



# Provincial Sales Tax (PST) Notice

Notice 2022-005

Issued: September 2022

## **PST on Motor Vehicles Purchased at Private Sales or Imported from Outside Canada**

### **Provincial Sales Tax Act**

Budget 2022 introduced an adjustment to how the purchase price is determined for the purpose of calculating PST due on most motor vehicles purchased at private sales or imported from outside Canada.

This notice explains how PST will be calculated on motor vehicles purchased at private sales or imported from outside Canada effective October 1, 2022.

### **Table of Contents**

Definitions.....	2
Purchase Price .....	2
Average Wholesale Value .....	3
Motor Vehicle Appraisals .....	3
Examples.....	5
Refunds .....	8
Motor Vehicles Not Subject to the New Purchase Price Rules.....	9
Motor Vehicles Received as Taxable Gifts .....	10

## Definitions

**Appraised Value** means the appraised retail value of a motor vehicle. Appraisals must be obtained from a motor vehicle dealer or a person whose business it is to appraise motor vehicles. Appraisers must complete a Motor Vehicle Appraisal Form ([FIN 320](#)) and provide it to their customer.

**Average Wholesale Value** means the average wholesale value of a motor vehicle obtained from the [Canadian Black Book](#) valuation guide.

**Designated Purchase Price** means the total purchase price you paid for a motor vehicle before a deduction for a trade-in or down payment.

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).

## Purchase Price

Effective October 1, 2022, the purchase price of a motor vehicle purchased at a private sale in B.C., purchased at a private sale in Canada and imported into B.C., or imported into B.C. from outside Canada is determined using the following rules.

- At the time of registration, the average wholesale value of the motor vehicle is determined using the [Canadian Black Book](#) valuation guide
- If the average wholesale value of the motor vehicle is greater than the designated purchase price of the motor vehicle, the average wholesale value is considered the purchase price of the motor vehicle for the purpose of calculating PST due
- If, at the time of registration, a purchaser presents the Insurance Corporation of British Columbia (ICBC) with a completed Motor Vehicle Appraisal Form ([FIN 320](#)) and the appraised value and the designated purchase price are both less than the average wholesale value of the motor vehicle, the purchase price, for the purpose of calculating PST due, is the greater of the designated purchase price and the appraised value

PST due is calculated on the purchase price using the applicable PST rate (for more information about PST rates for vehicles, see [Bulletin PST 308](#), PST on Vehicles) and is collected by ICBC when the motor vehicle is registered.

**Note:** The new purchase price rules do not apply to certain motor vehicles. If a motor vehicle is not subject to the new rules, PST will continue to be calculated under the old rules. For a list of vehicles not subject to the new rules, see Motor Vehicles Not Subject to the New Purchase Price Rules below.

## **Average Wholesale Value**

Under the new rules, the average wholesale value of a motor vehicle, for the purpose of calculating PST due, is determined using the [Canadian Black Book](#) valuation guide. The guide lists the average wholesale value of motor vehicles by year, make, model and trim. This average wholesale value will be compared to the designated purchase price of the motor vehicle and, if obtained, the appraised value of the motor vehicle (see Motor Vehicle Appraisals below).

If a motor vehicle appears in the guide by year, make, model and trim, but the most recent model year listed is an earlier model year than the vehicle being registered, the average wholesale value of the most recent model year listed in the guide will be used.

If a motor vehicle is not listed by year, make, model and trim in the [Canadian Black Book](#), the average wholesale value cannot be determined, and PST will be calculated on the designated purchase price.

## **Motor Vehicle Appraisals**

Under the new rules, you may obtain an appraisal for the retail value of a motor vehicle if you believe the actual value is less than the average wholesale value because of factors such as excessive wear, significant damage or mechanical defects. Appraisals may be completed in person or remotely by a qualified appraiser.

The appraiser must complete a Motor Vehicle Appraisal Form ([FIN 320](#)) and provide it to you. Present this appraisal to ICBC when you register the motor vehicle or include it with your refund application if you are applying to us for a refund (see Refunds below).

## **Who can determine the appraised value of a motor vehicle**

The appraised retail value of a motor vehicle can be determined by:

- a motor dealer registered under the British Columbia Motor Dealer Act,
- a person authorized under the law of another jurisdiction to carry on

business in that jurisdiction in a manner similar to a motor dealer under the Motor Dealer Act, or

- a person whose business it is to appraise motor vehicles.

### **How PST due is calculated when an appraisal is obtained**

If you present the appraisal to ICBC at the time of registration, and the appraised value and the designated purchase price are both less than the average wholesale value of the motor vehicle, PST due will be calculated on the greater of the designated purchase price and the appraised value of the motor vehicle.

If either the designated purchase price or the appraised value of the motor vehicle is greater than the average wholesale value, PST due will be calculated on the greater of the designated purchase price and the average wholesale value.

If you do not present ICBC with a completed Motor Vehicle Appraisal Form ([FIN 320](#)) when you register your motor vehicle, ICBC will calculate and collect PST on the greater of the designated purchase price and the average wholesale value. You have 30 days from the date of registration to obtain an appraisal form for the retail value of the motor vehicle and apply to us for a refund for the difference in PST. For more information, see Refunds below.

## Examples

### Example 1:

You purchase a motor vehicle for \$10,000 at a private sale on or after October 1, 2022. The purchase price of \$10,000 is the designated purchase price of the motor vehicle. The average wholesale value for the motor vehicle is \$12,000. You do not obtain an appraisal for the motor vehicle.

When you register the motor vehicle with ICBC, PST will be calculated on the greater of the designated purchase price (\$10,000) and the average wholesale value (\$12,000). Since the average wholesale value is greater than the designated purchase price, PST is calculated on the average wholesale value of the motor vehicle:

$\$12,000 \times 12\% = \$1,440$  PST due and collected by ICBC at the time of registration.

### Example 2:

You purchase a motor vehicle for \$5,000 at a private sale on or after October 1, 2022. The purchase price of \$5,000 is the designated purchase price. The average wholesale value of the motor vehicle is \$8,000.

You decide to get an appraisal for the motor vehicle because the motor vehicle had some damage that you believe decreases its worth. The appraisal indicates the retail value of the motor vehicle is estimated to be \$6,000.

You present the appraisal to ICBC when you register the motor vehicle. Since the designated purchase price (\$5,000) and the appraised value (\$6,000) are both less than the average wholesale value (\$8,000), PST is calculated on the greater of the designated purchase price and the appraised value. Since the appraised value (\$6,000) is greater than the designated purchase price (\$5,000), PST is calculated on the appraised value of the motor vehicle:

$\$6,000 \times 12\% = \$720$  PST due and collected by ICBC at the time of registration.

### Example 3:

You purchase a motor vehicle for \$30,000 at a private sale on or after October 1, 2022. The purchase price of \$30,000 is the designated purchase price of the motor vehicle. The average wholesale value of the motor vehicle is \$33,000. You obtain an appraisal for the retail value of the motor vehicle and present the appraisal to ICBC when you register the motor vehicle. The appraised value of the motor vehicle is \$35,000.

Since the appraised value (\$35,000) is greater than the average wholesale value (\$33,000), PST is calculated on the greater of the designated purchase price (\$30,000) and the average wholesale value (\$33,000) of the motor vehicle:

$\$33,000 \times 12\% = \$3,960$  PST due and collected by ICBC at the time of registration.

### Example 4:

You purchase a motor vehicle for \$15,000 at a private sale on or after October 1, 2022. The purchase price of \$15,000 is the designated purchase price of the motor vehicle. The average wholesale value of the motor vehicle is \$14,000.

Since the designated purchase price (\$15,000) is greater than the average wholesale value (\$14,000), the new purchase price rules do not apply, and PST is calculated at a rate of 12% on the designated purchase price of the motor vehicle:

$\$15,000 \times 12\% = \$1,800$  PST due and collected by ICBC at the time of registration.

### Example 5:

You purchase a motor vehicle for \$20,000 at a private sale on September 29, 2022. You register it with ICBC on October 1, 2022. PST due is calculated on the purchase price of \$20,000 using the old rules because the purchase took place before October 1, 2022:

$\$20,000 \times 12\% = \$2,400$  PST due and collected by ICBC at the time of registration.

#### Example 6:

You purchase a motor vehicle for \$50,000 at a private sale in Alberta on August 1, 2022. You bring the motor vehicle into B.C. for use on October 1, 2022. Applicable depreciation is calculated using the formula:

depreciated value = purchase price - (purchase price x rate).

For vehicles, the rate equals 30% for each year, or 2.5% for each 30-day period the vehicle was owned. Since you used the motor vehicle for two months (two 30-day periods), the rate equals 5% (2 x 2.5%). Based on the formula, the depreciated value of the motor vehicle is:

$$\$50,000 - (\$50,000 \times 5\%) = \$47,500.$$

When you register the motor vehicle, ICBC compares this depreciated value (\$47,500) to the average wholesale value (\$45,000) and calculates PST due on the greater of the two. Since the depreciated value is greater than the average wholesale value of the motor vehicle, PST due is \$5,700 (\$47,500 x 12% = \$5,700).

For more information on calculating depreciated values for motor vehicles, see [Bulletin PST 308](#), PST on Vehicles.

#### Example 7:

On November 1, 2022, you purchase a motor vehicle for \$75,000 from a dealership in B.C. The motor vehicle is not subject to the new rules because it was purchased from a motor vehicle dealer (a GST registrant) and not a private sale. The PST due is \$7,500 (10% of the purchase price of \$75,000) and is collected by the dealership.

#### Example 8:

On December 1, 2022, you purchase a motor vehicle for \$70,000 from a GST registered dealership in Alberta. On December 5, 2022, you bring the motor vehicle into B.C. and register it with ICBC. PST due is calculated on the purchase price of \$70,000 because the motor vehicle was purchased from a GST registrant in Canada. No depreciation is applicable as the vehicle was not owned for a 30-day period prior to being brought into B.C. PST is calculated at a rate of 10% on the purchase price of the motor vehicle:

$$\$70,000 \times 10\% = \$7,000 \text{ PST due and collected by ICBC at the time of registration.}$$

### Example 9:

You purchase a motor vehicle in the USA on October 1, 2022, and import it into B.C. on October 5, 2022. The total purchase price was \$45,000 US dollars. The value for calculating duty, converted into Canadian dollars, is \$54,000, the applicable excise tax is \$2,000, and no duty is applicable. The designated purchase price of the motor vehicle is the value for calculating duty (\$54,000) plus the applicable excise tax (\$2,000) for a total of \$56,000. No depreciation is applicable as the motor vehicle was not owned for a 30-day period prior to being imported into B.C. The average wholesale value of the motor vehicle is \$57,000. You do not obtain an appraisal for the motor vehicle.

Since the average wholesale value of the motor vehicle (\$57,000) is greater than the designated purchase price (\$56,000), PST is calculated at a rate of 10% on the average wholesale value of the motor vehicle:

$\$57,000 \times 10\% = \$5,700$  PST due and collected by ICBC at the time of registration.

## **Refunds**

If you do not present ICBC with a completed Motor Vehicle Appraisal Form ([FIN 320](#)) when you register your motor vehicle, you have 30 days from the date of registration to obtain an appraisal of the retail value and submit it to us along with an Application for Refund of PST Paid on a Motor Vehicle ([FIN 355/MV](#)). For your refund claim to be considered, the designated purchase price and the appraised value must both be less than the average wholesale value of the motor vehicle.

If the appraised value and the designated purchase price are both less than the average wholesale value of the motor vehicle, we will calculate PST due on the designated purchase price or the appraised value of the motor vehicle, whichever is greater. If you are eligible, we will issue you a refund for the difference between the PST you paid on the average wholesale value and the PST due as calculated on the new information you provide.

We will not consider refund claims received after 30 days from the registration date.



## Example

On October 1, 2022, you purchase a motor vehicle for \$10,000 at a private sale. The average wholesale value of the motor vehicle is \$11,000. You do not obtain an appraisal for the motor vehicle before registering it with ICBC, so you pay PST based on the average wholesale value ( $\$11,000 \times 12\% = \$1,320$ ).

On October 21, 2022, you decide to have the motor vehicle appraised. The appraised value of the motor vehicle is \$9,000. You submit a refund application and your completed appraisal form to us on October 22, 2022. Since the completed appraisal form was obtained and submitted to us with a refund application within 30 days from the date you registered the vehicle, your refund claim will be considered.

The appraised value (\$9,000) and the designated purchase price (\$10,000) are both less than the average wholesale value (\$11,000) of the motor vehicle, so PST is calculated on the greater of the appraised value and the designated purchase price. In this case, PST is calculated on the designated purchase price ( $\$10,000 \times 12\% = \$1,200$  PST due).

Your refund will be the difference between the PST you paid on the average wholesale value (\$1,320) and the PST due on the designated purchase price (\$1,200):

Refund =  $\$1,320 - \$1,200 = \$120$ .

## **Motor Vehicles Not Subject to the New Purchase Price Rules**

The new purchase price rules for motor vehicles do not apply to all motor vehicles. The following types of vehicles are not subject to the new rules:

- Motor vehicles where the average wholesale value cannot be determined (e.g. the average wholesale value of the motor vehicle is not listed in the [Canadian Black Book](#) valuation guide by year, make, model and trim)
- Motor vehicles where the designated purchase price is equal to or greater than the average wholesale value of the vehicle
- Motor vehicles where tax is not paid or payable, in relation to the purchase price of the motor vehicle, to ICBC (see Motor Vehicles Received as Taxable Gifts below)

- Modified vehicles, which includes vehicles with modifications for persons with disabilities and vehicles with modifications for specific business purposes
- Motor vehicles purchased from GST registrants in Canada
- Motor vehicles where a trade-in was accepted toward the purchase of the vehicle
- Multijurisdictional vehicles

## **Motor Vehicles Received as Taxable Gifts**

Motor vehicles received as taxable gifts are not subject to the new purchase price rules. Motor vehicles received as taxable gifts will continue to be subject to PST on the fair market value of the motor vehicle. For more information about PST on vehicles received as taxable gifts, see [Bulletin PST 308](#), PST on Vehicles.

### **Need more info?**

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

Toll free: 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 notice is for your convenience and guidance and is not a replacement for the legislation.