



# Provincial Sales Tax (PST) Notice

Notice 2018-003

Issued: March 2018

## PST Rate Change for Passenger Vehicles Worth \$125,000 or More *Provincial Sales Tax Act*

Budget 2018 proposes a change to the PST rates that apply to sales and leases of passenger vehicles with a value of \$125,000 or more. This change will take effect on April 1, 2018, subject to Bill 2, *Budget Measures Implementation Act, 2018* receiving royal assent.

This notice explains how the new PST rates will apply. Rates for non-passenger vehicles and passenger vehicles with a value under \$125,000 will not change.

For more information about how PST applies to vehicles, see [Bulletin PST 116](#), *Motor Vehicle Dealers and Leasing Companies* or [Bulletin PST 308](#), *PST on Vehicles* for information about private sales.

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### Definitions

The **purchase price** is the total price you pay to purchase a vehicle before a deduction for a trade-in or down payment. For more information about purchase price, see [Bulletin PST 116](#), *Motor Vehicle Dealers and Leasing Companies*.

**Passenger vehicles** are motor vehicles designed primarily as a means of transport for individuals, including trucks and vans that are three-quarter ton or less. Trucks and vans that are larger than three-quarter ton, camperized vans, motor homes, buses, ambulances, hearses and motorcycles with engines of 250 cc or less are not passenger vehicles.

## Rates

Effective April 1, 2018, new rates apply to passenger vehicles with a value of \$125,000 or more. Generally, PST applies at the rate in effect at the time the consideration (i.e. payment) is paid or becomes due. For more information about when payments are due, see *When Payment Becomes Due* below.

Before April 1, 2018, the maximum PST rate is 10% for passenger vehicles sold or leased by GST registrants or imported into Canada, and 12% for all vehicles sold or leased privately, or received as a taxable gift.

The PST rates in effect on April 1, 2018 are set out below. New rates are in **bold**.

Value	Sold by GST Registrants, Imported into Canada or Leased (see <a href="#">Bulletin PST 116</a> , <i>Motor Vehicle Dealers and Leasing Companies</i> )		Sold at a Private Sale or Received as a Taxable Gift (see <a href="#">Bulletin PST 308</a> , <i>PST on Vehicles</i> )	
	Passenger Vehicles	Non-Passenger Vehicles	Passenger Vehicles	Non-Passenger Vehicles
Less than \$55,000	7%	7%	12%	12%
\$55,000—\$55,999.99	8%			
\$56,000—\$56,999.99	9%			
\$57,000—\$124,999.99	10%		<b>15%</b>	
\$125,000—\$149,999.99	<b>15%</b>			
\$150,000 and over	<b>20%</b>			

## Goods and Services Tax (GST)

Generally, when GST is payable on a good on which PST is also payable, the PST amount is not included as consideration for the purposes of calculating the GST. However, when the 15% or 20% PST rate applies to a vehicle on which GST is payable, the PST amount is included in the consideration for the purposes of calculating the GST. For GST information see [cra-arc.gc.ca](http://cra-arc.gc.ca)

### Example

A person purchases a motor vehicle for \$130,000 in Vancouver from a GST registrant. PST applies at a rate of 15% for a total of \$19,500. GST applies to both the price of the vehicle and the PST.	
Pre-tax price	\$130,000
15% PST due	<u>\$ 19,500</u>
	\$149,500
5% GST due	<u>\$ 7,475</u>
Total charge	<b>\$156,975</b>

## Vehicles Purchased Or Leased in BC

Generally, the new PST rates apply to purchase or lease payments due and paid on or after April 1, 2018.

### Example 1

A dealership invoices a customer \$150,000 on April 1, 2018 for the sale of a passenger vehicle. Payment is due and paid on April 1, 2018.

The PST rate is 20% because the payment is due and paid on April 1, 2018. GST applies to the price of the vehicle and to the PST.

### Example 2

On April 5, 2018 a person purchases a passenger vehicle for \$130,000 and trades in their old vehicle for \$50,000. The trade-in vehicle is currently registered in BC.

The PST rate is 15% because the rate is based on the \$130,000 purchase price of the passenger vehicle before the trade-in value is deducted. After the trade-in value is deducted, the taxable purchase price is \$80,000:

$$\begin{array}{r} \$130,000 \\ - 50,000 \\ \hline \$ 80,000 \end{array}$$

The PST due is \$12,000 ( $\$80,000 \times 15\%$ ). GST applies to the price of the vehicle and to the PST.

However, the previous PST rates apply to purchase or lease payments due or paid before April 1, 2018.

### Example 1

A dealership invoices a customer \$150,000 on March 15, 2018 for the sale of a passenger vehicle. Payment is due on April 2, 2018 and is paid on March 31, 2018.

The PST rate is 10% because the payment is made before April 1, 2018.

### Example 2

A dealership invoices a customer \$200,000 on March 30, 2018 for the sale of a passenger vehicle. A down payment of \$10,000 is due immediately and the remaining \$190,000 is due on April 10, 2018. The \$190,000 is paid on April 8, 2018.

The PST rate is 10% on the down payment because the payment is due before April 1, 2018 and the PST rate is 20% on the remaining \$190,000 because the payment is due and paid after April 1, 2018.

### Example 3

In June 2017, a person leases a passenger vehicle in BC with a fair market value of \$125,000 under a 4-year lease agreement. Monthly payments are due on the 15th day of each month.

The PST rate is 10% on the monthly payments up to and including the March 2018 payment. The PST rate is 15% on the April 15, 2018 lease payment (unless paid before April 1, 2018) and all subsequent lease payments. GST applies to the vehicle and PST on the April 15, 2018 payment and all subsequent payments.

## Vehicles Brought Into BC

PST applies to the purchase or lease of a vehicle outside BC if the vehicle is then brought, sent or received in BC, unless a specific exemption applies, if:

- you are a BC resident, or
- you are not a BC resident and you register the vehicle in BC.

## Purchased Vehicles Brought or Sent Into BC

PST applies to the depreciated purchase price of a vehicle purchased outside BC and brought or sent into BC. For information on how to calculate the depreciated purchase price see [Bulletin PST 308](#), *PST on Vehicles*. Generally, PST is payable on the date of ICBC registration.

### Example 1

A BC resident purchases a passenger vehicle in Alberta for \$150,000 on April 1, 2018 and brings the vehicle into BC on April 2, 2018.

The PST rate is 20% because the vehicle is brought into BC after April 1, 2018.

### Example 2

A BC resident purchases a passenger vehicle in Alberta for \$140,000 on March 31, 2018 and brings the vehicle into BC on April 1, 2018.

The PST rate is 15% because the vehicle is brought into BC on April 1, 2018.

## Leased Vehicles Brought or Sent Into BC

PST applies to leased vehicles that are brought or sent into BC. On or after April 1, 2018, the new PST rates apply to leased passenger vehicles with a fair market value of \$125,000 or more that are brought or sent into BC.

### Example

In January 2018, a business in Alberta leases a passenger vehicle valued at \$125,000 for a 5-year term with payment due on the 15th day of each month. The business brings the leased vehicle into BC on April 30, 2018 to use in BC for the rest of the lease term.

The PST rate is 15% on the May 15, 2018 lease payment and all subsequent lease payments.

The new PST rates also apply to leased vehicles brought or sent into BC before April 1, 2018 if the lease continues to April 1, 2018 or later. In these cases, the new rates apply to any lease payments due and paid on or after April 1, 2018.

#### Example

In January 2018, a business in Alberta leases a passenger vehicle valued at \$125,000 for a 5-year term with payment due on the 15th day of each month. The business brings the leased vehicle into BC on March 15, 2018 to use in BC for the rest of the lease term.

The PST rate is 10% on the March 15 lease payment and 15% on the April 15, 2018 payment (unless paid before April 1, 2018) and all subsequent payments.

### **Leased Vehicles Registered for use in BC**

PST applies to passenger vehicles leased for more than 28 days from persons located outside BC if the vehicle is registered for use in BC. PST is calculated based on the fair market value of the vehicle and is generally payable on the date of ICBC registration. The new PST rates apply to leased passenger vehicles valued at \$125,000 or more that are brought or sent into BC on or after April 1, 2018.

#### Example

A person leases a passenger vehicle in Alberta with a fair market value of \$125,000 and brings it into BC on April 5, 2018. They register the vehicle with ICBC on April 6, 2018.

ICBC charges the 15% PST rate because the lessee registered the vehicle after April 1, 2018.

### **Vehicles Brought Into, Sent or Delivered in BC from Outside Canada**

PST applies to vehicles brought into, sent or delivered in BC from outside Canada. PST is calculated based on the fair market value of the vehicle at the rate applicable on the date the vehicle is processed for importation.

#### Example 1

A BC resident purchases a passenger vehicle for \$130,000 from an out of country seller on April 1, 2018. The delivery company imports the vehicle on April 6, 2018.

The PST rate is 15% because the vehicle was imported after April 1, 2018. GST applies to the vehicle and to the PST.

#### Example 2

A BC resident purchases a passenger vehicle for \$130,000 from an out of country seller on March 30, 2018. The delivery company imports the vehicle on April 2, 2018.

The PST rate is 15% because the vehicle was imported after April 1, 2018. GST applies to the vehicle and to the PST.

## Gifts

PST applies to gifts of vehicles unless a specific exemption applies.

### Vehicles Gifted in BC

If a person receives a passenger vehicle as a gift in BC, PST is calculated based on the fair market value of the vehicle. The date the recipient receives the gift determines which PST rate applies. ICBC will collect the PST at the time of registration.

#### Example 1

A friend gifts a passenger vehicle with a fair market value of \$125,000 to a BC resident on April 10, 2018.

ICBC charges the recipient the 15% PST rate because the recipient received the gift after April 1, 2018. If the vehicle is gifted by a GST registrant, GST applies to the vehicle and to the PST.

#### Example 2

A friend gifts a passenger vehicle with a fair market value of \$125,000 to a BC resident on March 20, 2018.

ICBC charges the recipient the 10% PST rate because the recipient received the gift before April 1, 2018.

### Vehicles Gifted from Outside BC

If a person receives a passenger vehicle as a gift from outside BC but inside Canada and the vehicle is brought or sent into BC, PST is calculated based on the fair market value of the vehicle. The date the recipient has the vehicle brought or sent into BC determines which PST rate applies.

#### Example

A person in Ontario gifts a \$130,000 passenger vehicle to a BC resident. The BC resident has the vehicle sent to them and it arrives in BC on April 1, 2018.

The PST rate is 15% because the vehicle arrived on April 1, 2018.

### Vehicle Modifications

If a motor vehicle dealer sells a passenger vehicle and, within 2 days before or after the date of the sale, the purchaser enters into an agreement with the motor vehicle dealer to purchase modifications to the vehicle, the dealer must charge PST on the amount charged for the modifications.

To determine which PST rate applies, the motor vehicle dealer must add the charge for the modifications to the purchase price paid for the vehicle. In some cases, this will result in a higher PST rate for the modifications. The new PST rates will apply to these agreements when the total purchase price for the passenger vehicle and modifications is \$125,000 or more, if the payment for the modifications is due and paid on or after April 1, 2018.

### Example 1

On March 27, 2018 a person purchases a passenger vehicle for \$145,000. On March 29, 2018, the purchaser signs an agreement to have the dealer install an upgraded sound system and customized leather seat coverings in the vehicle for \$8,000. Payment for the modifications is due upon completion on April 3, 2018 and is paid the same day.

The PST rate for the vehicle is 10% because the vehicle payment is due before April 1, 2018.

Which PST rate applies to the modifications is based on the total of the vehicle purchase price and the modifications ( $\$145,000 + \$8,000 = \$153,000$ ). The PST rate is 20% on the \$8,000 charge for the modifications because payment is due and paid after April 1, 2018. GST applies to the PST.

### Example 2

On March 27, 2018 a person purchases a passenger vehicle for \$145,000. On March 29, 2018, the purchaser signs an agreement to have the dealer install an upgraded sound system and customized leather seat coverings in the vehicle for \$8,000. The purchaser pays for the modifications on March 29, 2018.

The PST rate for the vehicle is 10% because the vehicle payment is made before April 1, 2018.

Which PST rate applies to the modifications is based on the total of the vehicle purchase price and the modifications ( $\$145,000 + \$8,000 = \$153,000$ ). The PST is 10% on the modifications because the purchaser paid before April 1, 2018.

## When Payment Becomes Due

Generally, the purchaser must pay the PST when the purchase or lease price, or any portion of the purchase or lease price, is paid or becomes due, whichever is earlier.

For the purposes of the PST, payment (and therefore PST) becomes due the **earliest** of:

- The day the seller or lessor first issues the invoice for the sale or lease
- The date on the invoice
- The day the seller or lessor would have, but for undue delay, issued the invoice
- The day the purchaser or lessee must pay the purchase or lease price under a written agreement

The date that PST must be paid determines what PST rate will apply to vehicle transactions that straddle the April 1, 2018 rate change.

## Further Information

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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