



**Subscribe**

## Motor Vehicle Dealers and Leasing Companies

*Provincial Sales Tax Act*

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Latest Revision: *The revision bar ( | ) identifies changes to the previous version of this bulletin dated November 2016. For a summary of the changes, see Latest Revision at the end of this document.*

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This bulletin provides specific tax information to help new and used motor vehicle dealers and leasing companies understand how PST applies to their businesses.

This bulletin does not provide information on the following:

- Vehicles purchased at a private sale in BC (or outside BC but within Canada), or vehicles received as a gift (see [Bulletin PST 308, PST on Vehicles](#))
- How tax applies to multijurisdictional vehicles registered under the International Registration Plan (IRP) (see [Bulletin PST 135, Multijurisdictional Vehicles](#))

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### Overview and Definitions

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#### PST on Vehicles

Unless a specific exemption applies, PST applies to:

- Sales of new and used vehicles by motor vehicle dealers who are GST registrants (see Sales below)
- Leases of vehicles (see Leases below)
- Vehicles purchased at a private sale in BC (or outside BC but within Canada), vehicles received as a gift, and vehicles registered in BC (see [Bulletin PST 308, PST on Vehicles](#))

The rate of PST that applies to these transactions is 7% to 10%, or 12%, depending on the type of vehicle and how it is acquired.

**Note:** The 12% rate only applies to vehicles purchased at a private sale in BC (or outside BC but within Canada) and vehicles received as a gift. The 12% rate does not apply to sales of new and used vehicles by motor vehicle dealers who are GST registrants, to leases of vehicles or to vehicles imported from outside Canada.

## Definitions

In this bulletin:

- A **dealer** is a person who is registered as a motor dealer under the *Motor Dealer Act*
- A **modified business vehicle** is a passenger vehicle (other than a multijurisdictional vehicle) that, for business use, has been modified by the addition of equipment or apparatus that enables the vehicle to be used for a specific business purpose that is not related to the operation of the vehicle (e.g. a van modified with the addition of kitchen equipment so it can be used as a food truck)
- A **modified motor vehicle** is a motor vehicle (other than a multijurisdictional vehicle) that is:
  - manufactured or modified to facilitate the use of the vehicle by, or the transportation of, an individual using a wheelchair, or
  - equipped with an auxiliary driving control to facilitate the operation of the vehicle by an individual with a disability
- A **private sale** is a sale in Canada where the seller is not a GST registrant, or the seller is a GST registrant but the sale is not a taxable supply under the *Excise Tax Act (Canada)*

## Passenger Vehicles

In this bulletin, a vehicle is a **passenger vehicle** if the vehicle is:

- a truck or van that is  $\frac{3}{4}$ -ton or less,
- a station wagon, or
- a motor vehicle designed primarily as a means of transport for individuals except:
  - a motor home, bus, ambulance or hearse
  - a motorcycle with an engine capacity of 250 cc or less
  - a camperized van that is designed to be used primarily for accommodation during travel or recreation and that contains built-in sleeping facilities, a built-in stove and one or more of the following:
    - a built-in sink
    - a built-in refrigerator
    - a built-in cooler

### *Identifying Passenger Vehicles*

Many trucks and vans are part of a manufacturer's model series. Regardless of the number of digits in the series, the first digit in a vehicle's series generally indicates its size. Absent other evidence, the ministry will consider the first digit in a vehicle's series as the determining factor of the size of the vehicle, as follows:

- 1 =  $\frac{1}{2}$ -ton
- 2 =  $\frac{3}{4}$ -ton
- 3 = 1-ton

For example, a 1500-series truck is a ½-ton, a 2500-series is a ¾-ton, and a 3500-series is a 1-ton. Therefore, trucks and vans with a series number starting with 3 or higher will be considered 1-ton vehicles or larger, and will not qualify as passenger vehicles unless there is evidence to the contrary (e.g. evidence that a particular vehicle's series is not numbered according to this convention). If you are unsure of the size of a particular truck or van, you may request a ruling at [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca). Please ensure you provide as much detail as possible, including the vehicle make, model, series and year.

## **Dealer Registration**

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If you plan to sell or lease vehicles to retail customers in BC, you must register as a dealer (for more information, see the [Vehicle Sales Authority of British Columbia website](#)). Once you are registered as a dealer for each location in BC where you carry on business, or intend to carry on business, you can apply for a PST number.

For more information on PST registration, see [Bulletin PST 001](#), *Registering to Collect PST*.

## **Sales**

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This section applies to you if you are a GST registrant. If you are not a GST registrant and are selling a vehicle, or if you are a GST registrant but the sale is not a taxable supply under the *Excise Tax Act* (Canada), you are making a private sale of a vehicle. For information on how PST applies to private sales of vehicles, see [Bulletin PST 308](#), *PST on Vehicles*.

As a dealer, you must charge PST on new or used vehicles you sell, unless a specific exemption applies. You calculate the PST payable based on the following formula:

$$\text{PST payable} = \text{Applicable PST Rate} \times \text{Taxable Purchase Price}$$

For the purposes of calculating both the **applicable PST rate** and the **taxable purchase price**, you start with the purchase price of the vehicle and apply the special rules provided in the Applicable PST Rate and Taxable Purchase Price sections below.

### **Purchase Price**

The purchase price is the total price your customer pays to purchase the vehicle **before** a deduction for a trade-in or down payment, and includes:

- Charges for financing, interest, customs and excise
- Documentation charges
- Service charges
- Air conditioning fees and other environmental fees (e.g. tire levies)
- Delivery or other transportation charges (including shipping and handling) incurred at or before the time that title to the vehicle passes to the purchaser (see [Bulletin PST 302](#), *Delivery Charges*)
- The value of any services or goods accepted by the seller on account of the purchase price
- Charges for warranties, service contracts and maintenance agreements if the warranty, contract or agreement is mandatory (see [Bulletin PST 303](#), *Warranties, Service Contracts and Maintenance Agreements*)

- Amounts paid by third parties as partial or full consideration for the vehicle, such as rebate offers, coupons and other discounts, including cash-back offers, graduation recognitions or credit card rewards, **but not** manufacturers' rebates or manufacturers' coupons (see below)
- Accessories, including truck campers that slide-on/mount onto pickup trucks (accessories are generally taxable at a rate of 7% PST)
- Any other fees your customer pays to purchase the vehicle

The purchase price does not include:

- The GST
- Insurance premiums, licensing fees or transfer fees paid to the Insurance Corporation of British Columbia,
- Manufacturers' rebates
- For modified motor vehicles (i.e. for persons with disabilities), the portion of the purchase price that can reasonably be attributed to certain modifications (see Modified Vehicles below).

### **Clean Energy Vehicle Program (CEV Program) Rebates**

Under the [CEV Program](#), purchasers and lessees of qualifying new battery electric, fuel cell electric and plug in hybrid electric vehicles receive rebates from the Government of BC at the time of sale or lease.

The value of rebates received under the CEV Program on or after December 1, 2017 **are included** in the purchase price or lease price of the vehicle (i.e. the rebates **do not** reduce the purchase price for the purposes of the PST).

Example:

Your customer agrees to purchase a new hybrid electric vehicle for \$61,000 on or after December 1, 2017. The vehicle is eligible for a \$5,000 point-of-sale rebate under the CEV Program.

For the purposes of the PST, the purchase price of the vehicle is \$61,000 (the rebate does not reduce the PST payable). The PST rate is 10%.

This means you charge \$6,100 in PST (\$61,000 x 10%).

For information on how PST applies to CEV Program rebates received before December 1, 2017, see [Notice 2017-005](#), *PST on Clean Energy Vehicle Program Rebates*.

### **Manufacturers' Rebates or Manufacturers' Coupons**

Unlike other amounts paid by third parties (e.g. third-party discounts), including government rebates, the value of a manufacturer's rebate or manufacturer's coupon is **not** included in the purchase price of a motor vehicle if the manufacturer of that motor vehicle provides the rebate or coupon as consideration for the purchase of a motor vehicle.

For example, if you sell your customer a ¾-ton truck for \$60,000, and the manufacturer of that motor vehicle provides a \$10,000 manufacturer's rebate as partial consideration, the purchase price of the truck is \$50,000.

However, if the amount paid by the third party is not a manufacturer's rebate, the value of the rebate **is** included in the purchase price of the motor vehicle.

For example, if your customer is eligible for a third-party \$2,000 cash-back incentive on a vehicle with a purchase price of \$30,000, the purchase price of that vehicle is \$30,000.

## Applicable PST Rate

The following table shows the PST rates that apply to vehicles in BC. Please note there are different PST rates for passenger vehicles and non-passenger vehicles.

Purchase Price (see the section above)	Passenger Vehicles (sold by GST Registrants in BC)	Non-Passenger Vehicles (sold by GST Registrants in BC)	Vehicles (sold at a Private Sale in BC)
Less than \$55,000	7%	7%	12% (see <a href="#">Bulletin PST 308, PST on Vehicles</a> )
\$55,000—\$55,999.99	8%		
\$56,000—\$56,999.99	9%		
\$57,000 and over	10%		

**Note:** For modified motor vehicles and modified business vehicles, in certain circumstances the determination of which rate applies is based on the purchase price of the vehicle less the value of certain special features and modifications. For more information, see Modified Vehicles below.

## Taxable Purchase Price

### Trade-ins

If you sell a new or used vehicle and accept goods as a trade-in as part or all of the consideration from your customer, in certain situations you may deduct the value of the trade-in from the taxable purchase price to calculate the PST payable. This reduction in the **taxable purchase price** does **not** affect the PST rate (i.e. the PST rate is based on the purchase price before the trade-in is deducted).

#### *Trade-ins for Sales in BC*

If you sell a new or used vehicle in BC, the reduction in the **taxable purchase price** applies if:

- you accept goods as a trade-in as part or all of the consideration from your customer at the same time you sell the new or used vehicle (i.e. the trade-in value must be shown on the sales agreement),
- your customer is the owner of the goods traded in, **and**
- your customer has paid (or was exempt from) one of the following applicable taxes on the goods traded in:
  - PST (under the *Provincial Sales Tax Act*)
  - Tax on designed property

- BC portion of the HST
- PST (under the *Social Service Tax Act*)

**Note:** If the good traded in is a vehicle currently registered in BC, you may assume that an applicable tax has been paid on the vehicle. For other goods, you must receive and retain proof that an applicable tax has been paid, such as an invoice or bill of sale.

Example:

Your customer agrees to purchase a new ¾-ton truck for \$60,000 and will trade in their old vehicle for \$25,000. The trade-in vehicle is currently registered in BC.

The tax rate is 10% because the PST rate is based on the \$60,000 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 \$35,000:

$$\begin{array}{r} \$60,000 \\ - 25,000 \\ \hline \$35,000 \end{array}$$

This means you charge \$3,500 in PST (\$35,000 X 10%).

#### *Trade-ins for Sales Outside BC but Within Canada*

If you sell a motor vehicle outside BC but within Canada, the reduction in the **taxable purchase price** only applies if the item traded in is a motor vehicle. The motor vehicle traded in must have had an applicable tax paid on it or been exempt from an applicable tax, as explained above.

#### *Trade-ins that Do Not Qualify*

You do not provide a reduction in the **taxable purchase price** if any of the following apply:

- You accept goods as a trade-in either before or after a binding sales agreement is made (e.g. the trade-in is recorded as a separate transaction)
- The item being traded in is not registered in BC, unless your customer can prove that they previously paid, or were exempt from, an applicable tax on the trade-in vehicle
- The purchaser does not own the trade-in vehicle (e.g. your customer wants to trade in a personal vehicle to purchase a vehicle for their corporation)

#### *Trade-ins from GST Registrants*

If you make sales to businesses that are GST registrants, you do not add GST to the trade-in value. The GST registrant will add GST to the trade-in value and account for the GST themselves. This does not change the amount of PST you charge. You still provide a reduction in the **taxable purchase price** for the trade-in value, but you do not deduct the GST.

For example, if you sell the same ¾-ton truck in the example above to a GST registrant, you do not add \$1,250 GST (\$25,000 X 5%) to the trade-in value. The trade-in value remains \$25,000, and you charge PST on \$35,000.

## Modified Vehicles

### Motor Vehicles Modified for Persons with Disabilities

If you sell a modified motor vehicle, in certain situations you may deduct the value of special features or modifications from the purchase price to determine the applicable PST rate and calculate the PST payable. The value of the special features or modifications is based on the portion of the purchase price that can reasonably be attributed to the special features or modifications.

To qualify, the purpose of the special features or modifications must be to:

- facilitate the use of the vehicle by, or the transportation of, an individual using a wheelchair, or
- equip the vehicle with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability.

Example:

A \$40,000 vehicle is fitted with \$30,000 worth of special features and modifications, for a total price of \$70,000. Without this special rule, PST would apply at a rate of 10% on the \$70,000 total price. However, for the purposes of the PST, the purchase price of the vehicle is \$40,000 and the applicable PST rate is 7%. The PST payable is \$2,800 ( $\$40,000 \times 7\%$ ).

### Modified Business Vehicles

If you sell a modified business vehicle, in certain situations you may deduct the value of the modifications from the purchase price to determine the applicable PST rate.

This means that if the purchase price before the deduction is \$55,000 or more, the deduction may reduce the applicable PST rate. The value of the modifications is based on the portion of the purchase price that can reasonably be attributed to the modifications.

For modifications to qualify, equipment or apparatus must be added to the vehicle that enables the vehicle to be used for a specific business purpose that is not related to the operation of the vehicle.

Unlike modified motor vehicles, this special rule only affects the applicable PST rate and does **not** reduce the **taxable purchase price** to calculate the PST due.

Example:

A \$60,000 van fitted with \$19,000 worth of business-related equipment is taxed at 7% rather than 10% as the applicable PST rate is based on the purchase price less the value of the modifications (i.e.  $\$60,000 - \$19,000 = \$41,000$ ). The 7% PST rate applies to the \$60,000 **taxable purchase price**; therefore, \$4,200 in PST is payable ( $\$60,000 \times 7\%$ ).

### Documentation Requirements

If you sell a modified motor vehicle or modified business vehicle in BC, or deliver one of those vehicles to a person in BC, you must:

- provide the person with a receipt, bill or invoice for that sale, and

- record on that receipt, bill or invoice the portion of the price that can reasonably be attributed to the applicable special features or modifications described above.

## **Leases**

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This section applies to you if you lease vehicles to your customers (i.e. you are a lessor).

### **Leases in BC**

Unless a specific exemption applies, as a lessor, you must charge PST on new or used vehicles you lease in BC if one or more of the following apply:

- The lessee enters into the lease in BC
- The vehicle is located in BC at the time the lessee enters into the lease
- The lessee takes or intends to take possession of the vehicle in BC, or receives delivery of the vehicle in BC

You calculate the PST payable on down payments, lease payments and other charges (i.e. the lease price) that your customer pays to use the vehicle based on the following formula:

$$\text{PST payable} = \text{Applicable PST Rate} \times \text{Lease Price}$$

You must charge PST at the time these charges are paid or payable under the terms of the lease agreement, whichever is earlier.

### **Lease Price**

The lease price is the total amount your customer pays to use the vehicle and includes all amounts, such as:

- Lease payments
- Any payments that are in addition to those made for lease periods, including a down payment
- The value of vehicles or other goods you accept as a trade-in (for the purposes of the PST, trade-in credits do not reduce either the applicable PST rate or the lease price)
- Disposition fees
- Mandatory delivery or transportation charges (e.g. a mandatory condition of the lease agreement requires the lessor to deliver the goods at the start of the lease period and to remove the goods upon termination of the lease agreement)
- Optional delivery or transportation charges where taxable goods are leased outside BC and shipped to the lessee in BC
- Distance-travelled charges (and other charges calculated on a measure of the use of the vehicle by the lessee)
- Finance charges
- Late-payment or late-return charges
- Early termination charges
- Membership fees that substantially reduce the price to lease the vehicle
- Registration fees, such as personal property registration



- Charges for warranties, service contracts and maintenance agreements if the warranty, contract or agreement is mandatory (for more information, see [Bulletin PST 303, Warranties, Service Contracts and Maintenance Agreements](#))

The lease price does not include:

- The GST
- An option-to-purchase (lease buyout) as described in, Option-to-Purchase (Lease Buyout) below
- Repair fees as described in Repair Fees below
- Optional delivery charges, except when vehicles are leased outside of BC and shipped to the lessee in BC (e.g. the lessee can choose to have the leased vehicle delivered to their location or can pick it up at the lessor’s location, see [Bulletin PST 302, Delivery Charges](#))
- Reimbursement charges for tolls and parking violations
- Fuel charges
- Refundable security deposits
- Insurance coverage

### Applicable PST Rate

The applicable PST rate for **non-passenger vehicles** leased in BC is 7%.

The applicable PST rate for **passenger vehicles** leased in BC depends on the vehicle’s tax rate value. Generally, the tax rate value for a passenger vehicle is the fair market value of the passenger vehicle on the first date you (the lessor) lease the passenger vehicle under an agreement, as follows:

Tax Rate Value	Passenger Vehicles
Less than \$55,000	7%
\$55,000—\$55,999.99	8%
\$56,000—\$56,999.99	9%
\$57,000 and over	10%

For modified motor vehicles and modified business vehicles, in certain circumstances, the determination of the applicable PST rate is based on the fair market value of the vehicle less the portion of that fair market value that can reasonably be attributed to certain special features and modifications.

#### *Motor Vehicles Modified for Persons with Disabilities*

If you lease a modified motor vehicle to a person for a period of one year or more (at the time the lease is entered into), in certain situations you may deduct the value of special features or modifications from the fair market value of the vehicle to determine the applicable tax rate value. The value of the special features or modifications is based on the portion of the fair market value that can reasonably be attributed to the special features or modifications.

To qualify, the purpose of the special features or modifications must be to:

- facilitate the use of the vehicle by, or the transportation of, an individual using a wheelchair, or
- equip the vehicle with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability.

Example:

A modified motor vehicle with a fair market value of \$60,000 has \$20,000 worth of special features and modifications. Without this special rule, PST would apply at a rate of 10% on the lease price. However, for the purposes of the PST, the tax rate value of the vehicle is \$40,000 (\$60,000 - \$20,000), and the applicable PST rate is 7%.

If you lease a modified motor vehicle to a person for a period of less than one year (at the time the lease is entered into), this reduction does not apply. Therefore, the tax rate value of that modified motor vehicle is its fair market value.

#### *Modified Business Vehicles*

If you lease a modified business vehicle, in certain situations you may deduct the value of the modifications from the fair market value of the vehicle to determine the applicable tax rate value. The value of the modifications is based on the portion of the fair market value that can reasonably be attributed to the modifications.

For modifications to qualify, equipment or apparatus must be added that enables the vehicle to be used for a specific business purpose that is not related to the operation of the vehicle.

Example:

A van with a fair market value of \$65,000 is fitted with \$10,000 worth of business-related equipment. Without this special rule, PST would apply at a rate of 10% on the lease price. However, for the purposes of the PST, the tax rate value of the vehicle is \$55,000 (\$65,000 - \$10,000), and the applicable PST rate is 7%.

#### *Documentation Requirements*

If you lease a modified motor vehicle or modified business vehicle in BC, or deliver one of those vehicles to a person in BC, you must:

- provide the person with a receipt, bill or invoice for that lease, and
- record on that receipt, bill or invoice the portion of the fair market value that can reasonably be attributed to the applicable special features or modifications described above.

#### **Repair Fees**

As a lessor, you may require your customers to pay a repair fee or a loss of use fee if they damage rental property. The repair fee is intended to reimburse you for the cost of repairing the damaged rental property. The loss of use fee is intended to compensate you for the rental revenue that is lost while your property is being repaired.

If your customer pays either of these fees because of a contractual obligation, you do not charge PST on the fee. This is because your customer is not purchasing a repair service or

paying for the right to use the property. Your customer is only reimbursing you for the repair expense or lost revenue.

You also do not charge PST on any administration fees solely related to the repair fee or loss of use fee.

### **Option-to-Purchase (Lease Buyout)**

If your customer exercises an option-to-purchase contained in a lease agreement, the option-to-purchase is considered a separate transaction and is subject to PST as a sale. You charge PST on the amount your customer pays to purchase the vehicle even if the amount is a nominal amount (e.g. \$1).

For passenger vehicles, you charge PST at the rate of 7%-10% (see the table in the Sales section above). For non-passenger vehicles, you charge PST at the rate of 7%.

Example:

Your customer enters into a 5-year lease for a passenger vehicle with a tax rate value of \$60,000. The contract includes a provision for a \$20,000 option-to-purchase at the end of the lease. At the time the lease is entered into, you accept a trade-in for \$10,000 that is used as a down payment for the lease.

The tax rate on the lease payments is 10% because the tax rate value is over \$57,000.

You charge PST on the down payment, on each lease payment and on the option-to-purchase (if exercised) as follows:

1. The trade-in value (down payment)  
 $\$10,000 \times 10\% = \$1,000$  in PST
2. On each lease payment (for example, \$600)  
 $\$600 \times 10\% = \$60$  in PST on each lease payment
3. The option-to-purchase price, if exercised (the applicable PST rate is 7% based on the \$20,000 purchase price)  
 $\$20,000 \times 7\% = \$1,400$  in PST

### **Leased Vehicles Brought Into BC From Out-of-Province**

PST applies when a motor vehicle leased outside of BC for a period of longer than 28 days is registered for use in BC. If the lessee brings a leased motor vehicle into BC and registers it in their name, or in both the name of the lessor and the lessee, PST applies as set out below.

If the lessor is located in BC, the lessee may register the motor vehicle without paying PST. The ICBC Autoplan broker will ask to see written confirmation that the lessor is located in BC. That lessor must charge and collect the PST due on the lease as provided in the same manner as in the Leases in BC section above.

If the lessor is **not** located in BC, the lessee will be required to pay PST on the fair market value of the motor vehicle at the time of registration, as follows:

Fair Market Value	Passenger Vehicles	Non-Passenger Vehicles
Less than \$55,000	7%	7%
\$55,000—\$55,999.99	8%	
\$56,000—\$56,999.99	9%	
\$57,000 and over	10%	

**Note:** For modified motor vehicles **only**, the fair market value does not include the value that can reasonably be attributed to the special features and modifications described in the Motor Vehicles Modified for Persons with Disabilities section above.

If the lessor is not located in BC, the PST due on the fair market value is collected by ICBC when the lessee registers the motor vehicle at ICBC.

If the lease is later terminated or expires, or the motor vehicle is removed from BC for registration outside BC, the lessee may apply for a refund equal to the difference between the PST paid when they registered the motor vehicle and the PST that would otherwise have been payable on the lease payments while the vehicle was used in BC.

To apply for a refund of PST paid on a motor vehicle, complete an *Application for Refund of Provincial Sales Tax (PST) Paid on a Motor Vehicle* ([FIN 355/MV](#)) and provide the supporting documentation listed in the instructions to the application.

## Passenger Vehicle Rental Tax

You must charge the passenger vehicle rental tax (PVRT) of \$1.50 for each day (one day = 24-hours), or portion of a day, when you rent or lease a passenger vehicle to customers for a period of more than 8 consecutive hours and 28 consecutive days or less. You are considered to be renting or leasing a vehicle if you receive compensation for the use of the vehicle.

Example:

A customer rents a vehicle on Friday afternoon and returns it on Monday morning. You must charge **3 days** of PVRT because the vehicle is rented or leased for all or a portion of 3 24-hour periods.

Lessors of passenger vehicles must charge and collect the PVRT in addition to the PST on the rental or lease of the passenger vehicle and remit the PVRT at Step 2 on their PST return.

For example:

Rental charge (2 days at \$50 per day):	\$100.00
PVRT (2 days at \$1.50 per day)	\$ 3.00
PST (7% of the rental charge)	\$ 7.00

**Note:** You do not charge the 7%-10% PST on the PVRT, but you do charge the GST on the PVRT.

## Out-of-Province Use

You charge PST and the PVRT on all short-term rentals of passenger vehicles (i.e. for a period of more than 8 consecutive hours and 28 consecutive days or less) that originate in BC, regardless of the vehicle's destination or where the vehicle is registered.

## Related Services

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Related services are services provided to tangible personal property (goods), or services provided to install goods. PST applies to related services provided to vehicles, unless a specific exemption applies.

However, PST does not apply if goods (e.g. vehicles) are temporarily brought or sent into BC for the sole purpose of receiving related services (e.g. repairs) and, immediately after the related services are provided, the goods are transported outside BC for use outside the province.

For more information, see [Bulletin PST 301](#), *Related Services*. For more information on how PST applies to vehicle services and parts, and to courtesy vehicles, see [Bulletin PST 118](#), *Vehicle Services and Parts*.

## Vehicle Modifications

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If you sell a vehicle to your customer and, within 2 days before or after the date of the sale, your customer enters into an agreement with you to purchase modifications to the vehicle, you must charge PST on the amount you charge your customer for the modifications.

If the vehicle is not a passenger vehicle, you must charge 7% PST on the charge for the modifications.

If the vehicle is a passenger vehicle, to calculate the applicable PST rate you must add the charge for the modifications to the purchase price your customer paid for the vehicle (as calculated in the Applicable PST Rate section above). In some cases, this will result in a PST rate of 8%, 9% or 10%.

Example:

2 days after you sell a passenger vehicle for \$54,000 (taxed at a 7% PST rate), your customer purchases \$2,000 in undercoating, rust proofing and upholstery treatment. You charge 9% PST on these modifications because the applicable PST rate is based on the total of the \$2,000 cost of the modifications and the \$54,000 purchase price for the vehicle.

**Note:** You do not charge PST on the charge for the modifications if the sole purpose of those modifications is to:

- facilitate the use of the vehicle by, or the transportation of, an individual using a wheelchair, or
- equip the vehicle with an auxiliary driving control that facilitates the operation of the vehicle by an individual with a disability.

## Exemptions

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### Vehicles and Other Goods for Resale or Lease

If your customer purchases a vehicle or other goods for the sole purpose of resale, or only for leasing to other persons, the vehicle or other goods are exempt from PST. To support these exemptions, your customer must provide you with their PST number or, if they have not yet registered, a *Certificate of Exemption – General* ([FIN 490](#)).

**Note:** There is no general PST exemption or tax credit for vehicles used by businesses in BC. Businesses are required to pay PST on vehicles for business use, unless a specific exemption applies.

### Vehicles Purchased for Use Outside BC

If your customer purchases a vehicle in BC for use outside BC, they are exempt from PST provided **all** the following criteria are met.

- The vehicle is a type that is eligible for registration under the vehicle registration legislation as defined in the *Provincial Sales Tax Act* (i.e. it is not a vehicle that cannot be registered)
- The vehicle is purchased for use primarily outside BC
- The vehicle will not be used in BC for a business purpose
- The vehicle will not be registered in BC
- If the purchaser is an individual, they are not a resident of BC

To claim this exemption, your customer must provide you with a completed *Certificate of Exemption – Purchase of Vehicle or Aircraft for Use Outside BC* ([FIN 440](#)).

Your customer is also exempt from PST on the purchase of a vehicle if you ship the vehicle for delivery to an address outside of BC. For your customer to be eligible for the exemption, no use must be made of the vehicle by the customer while the vehicle is in BC. To support the exemption, you must keep documentation that shows you delivered the vehicle outside the province, such as a bill of lading, third-party delivery documents or shipping invoices. You may also use the *Out-of-Province Delivery Exemption* form ([FIN 462](#)) to record the vehicles you delivered to a location outside BC. The [FIN 462](#) is an optional form that may be used in addition to the required documentation described above.

### Other Exemptions

Other exemptions may also apply to:

- Gifts of vehicles from related individuals or to registered charities (see [Bulletin PST 308](#), *PST on Vehicles*)
- Vehicles won or received as a qualifying prize, draw or award (see [Bulletin PST 308](#), *PST on Vehicles*)
- Vehicles obtained by a specific person in specific situations, including by:
  - members of the diplomatic or consular corps (see [Bulletin CTB 007](#), *Exemption for Members of the Diplomatic and Consular Corps*)
  - First Nations individuals or bands (see below)
  - the federal government (see [Bulletin CTB 002](#), *Sales and Leases to Governments*)

## Purchases by First Nations Customers

Vehicles purchased by a First Nations individual or band are exempt from PST if title to the vehicle passes on First Nations land.

If you are a seller located off First Nations land and you deliver a vehicle to a First Nations individual or band on First Nations land, you must retain evidence that title to the vehicle passed on First Nations land.

Either of the following documents would generally be considered sufficient evidence that title passed on First Nations land.

- A written contract between you and the purchaser that specifically states that title transfers on First Nations land.
- A written letter stating that you delivered the vehicle to a location on First Nations land. The letter must include all of the following:
  - a statement that the intent of the contract between you and the purchaser was for title to the vehicle to transfer on First Nations land
  - a statement that you delivered the vehicle to First Nations land
  - the date and time of the delivery
  - the address where the vehicle was delivered
  - the signature of the salesperson (or other employee) who delivered the vehicle
  - the signature of the purchaser(s)

A photo of the vehicle on reserve land is generally not sufficient evidence to show that title passed on First Nation Land.

For more information on exemptions for First Nations individuals and bands, including documentation requirements, see [Bulletin PST 314](#), *Exemptions for First Nations*.

## Joint Purchases by First Nations and Non-First Nations Customers

When you sell a vehicle jointly to a First Nations individual or band and a non-First Nations individual, provided the sale meets the criteria for a First Nations exemption (i.e. title to the vehicle passes on First Nations land), the general rule is that you charge PST on 50% of the purchase price. A joint purchase occurs when both names are on the sales agreement as purchasers. This often applies when spouses purchase a vehicle jointly and only one spouse is a First Nations individual.

In some cases, a First Nations individual may have a non-First Nations co-signer on the vehicle loan agreement. If the First Nations individual holds **full title** to the vehicle (full title is shown when they are the only purchaser on the sales agreement), provided the sale meets the criteria for a First Nations exemption, the sale is exempt from PST.

## Vehicle Inventory

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### Sale or Lease Inventory

Vehicles and other goods you obtain solely for resale or for leasing to other persons (i.e. for your sale or lease inventory) are exempt from PST. Related services provided to goods in your sale or lease inventory that are solely for resale or for leasing to other persons are also exempt

from PST. To support these exemptions, you must provide your PST number or, if you do not yet have a PST number, a *Certificate of Exemption – General* ([FIN 490](#)).

## **Courtesy Vehicles**

For information on how the PST and PVRT apply to courtesy vehicles, see [Bulletin PST 118](#), *Vehicle Services and Parts*.

## **Vehicles for Personal Use or Non-Qualifying Purposes**

You must pay PST on the purchase price of vehicles that you use for personal purposes, or for business purposes that are not “qualifying purposes” for the dealer-use formulas (see [Bulletin PST 117](#), *Motor Vehicle Dealer-Use and Manufacturer-Use Formulas*).

## **Change in Use**

If you take vehicles from your sale or lease inventory for use, you must self-assess (pay directly to us) PST as follows.

- For motor vehicles you use for a qualifying purpose for the dealer-use formulas or manufacturer-use formula, on a monthly basis, you must calculate and self-assess a proportional amount of PST by using the applicable formula (see [Bulletin PST 117](#), *Motor Vehicle Dealer-Use and Manufacturer-Use Formulas*).
- For vehicles you use for any other taxable purpose, you must self-assess PST as follows.
  - If you acquired the vehicle solely for resale, you must pay PST on the purchase price of the motor vehicle. The rate of PST you must pay is 7% to 10%, or 12%, depending on the type of vehicle and how it was acquired.
  - If you acquired the vehicle only for leasing to other persons, you must pay PST on the depreciated purchase price of the motor vehicle. The rate of PST you must pay is 7% to 10%, or 12%, depending on the type of vehicle and how it was acquired.

If you are required to pay PST on the purchase price or depreciated purchase price of the vehicle, see [Bulletin PST 308](#), *PST on Vehicles* for information on when the PST is due and how to calculate the depreciated purchase price of a vehicle.

## **Change in Use for Leased Goods**

If you lease (as a lessee) vehicles in your inventory exempt from PST (i.e. you lease the vehicles solely for re-lease), and later use those vehicles for a taxable purpose (e.g. personal or business use), you must self-assess PST as explained in [Bulletin PST 315](#), *Rentals and Leases of Goods*.

## **Vehicle Returns and Refunds**

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### **Refund or Credit of Purchase Price or Lease Price**

If you provide a full or partial refund or credit of the purchase or lease price of a vehicle to your customer within 4 years of the purchase or lease, you may also refund or credit the applicable amount of PST. For example, if you refund or credit 10% of the purchase price of a vehicle to your customer, you may also refund or credit 10% of the PST to your customer.

This includes where you provide a full or partial refund or credit of the purchase price because:

- the goods have been returned,
- the sale has been cancelled,



- you provided a price reduction, or
- you provide your customers with a discount for early payment.

However, if your customer returns a motor vehicle to you within one year of the purchase and you provide a full or partial refund or credit of the purchase price, you **must** refund or credit the applicable amount of PST.

Example:

Purchase price at time of sale	\$40,000
PST charged at time of sale (7% of \$40,000)	\$ 2,800
90% refund provided on the return of the vehicle (90% of \$40,000)	\$36,000
Applicable amount of PST to refund (7% of \$36,000)	\$ 2,520

To be eligible for a refund of the PST you refund or credit to your customer, you **must** provide the refund or credit of the PST to your customer at the same time that you provide the full or partial refund or credit of the purchase price.

**Other Refunds**

In some situations, your customer may be eligible for a refund of PST they paid on a vehicle, including the following.

- Your customer was not required to pay PST and paid it in error. You may refund or credit your customer the PST paid within 180 days of the date the PST was paid. After 180 days, you cannot refund your customer the PST (if you do, you are not eligible to make an adjustment on your PST return for this amount and you are not eligible for a refund from the ministry). However, your customer may claim a refund from the ministry within 4 years of the date the PST was paid.
- Your customer purchased a motor vehicle in BC and resold it within 7 days of the date they purchased or took possession of the vehicle (whichever is later). You cannot provide this refund; your customer must claim this refund from the ministry within 4 years of the date the PST was paid.
- Your customer returned a motor vehicle to the manufacturer after the date of purchase as a result of an independent, impartial, third-party dispute resolution process. You cannot provide this refund; your customer must claim this refund from the ministry within 4 years of the date the PST was paid. The refund is limited to the PST attributable to the amount of the refund or credit of the purchase price provided by the manufacturer.
- Your customer did not provide you with the required information to obtain an exemption at the time of sale or lease. **Note:** You may refund or credit your customer the PST they paid if they provide the required information within 180 days; after 180 days, your customer must apply to the ministry for a refund.

**Motor Vehicles Removed from BC**

If your customer resides, ordinarily resides or carries on business in BC, they are eligible for a refund from the ministry for PST paid on a motor vehicle they purchased in BC if:

- within 30 days of the date your customer purchased or took possession of the vehicle (whichever is later), the vehicle was removed from BC for use solely outside the province,
- your customer established residency in the other jurisdiction, and

- your customer paid sales tax or the provincial portion of the harmonized sales tax (HST) in the other jurisdiction and is not entitled to a refund, credit or rebate of that tax, including input tax credits.

**Note:** For the purposes of this refund, the 5% GST is not a sales tax.

*Customers that do Not Reside, Ordinarily Reside or Carry on Business in BC*

If your customer does not reside, ordinarily reside or carry on business in BC, they are eligible for a refund of PST paid on a motor vehicle they purchased in BC if, **within 30 days** of the date your customer purchased or took possession of the vehicle (whichever is later), the vehicle was transported outside BC for use primarily outside the province.

Your customer is also eligible for a refund of PST paid on a motor vehicle they purchased in BC if, **after 30 days but within 180 days** of the date your customer purchased or took possession of the motor vehicle (whichever is later):

- the vehicle was transported outside BC for use primarily outside the province, and
- your customer paid sales tax or the provincial portion of the HST in the other jurisdiction and is not entitled to a refund, credit or rebate of that tax, including input tax credits.

**Note:** For the purposes of this refund, the 5% GST is not a sales tax.

For more information on refunds, including how to apply for refunds, see [Bulletin PST 400, PST Refunds](#).



## 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)

Subscribe to our [What's New](#) page to receive email updates when information changes.

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

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### Latest Revision

November 2017

- Clarified that:
    - A customer may apply for a refund of PST when they return a motor vehicle to the manufacturer as a result of an independent, impartial, third-party dispute resolution process (i.e. the return does not have to be more than one year after the date of purchase)
    - The value of rebates provided under the Clean Energy Vehicle Program on or after December 1, 2017 are included in the purchase price or lease price of the vehicle (i.e. the rebates do not reduce the purchase price for the purposes of the PST)
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References: *Provincial Sales Tax Act*, sections 1 “apparatus”, “band”, “fair market value”, “First Nation individual”, “modified business vehicle”, “modified motor vehicle”, “motor vehicle”, “multijurisdictional vehicle”, “original purchase price”, “passenger vehicle”, “vehicle”, “vehicle registration legislation”, 5, 9, 10, 10.1, 12, 13, 23, 24, 25, 28, 30, 34-37, 39-41, 43, 46, 49, 50, 81, 83, 84.1, 100, 117, 145, 149, 150, 153, 153.1, 154, 168, 179 and 192; *Provincial Sales Tax Exemption and Refund Regulation*, sections 18-20, 24, 26, 72, 73, 123-126, 149, 151 and 152; *Provincial Sales Tax Regulation*, sections 5, 10, 15, 25-28, 32, 33, 47, 52, 79, 86 and 87.