

Calculating the Dealer-use Formulas

Social Service Tax Act

Are you a motor vehicle dealer?

Do you need to know how to calculate PST on vehicles you use from your inventory?

This bulletin provides specific information to help motor vehicle dealers understand how the social service tax, also called the provincial sales tax (PST), applies to dealer-use vehicles. Motor vehicle dealers should also read [Bulletin SST 042, Motor Vehicle Dealers](#).

For general PST information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

Which Vehicles Qualify?

The dealer-use formulas allow you to pay a proportional amount of PST on vehicles used for business purposes. All vehicles eligible for the dealer-use formulas may be used by you, a company officer, salesperson or employee.

The vehicles you use under the dealer-use formulas must meet the following conditions:

- they must remain in your resale or lease inventory (except parts delivery and shuttle vehicles, and vehicles on-loan for community events or to non-profit organizations), and
- they must be new vehicles from your manufacturer's franchise line or used vehicles from any supplier.

The following vehicles qualify for the dealer-use formulas:

- vehicles readily available for sale or lease by the dealer and used by the dealer, an officer, salesperson or employee of the dealer,
- courtesy vehicles,
- parts delivery vehicles (temporarily removed from the dealer's sale or lease inventory),
- shuttle vehicles for driving your customers while their vehicles are serviced (temporarily removed from the dealer's sale or lease inventory),
- vehicles on-loan for community events or to non-profit organizations, and
- vehicles used by employees for a fee where there is no lease agreement. In this case, you do not charge your employee PST on the fee – instead you pay PST under the dealer-use formula. For PST purposes, a lease agreement does not exist if all the following conditions apply:
 - you charge a fee,
 - you require the employee to return the vehicle on demand,
 - you restrict the uses of the vehicle, and
 - you impose a charge for the vehicle that is considerably less than the fair market value for leasing a similar vehicle.

Which Vehicles Do Not Qualify?

You cannot use the dealer-use formulas for the following vehicles:

- vehicles that are not readily available for sale or lease by the dealer,
- vehicles that are removed from the resale or lease inventory (except parts delivery and shuttle vehicles, and vehicles on-loan for community events or to non-profit organizations),
- vehicles that are dedicated to a specific business use (except parts delivery or shuttle vehicles – and then only on a temporary basis),
- new vehicles from another manufacturer's franchise line, (for example, if you have a car dealership and purchase another manufacturer's new truck to use as a parts delivery vehicle, you cannot apply the dealer-use formula to the truck),
- tow trucks,
- racing vehicles, or
- vehicles used by employees under a lease agreement. In this case, you add PST to the fee you charge. A lease agreement does not have to be in writing, but is evident if:
 - you charge a fee,

- the agreement is for a fixed term with no restrictions on the use of the vehicle, and
- the fee reflects a fair market value for a lease.

For more information, please see [Bulletin SST 103](#), *Lessors of Motor Vehicles and Trailers*.

How Do You Calculate the Dealer-Use Formulas?

There are two dealer-use formulas; which one you apply will depend on your use of the vehicles.

1. The formula for courtesy cars, donated vehicles, parts delivery and shuttle vehicles.
2. The formula for all other qualifying business use vehicles.

Formula for Courtesy Cars, Donated Vehicles, Parts Delivery and Shuttle Vehicles

This formula allows you to calculate the monthly PST due on your dealer-use vehicles. You self-assess the PST due on all vehicles used within the month, regardless of the number of days that the vehicles are used. For example, if you switch a courtesy vehicle in the middle of the month for a different courtesy vehicle, you self-assess on both vehicles for that month.

The dealer-use formula for this type of vehicle is:

$$1.75\% \times (\text{AVV} \times \text{NV} \times \text{ATR}) = \text{PST due}$$

The first step is to determine the calculations to insert into the formula.

AVV = The average value, based on the dealer's cost of the new and used vehicles in the sale or lease inventory. You must hold new and used vehicles in the same sale or lease inventory. The average value includes all vehicle accessories but does not include the environmental levies, or the goods and services tax (GST). There are three types of inventory you can use to determine the AVV.

1. If the vehicles come from the resale inventory, the AVV is the average value of the vehicles held in the resale inventory.

2. If the vehicles come from the lease inventory, the AVV is the average value of the vehicles held in the lease inventory.
3. If the dealer uses a single inventory system, the AVV is the average value of the vehicles held in the entire inventory.

NV = The number of vehicles that are used as courtesies, donated, parts delivery or shuttle vehicles in the current month.

ATR = The tax rate that applies to the AVV. (See the section below, What are the Tax Rates?)

Once you have determined the numbers for the AVV, the NV and the ATR, you place these numbers into the formula above.

This will give you the amount of PST you record in Box F of your next tax return.

Formula for all Other Qualifying Business Use Vehicles

This formula is similar to the first formula, but is based on the number of *persons* (USERS) authorized to use the vehicles rather than the number of vehicles.

The dealer-use formula for this type of vehicle is:

$$1.75\% \times (\text{AVV} \times \text{USERS} \times \text{ATR}) = \text{PST due}$$

The first step is to determine the calculations to insert into the formula.

AVV = The average value, based on the dealer's cost of the new and used vehicles in the sale or lease inventory. You must hold new and used vehicles in the same sale or lease inventory. The average value includes all vehicle accessories but does not include the tire and battery levy, or the GST. There are three types of inventory you can use to determine the AVV.

1. If the vehicles come from the resale inventory, the AVV is the average value of the vehicles held in the resale inventory.
2. If the vehicles come from the lease inventory, the AVV is the average value of the vehicles held in the lease inventory.
3. If the dealer uses a single inventory system, the AVV is the average value of the vehicles held in the entire inventory.

USERS = The number of employees authorized to use dealer-use vehicles during the current month.

ATR = The tax rate that applies to the AVV. (See the section, What are the Tax Rates? below).

Once you have determined the numbers for the AVV, the USERS and the ATR, you place these numbers into the formula above.

This will give you the amount of PST you record in Box F of your next tax return.

What are the Tax Rates?

The rate of PST you use in the ATR calculation (7%, 8%, 9% or 10%) is based on the average vehicle value (AVV) in the calculations above.

The chart below shows the tax rate that applies to the AVV.

AVV	Tax Rate
Less than \$55,000	7%
\$55,000 – \$55,999.99	8%
\$56,000 – \$56,999.99	9%
\$57,000 and over	10%

Tax Rates on Other Motor Vehicles and Trailers

The higher tax rates apply to sales or leases of *passenger vehicles only*. You apply PST at the rate of 7% on trailers and motor vehicles that do not qualify as passenger vehicles.

Environmental Levies

For environmental levies on dealer-use vehicles, you self-assess and record the levies due in Box F on your next tax return. You do not charge any levies when a dealer-use vehicle is sold or leased to your customers.

Need more info?

Motor Vehicle Industry website: www.sbr.gov.bc.ca/ctb/MotorDealer.htm

Telephone (Vancouver): 604 660-4524

Toll-free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/ctb

References: *Social Service Tax Act*, Sections 1, 5, 6, 20, 67, 96 and 97, and Regulations 2.41 and 3.13.1