tax paid assets* and may be transferred exempt
- packaging materials – not a *tax paid asset* as the packaging materials were acquired exempt from PST because the packaging materials were purchased exempt for resale. If Cupcakes Inc. is also purchasing the packaging materials solely for resale, the corporation must provide Ms. White with its PST number or, if it is not registered, a completed *Certificate of Exemption – General* (**FIN 490**).
- uniforms – qualify as *tax paid assets* and may be transferred exempt

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### Example 6 continued

Cupcakes Inc. is only eligible for the exemption for transfers of assets to a new corporation – wholly owned and controlled for the baking equipment, office equipment, displays, affixed machinery and uniforms, and only if the relationship requirement described above is met.

## Exemption for Transfers of Assets to a New Corporation – Not Wholly Owned and Controlled

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### Exemption Criteria

A corporation may be eligible for a **full or partial** exemption from PST if that corporation, at any time **on or before** the date on which that corporation starts to carry on business:

- purchases a *tax paid asset* in BC from a *previous owner* who does not wholly own and control that corporation, or
- acquires a *tax paid asset* outside BC from a *previous owner* who does not wholly own and control that corporation and brings, sends or receives that *tax paid asset* into BC.

The exemption applies only if all of the following requirements are met:

- the consideration for the purchase or acquisition of the *tax paid asset* by the corporation is the issue or transfer of shares in that corporation to the *previous owner* of the *tax paid asset*,
- the date on which the shares are issued or transferred to the *previous owner* is not more than 30 days after the purchase or acquisition, and
- the *previous owner* beneficially owns and holds title to all of these shares for at least 8 months after the transfer date.

### Full Exemption

Provided the fair market value of the shares referred to above is equal to or greater than the fair market value of the *tax paid asset*, the corporation is fully exempt from PST on:

- the purchase of that *tax paid asset*, or
- bringing, sending or receiving delivery of that *tax paid asset* into BC.

### Partial Exemption

If the fair market value of the shares referred to above is less than the fair market value of the *tax paid asset*, the corporation must pay PST on the difference using the following formula:

$$\text{PST due} = \text{tax rate} \times (\text{fair market value of } \textit{tax paid asset} - \text{fair market value of shares})$$

For example, a new corporation purchases office equipment with a fair market value of \$10,000 from the *previous owner* who does not wholly own and control that new corporation. As consideration for the transfer, the *previous owner* receives shares of that new corporation with a fair market value of \$8,000.

The corporation pays PST as follows:

$$\text{PST due} = 7\% \times (\$10,000 - \$8,000) = \$140$$

## Relationship Requirement

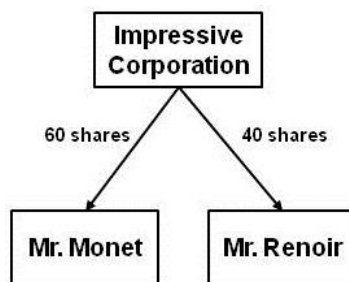
As explained above, the exemption only applies if the *previous owner* continues to own and hold title to all the shares issued or transferred for at least eight months **after** the *tax paid asset* is purchased or acquired.

If this relationship requirement is not maintained for the entire eight months, the corporation must self-assess the PST due. For more information, see Tax if Relationship Requirement Not Maintained below.

### Example 7 – Transfers of Assets to a New Corporation – Not Wholly Owned and Controlled

Mr. Monet and Mr. Renoir are in a partnership. The partnership has \$100,000 in *assets* that all meet the criteria as *tax paid assets*. Each of the partners has a 50% share in the partnership. Therefore, unless the partnership agreement provides otherwise, for PST purposes, both Mr. Monet and Mr. Renoir own \$50,000 of the *assets*.

In April 2014, the partners roll over all the partnership *assets* into a new corporation (Impressive Corporation).



No other *assets* are transferred to Impressive Corporation and no additional capital is contributed to Impressive Corporation. As consideration for the transfer of the *tax paid assets*, Impressive Corporation issues shares in Impressive Corporation to the partners as follows:

- Mr. Monet – 60 shares
- Mr. Renoir – 40 shares

The fair market value of the *assets* held by Impressive Corporation is \$100,000. Therefore, as consideration for the purchase of the *tax paid assets*, Mr. Monet has received shares with a fair market value of \$60,000 and Mr. Renoir has received shares with a fair market value of \$40,000.

As explained in the subsection above, Full Exemption, the transfer from Mr. Monet is fully exempt from PST.

As explained in the subsection above, Partial Exemption, the transfer from Mr. Renoir is eligible for a partial PST exemption.

Impressive Corporation must pay PST as follows:

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### Example 7 continued

PST due = tax rate x (fair market value of *tax paid asset* – fair market value of shares)

PST due = 7% x (\$50,000 – \$40,000) = \$700

## Documentation Requirements

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Generally, for the purposes of the PST, you need to keep books, records and any other documentation relating to your business for five years. However, if you are claiming a related party asset transfer PST exemption, or intend to transfer an *asset* to a *related corporation* at a future date, to prove the exemption applies, you need to provide records that show the *asset* transferred was a *tax paid asset* even if the records are older than five years.

For example, Corporation A pays PST on a purchase of office equipment in October 2013 and is not eligible for a refund, credit or rebate of that PST. For the purposes of the PST, generally, Corporation A only needs to retain the documents related to that purchase until October 2018.

However, if Corporation A later transfers that office equipment to a *related corporation*, that *related corporation* needs records that prove they qualify for the exemption, including records that prove the office equipment transferred was a *tax paid asset*, even if Corporation A's purchase occurred more than 5 years ago.

## Approval Required for Transfers of Vehicles

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If you are claiming a related party asset transfer PST exemption for a vehicle, your claim requires our approval. Otherwise, the Insurance Corporation of British Columbia (ICBC) is required to collect the PST from you on the fair market value of the vehicle. You must provide the documentation listed below to support your claim.

If you do not provide documentation to show you are entitled to an exemption prior to processing your vehicle transfer at ICBC, you may apply to us for a refund of the PST.

## Transfers of Assets Between Related Corporations

To claim this exemption, you must provide the following documentation either directly to us or through your ICBC Autoplan broker.

- a copy of the current registration,
- a completed *Transfer/Tax* form (APV9T) from ICBC and signed by the previous owner and a director of the corporation receiving the vehicle,
- the certificate of incorporation for the corporation receiving the vehicle,
- the central securities register, or share registry, for all share classes, showing that the corporations are *related corporations* (**note:** if the relationship is not a parent-subsidary relationship, you will need to provide these documents for multiple corporations to prove the relationship),
- proof the vehicle qualifies as a *tax paid asset*,
- a statement from a director of the corporation receiving the vehicle, or an accountant or lawyer that represents the corporation, stating that if the corporations are not *related*

*corporations* for at least eight months after the transfer, the corporation will self-assess the PST due, and

- any other documentation we have requested.

## Transfers to New Corporations

To claim this exemption, you must provide the following documentation either directly to us or through your ICBC Autoplan broker.

- a copy of the current registration,
- a completed *Transfer/Tax* form (APV9T) from ICBC and signed by the *previous owner* and a director of the new corporation,
- the certificate of incorporation for the corporation,
- the central securities register, or share registry, for all share classes, showing the share ownership for the corporation,
- proof the vehicle qualifies as a *tax paid asset*,
- documentation that supports the claim that the vehicle was or will be acquired by the new corporation on or before the day the corporation starts to carry on business,
- for the exemption for transfers of assets to a new corporation – wholly owned and controlled, a statement from a director of the new corporation, or an accountant or lawyer that represents the corporation, stating that if the *previous owner* does not continue to *wholly own and control* the new corporation for at least eight months after the acquisition, the corporation will self-assess the PST due,
- for the exemption for transfers of assets to a new corporation – not wholly owned and controlled, a statement from a director of the new corporation, or an accountant or lawyer that represents the corporation, stating that if the *previous owner* does not continue to beneficially own and hold title to all of the shares that were acquired as a result of the transfer for at least eight months after the transfer date, the corporation will self-assess the PST due, and
- any other documentation we have requested.

## Tax if Relationship Requirement Not Maintained

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This section applies to the PST exemptions described in the following sections above:

- Exemption for Transfers of Assets Between Related Corporations
- Exemption for Transfers of Assets to a New Corporation – Wholly Owned and Controlled
- Exemption for Transfers of Assets to a New Corporation – Not Wholly Owned and Controlled

If the relationship requirements described in the above sections are not maintained for the required time period, the corporation that purchased, acquired or received the *asset* must self-assess PST on the purchase price of the *asset*. No depreciation is allowed.

**Please note:** If the *asset* was sold for below the fair market value of the *asset*, the director of the *Provincial Sales Tax Act* may make a determination of the fair market value of that *asset*. In this case, the fair market value as determined by the director is deemed to be the purchase price of the *asset*.

## When the PST is Due

If you have a PST number, you must self-assess the PST due on your next PST return.

If you do not have a PST number, you must self-assess the PST due using a *Casual Remittance Return* (**FIN 405**) on or before the last day of the month after the month in which:

- for the exemption for transfers of assets between related corporations, the corporations ceased to be *related corporations*
- for the exemption for transfers of assets to a new corporation – wholly owned and controlled, the *previous owner* ceased to wholly own and control the corporation
- for the exemption for transfers of assets to a new corporation – not wholly owned and controlled, the *previous owner* ceased to own and hold title to all the shares issued or transferred

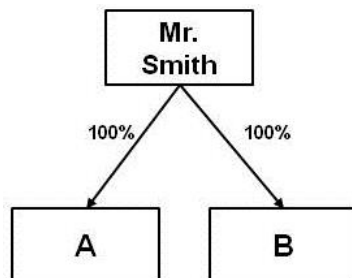
## Non-Qualifying Transfers

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### Corporations With the Same Shareholders

If an individual *wholly owns and controls* two corporations, those two corporations are not *related corporations*.

#### Example 8 – Non-Related Corporations



Corporations A and B are not *related corporations* because they are wholly owned and controlled by Mr. Smith, an individual. Therefore, the exemption for transfers of assets between related corporations and the exemption for assets leased from a related corporation do not apply if Corporation A transfers assets to Corporation B or Corporation B transfers assets to Corporation A.

However, if Corporation A and Corporation B or both are new corporations, transfers of assets from Mr. Smith to these corporations may qualify for the exemption for transfers of assets to a new corporation – wholly owned and controlled.



## Software Transferred in a Different Form

For software to qualify for a related party asset transfer PST exemption, it must be transferred in the same form the *asset* was in when the software qualified as a *tax paid asset*. For example, if the *previous owner* acquired the software in an intangible form, it must be transferred in an intangible form. If the *previous owner* transfers the software in a tangible form, the PST exemptions for related party asset transfers do not apply.

## Other Exemptions for Related Corporations

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### Legal Services Provided to a Related Corporation

Corporations are exempt from PST on legal services provided to that corporation by an employee of a *related corporation*.

For more information, see [Bulletin PST 106](#), *Legal Services*.

### Related Services Purchased from a Related Corporation

Corporations are exempt from PST on related services purchased by that corporation from a *related corporation*.

For more information, see [Bulletin PST 301](#), *Related Services*.

## Corporate Amalgamations

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Generally, an amalgamation is the merging of two or more corporations into a single corporation where all rights and obligations of the predecessor corporation(s) are continued in the new company.

For the purposes of the PST, if *assets* are transferred from a predecessor corporation(s) to an amalgamated corporation, that transfer is not a taxable sale if the amalgamation:

- is formed under legislation such as the *Business Corporations Act* or the *Canada Business Corporations Act*, and
- meets continuation requirements.

This includes amalgamations formed under a plan of arrangement or under foreign legislation.

An amalgamation, however, does not absolve any liability for unpaid taxes, which may exist prior to the amalgamation, and a PST audit of an amalgamated company may consider any unpaid taxes of the parties to the amalgamation prior to the amalgamation.

### Continuation Requirements

For corporate amalgamations, continuation is determined on the basis of the corporate law of the jurisdiction in which the predecessor corporations are amalgamated. If the corporate law provides the predecessor corporations involved in the amalgamation are not continued, the resulting corporation may be liable for PST on the transfer of *assets* from the predecessor corporations.

To show continuation, the predecessor corporations that held title or registered rights to use or occupy the *assets* must continue into the amalgamated corporation and all of the property,

interests, rights, and liabilities of the predecessor corporations must become those of the amalgamated corporation.

The amalgamated corporation must provide documentation that the predecessor corporations continue into the amalgamated corporation, such as:

- an amalgamation agreement,
- articles of amalgamation,
- a court order approving the amalgamation,
- a Certificate of Amalgamation issued by the applicable corporate registry, or
- other relevant documents.

### **Amalgamation After an Exempt Related Party Asset Transfer**

If a related party asset transfer PST exemption is claimed on a transfer of an *asset* between parent and subsidiary corporations, and, after the transfer, the two corporations amalgamate, this amalgamation may result in the transfer no longer qualifying for the exemption. As the two parties to the transfer are no longer related corporations (i.e. a corporation cannot be a related corporation of itself), the relationship requirement is no longer met and the exemption does not qualify if the amalgamation occurs less than eight months after the asset transfer.

#### **Example 9 – Amalgamation After an Exempt Transfer**

Corporation B is incorporated on January 1, 2014 and is a *wholly owned subsidiary* of Corporation A (therefore, Corporation A and Corporation B are *related corporations*).

In February 2014, Corporation B transfers a *tax paid asset* to Corporation A exempt from PST under the exemption for transfers of assets between related corporations. In June 2014, Corporation B amalgamates into Corporation A and because of the amalgamation, the two corporations are no longer *related corporations* (i.e. because Corporation B no longer exists).

The exemption does not qualify because the relationship requirement was not met as the corporations did not remain related corporations for at least eight months after the transfer. Corporation A must self-assess PST as explained in Tax if Relationship Requirement Not Maintained above.

For more information on the relationship requirement, see the subsection Relationship Requirement under the section above, Exemption for Transfers of Assets Between Related Corporations.



## Need more info?

Online: [gov.bc.ca/PST](http://gov.bc.ca/PST)

Toll free in Canada: 1 877 388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

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### Latest Revision

May 2015

- The Corporate Amalgamations section has been revised to remove the requirement that an amalgamation be formed under Canadian legislation for an asset transfer from a predecessor corporation to an amalgamated corporation to be non-taxable.

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References: *Provincial Sales Tax Act*, sections 1 “affixed machinery”, “band”, “boat”, “conveyance”, “*Excise Tax Act*”, “fair market value”, “First Nation individual”, “independent sales contractor”, “lease”, “legal services”, “lessee”, “lessor”, “multijurisdictional vehicle”, “purchaser”, “related service”, “sale”, “small seller”, “software”, “tangible personal property”, “use”, “vehicle”, 27, 37, 39, 49, 51, 59, 82.2, 89, 91, 100, 102, 105-108, 119, 137, 141, 145, 146, 152 and 179; Provincial Sales Tax Exemption and Refund Regulation, sections 1 “Part 4 software”, “spouse”, 17.1, 18, 21, 50, 73, 82 and 148-155; Provincial Sales Tax Regulation, section 50.