



British Columbia's Social Service Tax

Out-of-Province Owners and Operators of Commercial Vehicles



**BRITISH
COLUMBIA**

Ministry of Small Business
and Revenue

British Columbia's Social Service Tax (PST)

Are you an out-of-province owner or operator of a vehicle that you use or want to use for business in British Columbia? If so, here are some PST tax facts about commercial vehicle use that you need to know.

Operators and owners of vehicles who use their vehicle for commercial purposes in British Columbia must pay social service tax (PST).

You must pay PST based on the value of your vehicle when you use it for a commercial purpose in British Columbia. The amount you pay varies, depending on circumstances.

If your vehicle is used interjurisdictionally for the commercial transport of passengers or goods and it is licensed under a prorating agreement (e.g. IRP or CAVR), you must pay **multi-jurisdictional vehicle (MJV) tax**. If you are using pick-up trucks or other service vehicles licensed under IRP or CAVR interjurisdictionally to service goods or real property, then you must pay MJV tax.

Vehicles that do not meet the requirements for the above categories may pay tax using the **temporary use formula**. Vehicle use must be temporary and for a specific task to be eligible. As well, the vehicle must be removed from the province, once that task is completed.

Paying MJV Tax

MJV tax is calculated annually based on the age of the vehicle and the proportion of the vehicle's travel that occurs in British Columbia.

If you are licensed under a pro-rating agreement, you pay the annual MJV tax to your vehicle's base (home) jurisdiction when the vehicle is licensed for use in British Columbia.

MJV tax is calculated according to the following formula:

$$\text{Tax} = \text{TV} \times \text{R} \times \text{TR} \times \text{T}$$

TV = the vehicle taxable value

R = the tax rate for the vehicle's calendar year as set out in the Act

TR = the travel ratio for the vehicle (estimated distance travelled in British Columbia divided by the total distance travelled by the vehicle in a year)

T = the number of whole or partial calendar months left in the vehicle license year at the time that the vehicle is licensed, divided by twelve

MJV Example

In March 2004, a vehicle is licensed for operation in British Columbia under the IRP pro-rate agreement. The vehicle's taxable value is \$50,000; it is 15 months old and 25% of the distance travelled is in British Columbia for the remainder of the calendar year. The MJV tax for 2004 would be calculated as follows:

$$50,000 \times .02835 \times .25 \times (9/12) = \$265.78$$

Temporary Use (1/3) Formula

Paying Tax Using the Temporary Use Formula

If you bring a vehicle into the province for a specific task and you remove it from the province once that task is completed, determine the PST owing using the 1/3 formula.

You must self-assess and pay the tax for every 12-month period where the vehicle is in the province for more than five days. The five day period may be made up of one unbroken period (consecutive) or a number of different entries (non-consecutive). Over three 12-month periods the tax due is fully paid. You may deduct retail sales tax previously paid on this vehicle to another province.

If you are eligible to use the 1/3 formula and you have paid a retail sales tax in another province on the vehicle you are bringing into British Columbia, you may be able to subtract the tax paid elsewhere from your total tax bill. You must have proof of tax paid. To figure out the maximum tax payable using this method, please use the following formula:

$$(P \times R) - A$$

P = purchase price, or if the equipment was used outside of British Columbia, the depreciated value of the equipment

R = tax rate in effect at entry date

A = tax previously paid to another province on that equipment

When a vehicle is brought into the province for an indefinite period of time, or if at the time of entry it is known that the vehicle will be in British Columbia for more than two years and five days, you must pay PST. PST is based on the vehicle's depreciated value less GST at the vehicle's time of first entry into British Columbia.

The temporary use formula is applied using the following method:

$$\text{Tax due} = \frac{\text{vehicle value}}{3} \times \text{tax rate}$$

Tax rate = the applicable PST rate

Vehicle value = the greater of:
the depreciated value or
50% of the purchase price

The purchase price includes any customs, excise, and delivery charges, or any other costs you paid to gain title to the vehicle, but not including GST.

Example: Temporary Use Formula

The vehicle's price is \$50,000 and the age of the vehicle is 15 months, the social service tax (PST) under the temporary use formula for an owned vehicle would be calculated as follows:

$$\text{Depreciation} = 15 \text{ months} \times 2.5\% = 37.5\%$$

$$\text{Depreciated vehicle value} = \$31,250$$

$$\text{Tax rate} = 7\%$$

$$\text{Tax due} = \frac{31,250}{3} \times .07 = \$729.17$$



Leased Vehicles

A leased vehicle brought temporarily into the province has its tax based on the time it is used in the province. Tax is due for each lease period. Use the following method to determine the tax owing.

Tax due =

$$\text{Lease price} \times \frac{\text{hours in province}}{\text{hours in lease period}} \times \text{tax rate}$$

The tax period begins on the entry date into the province.

Examples: Leased Vehicle Used Temporarily

Example One

The vehicle lease is \$350 per month. It is in the province July 23 to 31.

Lease price = \$350

Hours in province = 216 (9 days x 24 hours)

Hours in lease period = 744
(31 days x 24 hours)

Tax rate = 7%

$$\text{Tax due} = \$350 \times \frac{216}{744} \times .07 = \$7.11$$



Example Two

The vehicle lease is \$350 per month. The lease starts August 1 and ends September 30. The vehicle is in the province August 1 to September 9. Calculate the PST as follows:

Lease price = \$700 (\$350 x 2)

Hours in province = 960 (40 days x 24 hours)

Hours in lease period = 1464
(61 days x 24 hours)

Tax rate = 7%

Tax due = \$700 x $\frac{960}{1464}$ x .07 = \$32.13

Calculating the Depreciation Rate

Depreciation is calculated in the same way for all formulas. Depreciation is determined at the rate of 2.5% per month (30% per year) to a maximum of 50% of the purchase price.

MORE INFO:

Bulletin SST 073, Tax on Multi-jurisdictional Vehicles

Bulletin SST 098, Equipment Brought into the Province for Temporary Use (1/3 Formula)



This information is provided to help you understand how to pay British Columbia's social service tax as an out-of-province owner or operator of a commercial vehicle doing business in British Columbia.

If you still need more information or have questions please call us at:

Toll-free within Canada:

1-877-388-4440

Within the Vancouver area:

604-660-4524



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