

Refunds and Adjustments

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Ce guide est disponible en français sous le nom « Remboursements et rajustements, No 700F ». Vous pouvez obtenir un exemplaire de ce guide en appelant le 1-800-668-5821.

This guide describes Ontario retail sales tax (RST) refunds and adjustments available under the *Retail Sales Tax Act*.

RETAIL SALES TAX BRANCH REFUNDS

A refund of RST may be available to persons who buy the goods and services outlined below. Application forms are available from any Retail Sales Tax Office.

- **TRANSPORTATION FOR PEOPLE WITH PHYSICAL DISABILITIES**

- **People With Physical Disabilities or Members of Their Families:** Ontario retail sales tax paid on motor vehicles bought by people with physical disabilities, or qualifying members of their families, may be refunded.
- **Religious, Charitable or Non-Profit Organizations:** Religious, charitable or non-profit organizations may get a refund of Ontario retail sales tax paid on motor vehicles bought to transport people with physical disabilities.

See Retail Sales Tax Guide 701, "Transportation for People With Physical Disabilities", for further information and refund form.

- **USED MOTOR VEHICLES BOUGHT PRIVATELY:**

For used motor vehicles bought privately, with a Canadian Red Book average wholesale value of \$1,000 or more, RST is payable on the higher of the purchase price or the Red Book value. Persons who buy worn or damaged vehicles with a Red Book value of \$1,000 or more can get an appraisal **before** registration. RST is then collected on the higher of the purchase price or the appraised value.

For vehicles having a Red Book value of \$1,000 or more, a partial refund can be claimed **after** registration if an appraisal is sent with an application for refund. Vehicles must be appraised **within 60 days from the date they were bought** to qualify for a partial refund. The amount of the refund is based on the RST payable on the greater of the purchase price or the appraised value and deducting this amount from the RST paid on the Red Book value, at the time of registration.

The forms, "Application for Refund of Ontario Retail Sales Tax for the Used Vehicle Information Program", and "Motor Vehicle Appraisal Record" are available from any Retail Sales Tax Office.

- **VEHICLES POWERED BY ALTERNATIVE FUELS:**

RST paid, including any tax for fuel conservation, on vehicles powered by, or converted to use an alternative fuel may be refunded.

See Retail Sales Tax Guide 702, "Vehicles Powered by Alternative Fuels", for further information and refund form.

The following refunds are available by completing a "General Application for Refund of Retail Sales Tax" form, available from any Retail Sales Tax office:

- **FARMERS - VEHICLES CONVERTED TO FARM USE:**

Farmers may get a refund of the RST paid on vehicles that are converted into unlicensed self-propelled vehicles for specific farm use. The vehicles must be converted ***within 30 days from the date of purchase to get a refund.***

See Retail Sales Tax Guide 807, "Farmers".

- **GOODS REMOVED FROM ONTARIO:**

Starting July 1, 1993, persons who buy goods in Ontario are eligible to claim a refund where the RST charged on an invoice or bill of sale is \$50 or more and the RST charged has been paid to the seller.

The goods must be removed from the province ***within 30 days from the date of purchase*** for permanent use outside Ontario. For motor vehicles, the tax refundable includes any tax for fuel conservation. Purchasers from other Canadian provinces must pay, if applicable, any sales tax due to their home province, and provide proof of payment with their RST refund application. If the goods are purchased for use in a jurisdiction where sales tax is not payable, proof of delivery ***i.e. a copy of the bill of lading or customs document*** must be sent with the claim.

- **GOODS SHIPPED OUTSIDE ONTARIO:**

Goods may be bought centrally in Ontario (e.g. advertising material, office stationery and supplies, plastic credit cards, prospectuses, etc.) and shipped for use outside the province.

A refund of the RST paid may be claimed by persons who buy goods in Ontario and have them shipped to another Canadian province or territory. They must, however, pay the sales tax applicable to the other provinces before claiming a refund of RST. Proof of payment to the appropriate provincial government must be sent with the claim.

- **RELIGIOUS, CHARITABLE OR BENEVOLENT ORGANIZATIONS - CONSTRUCTION CONTRACTS:**

RST paid on materials bought to build or repair buildings and structures of religious, charitable or benevolent organizations may be refunded. The organization must be a "registered charity" as defined by subsection 248(1) of the *Income Tax Act* (Canada) and hold a registration number from Revenue Canada. A refund is not available for a building or structure that is a university (includes an affiliated college or institution), a publicly funded school, a hospital, or a nurses' residence. There is also no refund on a building or structure that is owned, leased or controlled in any way by a municipality or the local board of a municipality.

If the organization buys the materials and does the construction work itself, the refund application must be received by the Ministry ***within four years of the date the RST was paid.***

The organization may have a construction contract with a builder who buys the materials. The organization can complete a refund application that must be received by the Ministry ***within four years of the last payment on the contract.***

See Retail Sales Tax Guide 806, "Religious, Charitable and Benevolent Organizations".

- **TAX CHARGED IN ERROR ON REAL PROPERTY CONTRACTS:**

Individuals may have a real property contract with a construction contractor and be charged RST on the total contract price. If RST is charged on top of the contract price, buyers may be entitled to a refund of 12 per cent of the RST paid.

See Retail Sales Tax Guide 206, "Real Property and Fixtures".

- **TAX PAID IN ERROR:**

A person who buys goods and pays RST when it is not due is entitled to claim a refund.

REFUNDS BY SELLER

- **GOODS, TAXABLE SERVICES AND PRICES OF ADMISSION:**

Sellers may refund RST (including, where applicable, tax for fuel conservation) if the:

- seller makes a clerical or mathematical mistake in calculating the tax
- person buying the goods gives a valid purchase exemption certificate to the seller, after being charged the RST on goods bought for resale
- price paid for goods, taxable service or as the price of admission is subsequently reduced and the amount of the reduction refunded or credited to the purchaser (see NOTE below).

For goods, taxable services and prices of admission, RST refunds can be made ***within four years from the date of the sa***

NOTE: ***Sellers can refund the tax for fuel conservation only when the original purchase price is fully refunded. This tax is a flat tax charged no matter what the purchase price.***

RST LIABILITY ACCOUNT ADJUSTMENTS:

- **REFUNDS BY SELLER:**

Sellers refunding RST to persons buying goods under one of the conditions outlined above, can deduct the amount refunded from their RST liability account to reduce the amount reported on line 2 of the sellers' tax returns. Deductions must be made ***within four years from the date of the refund.***

- **BAD DEBTS:**

Vendors who give credit to persons who buy goods, taxable services, or admissions, or who lease goods to lessees may have to write off some account receivables as bad debts. Similarly, lease payments where the lessee has defaulted can also be written off. These vendors may make adjustments to their RST liability account and tax returns for any RST included in the amounts written off (including any tax for fuel conservation written off). Amounts deducted will be verified when the Retail Sales Tax Branch audits the books and records of a vendor.

Bad debts must be the result of sales between a vendor and persons dealing at arms length (persons not related to the vendor).

Effective July 1, 1993, bad debts include uncollectable accounts resulting from NSF (not sufficient funds) cheques given to a vendor for payment of sales made on or after July 1, 1993. The cheques must be written off a vendor's books of account.

Adjustments do ***not*** apply to uncollectable accounts resulting from:

- real property contracts
- purchases made with a credit card issued by a bank or a party who is not the seller
- the assignment, transfer or sale of accounts receivable by a vendor to a third party, whether or not the third party is related to the vendor. However, if the third party can charge back to the vendor any amounts that are not collectable, a refund may be claimed for any RST included in the charge-back after this amount is written off as uncollectable by the vendor in the vendor's books of account.

Adjustments must be made ***within four years from the date the RST was written off.***

Vendors must send in the proportionate RST included in any amounts recovered from goods repossessed and sold. If the repossessed goods are leased or put to a taxable use, the amounts claimed must be reduced by the RST on the fair value of the goods at the time of lease or change of use.

INSURANCE PREMIUMS

When insurance premiums are reduced or cancelled, vendors may refund the RST to the taxpayer if RST was previously paid on the reduced or cancelled amount of the premium.

If a policy dividend or "experience rating refund" is paid to an individual policyholder, a refund of RST will be allowed ***if the account holding these monies was generated from premiums that were previously taxed.***

Policy dividends and experience rating refunds may be kept on deposit by the insurer in an unrestricted demand deposit account that is held outside the contract of insurance. An RST refund can only be made when the amount is actually paid to the policyholder. If the refund is used to reduce the taxable premium of the policyholder on renewal, it will not be necessary to show a credit of RST on the customer's billing. The RST payable on the renewal amount will be calculated on the net amount after applying the dividend or experience rating refund.

If the policy dividend or experience rating refund is paid to a group policy owner, the same rules apply. If the refund is subsequently shared with members of the plan, the employer will either pay a premium refund directly to a member (plus RST) or deduct the refund from future premiums and calculate RST on the net amount after the deduction.

If an Ontario resident has paid an annual premium and moves to another province, RST would not be refunded unless the policy is cancelled and a premium is refunded.

For insurance premiums, RST refunds can be made ***within four years from the due date of the premium.***

PENALTY

Every person who obtains or attempts to obtain a refund or rebate by fraudulent means, is guilty of an offence and on conviction is liable to a fine that is a minimum of \$500 to a maximum of double the amount of the refund or rebate obtained or sought to be obtained, ***or*** to a term of imprisonment of not more than two years, ***or*** to both.

TIME LIMITS

When the time limit for claiming a refund is not stated, refund applications must be received by the Ministry ***within four years from the date the RST was paid*** on goods or services.

The information in this publication is only a guideline. For more specific information, please consult the *Retail Sales Tax Act* or contact your local Retail Sales Tax Office listed in the blue pages of your telephone directory.