

TAX INFORMATION BULLETIN

Retail Sales Tax On Used Vehicles

A person who acquires a vehicle for consumption or use in the province from another person who is not registered with Canada Customs and Revenue Agency to collect HST will, unless the acquisition is exempt under the regulations, be required to pay 14% provincial retail sales tax on that acquisition. The applicable tax on vehicles required to be registered under the Highway Traffic Act must be paid at Motor Registration Division (MRD) prior to registration of ownership being transferred. The Highway Traffic Act states that the registration of vehicles required to be licenced under that Act must be transferred within 10 days from the date of acquisition. Tax due on designated vehicles not requiring registration under the Highway Traffic Act must be paid directly to the Department of Finance.

Vehicle Includes

Retail sales tax applies to all types of motorized vehicles including, but not limited to, an automobile, van, truck, trailer, recreation vehicle, all terrain vehicle, snowmobile, motorcycle, motorhome, boat, ship, vessel, and aircraft.

Vehicle Valuations

Retail sales tax shall be paid on the value of the vehicle as determined at the time of acquisition. For taxation purposes, that value is deemed to be the greater of the actual purchase price or the average wholesale value as determined by the Minister. For vehicles considered as salvage or wrecked vehicles under the Highway Traffic Act, the Minister may choose another method of determining value for tax purposes.

Tax Payable

Where the actual purchase price is less than the average wholesale value, retail sales tax will be charged on the higher value. However, at the time of transfer of

ownership a person may submit an affidavit, signed by the seller and purchaser of the vehicle, attesting to the actual purchase price and pay sales tax on that lesser amount. The affidavit must be sworn to before a Commissioner of Oaths, a Justice of the Peace or a Notary Public. A person who pays retail sales tax on book value may submit the required affidavit at any time up to three years from purchase date of a vehicle and request a refund of the tax paid on the difference between book value and actual purchase price.

Alternatively, a taxpayer who is not satisfied with the determined value for tax purposes or who cannot provide the required affidavit, may obtain a written appraisal, at the taxpayer's expense, from an approved appraiser. The appraisal must be obtained within 5 days of vehicle acquisition. Where an acceptable appraisal is provided, the valuation for tax will be the greater of the actual purchase price or the appraised value.

A person dissatisfied with a valuation for tax purposes may also appeal in writing to the Minister of Finance for a review of that valuation.

Approved Appraisers

Approved appraisers include any vehicle appraisal business which carries professional liability insurance or any new car dealership registered under the Automobile Dealers Act.

Exemptions

The following vehicle transactions where a vehicle transfers from a non-registrant for HST purposes to another person are exempt from provincial retail sales tax:

- A vehicle brought into the province by a person within 6 months after his or her taking up residence in the province, who was previously resident for more than 6 months continuously outside the province. The vehicle must be for his or her own consumption and use and was owned by the individual for a period of not less than 30 days before taking up residence in this province. The person must also provide proof that the vehicle was previously registered in his or her name in another jurisdiction.
- A vehicle acquired from a seller located outside this province and where the purchaser bringing the vehicle into the province paid 14% HST to that seller at the time the vehicle was purchased.
- A vehicle previously registered in another jurisdiction that is brought into the province for his or her own consumption or use by a non-resident student attending an educational institution or enrolled in an apprenticeship or internship

program.

- A vehicle received as a gift from an immediate family member residing in the province. Proof that the vehicle was previously registered to the family member making the gift and a document or affidavit that evidences making of the gift must be supplied.
- A vehicle received as a gift from an immediate family member who resides outside of the province. The vehicle must have been owned by that person for at least 2 years prior to the vehicle entering the province. A document or affidavit that evidences the making of the gift and proof that the vehicle was previously registered in another jurisdiction must be supplied.
- A vehicle received by way of bequest by an individual to another individual. A copy of the will showing the bequest or affidavit from the estate administrator must be supplied.
- A vehicle that is received as a result of a breakdown or dissolution of a marriage. A copy of the separation agreement or divorce documentation under which the vehicle was transferred must be supplied.
- A passenger vehicle, motor cycle, motor home, or travel trailer that is acquired by a member of a Visiting Force, as defined by the *Visiting Forces Act (Canada)* and who is not a citizen or permanent resident of Canada, for his or her own personal consumption and use. Proof that the person acquiring the vehicle is a member of the Visiting Forces and a proper bill of sale must be provided to MRD officials at the time of transfer.
- A vehicle that is acquired by a Status Indian, as defined under the Indian Act (Canada), and who resides on a reserve in this province. The vehicle must have been sold on or delivered to the reserve and the person must provide proof of Indian status and residency on the reserve.
- A vehicle acquired by a diplomat or his or her spouse, who are accredited by the Department of External Affairs (Canada) and who have been issued ID cards authorizing tax exemption in the province.
- A boat that is acquired by a bona fide commercial aquaculturalist for use on an aquaculture site solely for the cultivation of aquatic plants or animals, including sea ranching.
- A boat or vessel that is acquired by a bona fide commercial fisher for use in a commercial fishery. The boat or vessel must be registered with *Atlantic Fishery Regulations (Canada)* and be assigned a Commercial Fishery Vessel Number (CFV #). The commercial fisher must present the CFV # to the Department to receive tax exempt status.

Refund of Retail Sales Tax

An individual who has paid 14% retail sales tax on the acquisition of a vehicle that qualifies for an exemption may apply to the Department for a refund of the provincial taxes paid in relation to the tax exempt acquisition.

Rebate of Retail Sales Tax

A person who acquires a motor vehicle and pays the applicable retail sales tax in the following circumstances may apply for a rebate of the tax paid.

- A vehicle that was acquired in the province and subsequently resold within 7 days of the first acquisition date. Copies of the bills of sale for both transactions must be supplied.
- A vehicle that is removed from the province within 30 days after the purchase date. The owner must provide a copy of the shipping documents and proof that the vehicle has been licensed and tax paid in another jurisdiction.

Harmonized Sales Tax

While HST in this province is administered by the Canada Customs and Revenue Agency, the Provincial Department of Finance administers a rebate program to members of a Visiting Force who may acquire a vehicle from a HST registrant. In this situation, the member of the Visiting Force must pay the full 14% HST to the seller and then apply to the Department for an rebate equal to 8% of the acquisition price of the vehicle. In addition to submitting the bill of sale and proof of being a member of a Visiting Force, 60 days after the date of acquisition proof that the vehicle is still owned by that person and is still being maintained within the province is also required.

All refund or rebate claims must be submitted within three years from the date that the original transaction took place.

Disclaimer: These bulletins are prepared as guidelines and interpretations of the statutes. Where a conflict between the bulletins and statutes arise, the statutes will take precedence.

Should you require information regarding any of the tax laws administered by the Tax Administration Division, please contact our office at:

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