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## Motor Vehicle Dealer-Use and Manufacturer-Use Formulas

*Provincial Sales Tax Act*

*The revision bar ( | ) identifies changes to the previous version of this bulletin dated October 2013. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin explains how the PST applies to vehicles used by dealers and manufacturers. For information on sales and leases of vehicles by dealers and leasing companies, see [Bulletin PST 116](#), *Motor Vehicle Dealers and Leasing Companies*. For information on how the PST applies to vehicles purchased in BC, vehicles acquired outside BC that are brought into BC, and vehicles acquired as a gift, please see [Bulletin PST 308](#), *PST on Vehicles*.

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### Overview

#### PST on Motor Vehicles Used by Dealers and Manufacturers

You are exempt from PST for motor vehicles you acquire solely for resale or for leasing to other persons (i.e. for your sale or lease inventory). However, if you later take motor vehicles from your sale or lease inventory for use, you must self-assess and pay PST as outlined below.

- For motor vehicles that you use for a qualifying purpose (see the sections below, Dealer-Use Formulas, and Manufacturer-Use Formula), you must pay a proportional amount of PST for every month of use by using the applicable dealer-use or manufacturer-use formula.
- For motor vehicles that you use for any other taxable purpose, you must self-assess and pay PST as follows:
  - If you acquired the motor vehicle solely for resale, you must pay PST on the purchase price of the motor vehicle. The rate of PST that you must pay is 7% to 10%, or 12%, depending on the type of vehicle and how it was acquired.

- If you acquired the motor vehicle solely for leasing to other persons you must pay PST on the depreciated purchase price of the motor vehicle. The rate of PST that you must pay is 7% to 10%, or 12%, depending on the type of vehicle and how it was acquired.

## Definitions

In this bulletin:

- a **dealer** is a person who is registered as a motor dealer under the *Motor Dealer Act*
- a **dealer-use vehicle** is a motor vehicle that is readily available for sale or lease by a dealer
- a **donated vehicle** is a motor vehicle that is:
  - readily available for sale or lease, except while being provided by a dealer or manufacturer, at their own expense, to community event organizers or participants, and
  - at the conclusion of the event, either returned to the dealer's or manufacturer's sale or lease inventory, or sold
- a **manufacturer** is a person who makes motor vehicles but does not include a dealer

## Dealer-Use Formulas

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If you are a dealer and you use one or more motor vehicles for any of the following qualifying purposes, you must calculate, self-assess and pay a proportional amount of PST using the applicable dealer-use formula. You do this for every month in which you use a vehicle for a qualifying purpose. There are two dealer-use formulas. To calculate the PST you pay, you must use the correct formula as outlined below.

### 1. Dealer-Use Formula for Motor Vehicles Used by a Dealer, or by an Officer, Salesperson or Employee of a Dealer

The following dealer-use formula applies when a motor vehicle that is a dealer-use vehicle is used by a dealer, or by an officer, salesperson or employee of the dealer:

- for any purpose related to the dealer's business as a dealer, and/or
- for personal use.

Each month that you use a dealer use vehicle for the purposes described above, you must calculate the PST due by using the following formula:

$$\text{PST Payable} = 1.75\% \times (\text{Average Vehicle Value} \times \text{Users} \times \text{Applicable Percentage})$$

Calculate the amounts to be inserted into the formula, as follows:

$$\text{Average Vehicle Value} = \text{Total Value} \div \text{Total Vehicles}$$

**Total Value** = The total of the following amounts for all vehicles that at the end of the month are in the dealer's sale or lease inventory for BC in which the dealer-use vehicles are held:

- the total consideration paid for the vehicles by the dealer, except the goods and services tax (GST),
- for vehicles that were purchased, manufactured, processed or otherwise acquired outside BC and later brought into BC, any costs for the vehicles that are incurred by the dealer before the vehicles are used in BC, including:
  - costs and expenses for materials, labour and other manufacturing and processing costs and expenses, and
  - costs and expenses for service, customs, excise and transportation,
- the dealer's costs in manufacturing the vehicles, and
- the total consideration paid for parts, materials, accessories or any other goods acquired exempt from PST by the dealer (for retail sale or lease purposes) that have been processed, fabricated or manufactured into, attached to or incorporated into the vehicles.

**Total Vehicles** = The total number of vehicles that at the end of the month are in the dealer's sale or lease inventory for BC in which the dealer-use vehicles are held.

**Users** = The number of the dealer's employees authorized to use vehicles during the month.

**Applicable Percentage** is based on the dealer's average vehicle value for the month as follows:

Dealer's Average Vehicle Value for the Month	Applicable Percentage
less than \$55,000	7%
\$55,000 - \$55,999.99	8%
\$56,000 - \$56,999.99	9%
\$57,000 or more	10%

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 on or before the last day of the month following the month in which you used the motor vehicle by using a *Casual Remittance Return* ([FIN 405](#)).

## 2. Dealer-Use Formula for Courtesy Cars, Donated Vehicles and Parts Delivery or Shuttle Vehicles

In this section:

- a **business vehicle** is any of the following:
  - a dealer-use vehicle that is used as a courtesy car
  - a motor vehicle that is used as:
    - a donated vehicle

- a parts delivery or shuttle vehicle, as long as it is readily available for sale or lease by a dealer, and is used by the dealer or by an officer, salesperson or employee of the dealer, to transport motor vehicle parts or the dealer's customers

The following dealer-use formula applies when a motor vehicle is used as a business vehicle. You must self-assess the PST due on all motor vehicles used as business vehicles within the month, regardless of the number of days that the vehicles are used. For example, if you switch a courtesy car in the middle of the month for a different courtesy car, you self-assess on both motor vehicles for that month.

Each month that you use a motor vehicle as a business vehicle, you must calculate the PST due by using the following formula:

$$\text{PST Payable} = 1.75\% \times (\text{Average Vehicle Value} \times \text{Number of Vehicles} \times \text{Applicable Percentage})$$

Calculate the amounts to be inserted into the formula, as follows:

**Average Vehicle Value = Total Value ÷ Total Vehicles**

**Total Value** = The total of the following amounts for all vehicles that at the end of the month are in the dealer's sale or lease inventory for BC in which the dealer's business vehicles are held:

- the total consideration paid for the vehicles by the dealer, except the GST,
- for vehicles that were purchased, manufactured, processed or otherwise acquired outside BC and later brought into BC, any costs for the vehicles that are incurred by the dealer before the vehicles are used in BC, including:
  - costs and expenses for materials, labour and other manufacturing and processing costs and expenses, and
  - costs and expenses for service, customs, excise and transportation,
- the dealer's costs in manufacturing the vehicles, and
- the total consideration paid for parts, materials, accessories or any other goods acquired exempt from PST by the dealer (for retail sale or lease purposes) that have been processed, fabricated or manufactured into, attached to or incorporated into the vehicles.

**Total Vehicles** = The total number of vehicles that at the end of the month are in the dealer's sale or lease inventory for BC in which the dealer's business vehicles are held.

**Number of vehicles** = The number of vehicles used by the dealer as business vehicles during that month.

**Applicable Percentage** is based on the dealer's average vehicle value for the month as follows:

Dealer's Average Vehicle Value for the Month	Applicable Percentage
less than \$55,000	7%
\$55,000 - \$55,999.99	8%
\$56,000 - \$56,999.99	9%
\$57,000 or more	10%

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 on or before the last day of the month following the month in which you used the motor vehicle by using a *Casual Remittance Return* ([FIN 405](#)).

## **Manufacturer-Use Formula**

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If you are a manufacturer of motor vehicles, and you take motor vehicles from your sale or lease inventory to use as donated vehicles, you must calculate, self-assess and pay a proportional amount of PST using the manufacturer-use formula outlined below. You do this for every month in which you use a vehicle as a donated vehicle.

$$\text{PST Payable} = 1.75\% \times (\text{Average Vehicle Cost} \times \text{Number of Vehicles} \times \text{Applicable Percentage})$$

Calculate the amounts to be inserted into the formula, as follows:

$$\text{Average Vehicle Cost} = \text{Total Value} \div \text{Total Vehicles}$$

**Total Value** = The total of the following amounts for all vehicles that at the end of the month are in the manufacturer's sale or lease inventory for BC in which the donated vehicles are held **or**, if the manufacturer does not have a sale or lease inventory for BC, for all of the manufacturer's donated vehicles that are in BC at the end of the month:

- for vehicles that are purchased, manufactured, processed or otherwise acquired outside BC and later brought into BC, any costs for the vehicles that are incurred by the manufacturer before the vehicles are used in BC, including:
  - costs and expenses for materials, labour and other manufacturing and processing costs and expenses, and
  - costs and expenses for service, customs, excise and transportation,
- the manufacturer's costs in manufacturing the vehicles, and

- the total consideration paid for parts, materials, accessories or any other goods acquired exempt from PST by the manufacturer (for retail sale or lease purposes) that have been processed, fabricated or manufactured into, attached to or incorporated into the vehicles.

**Total Vehicles** = one of the following:

- the total number of vehicles that at the end of the month are in the manufacturer’s sale or lease inventory for BC in which the donated vehicles are held
- if the manufacturer does not have a sale or lease inventory for BC, the total number of the manufacturer’s donated vehicles that are in BC at the end of the month

**Number of Vehicles** = The number of vehicles used as donated vehicles during that month.

**Applicable Percentage** is based on the manufacturer’s average vehicle cost for the month as follows:

<b>Manufacturer’s Average Vehicle Cost for the Month</b>	<b>Applicable Percentage</b>
less than \$55,000	7%
\$55,000 - \$55,999.99	8%
\$56,000 - \$56,999.99	9%
\$57,000 or more	10%

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 on or before the last day of the month following the month in which you used the motor vehicle by using a *Casual Remittance Return* ([FIN 405](#)).

## **Non-Qualifying Uses of Vehicles**

If you are a dealer or manufacturer and you use a motor vehicle from your sales or lease inventory **that is not readily available for sale or lease**, you cannot use the dealer-use or manufacturer-use formulas. You must self-assess and pay PST on the purchase price of the vehicle if you acquired it solely for resale, or self-assess and pay PST on the depreciated purchase price of the vehicle if you acquired the vehicle solely for leasing to other persons. This includes when you:

- use vehicles that are dedicated to specific uses (e.g. for racing or as a tow truck),
- use vehicles that are not usually left on your business premises during normal business hours,
- use donated vehicles that are not usually left on your business premises during normal business hours when they are not being used during a community event, or
- remove vehicles from your sale or lease inventory, except for the purpose of temporarily using a vehicle as a donated vehicle.

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

## **Vehicles Used by Employees**

If you lease a motor vehicle to your employees, you must charge PST on the lease price. You cannot use the dealer-use or manufacturer-use formulas for such vehicles.

You also cannot use the dealer-use or manufacturer-use formulas for vehicles that you allow your employees to use for a business use that is not related to your business as a dealer or manufacturer. In this situation, you may be required to pay PST on the vehicle or charge your employee PST based on a fair market value lease price. For more information, contact us.

### **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)

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**

July 2015

- The qualifying purposes for the dealer-use formula have been expanded to include where a dealer-use vehicle is used by a dealer, or by an officer, salesperson or employee of the dealer, for personal use, retroactive to April 1, 2013.

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References: *Provincial Sales Tax Act*, sections 1 “motor vehicle”, “vehicle”, 9, 10, 12, 13, 25, 27, 34, 39, 81, 83, 84.1 and 192; *Provincial Sales Tax Regulation*, sections 5, 10, 25-28, 47, 52, 32, 33, 50, and 79.