

Application of Tax to Leases of Motor Homes and Recreational Vehicles

Social Service Tax Act

This bulletin outlines the application of social service tax to leases of motor homes and recreational vehicles. For information on leases of passenger vehicles or on the surcharge applied to short-term rentals of passenger vehicles, please refer to [Bulletin SST 103, Lessors of Motor Vehicles and Trailers](#).

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations can be found on the web at www.gov.bc.ca/sbr

In this issue...

- **Definitions**
- **Registration requirements for lessors**
- **Lessors' acquisition of rental vehicles**
- **Application of tax to leases of recreational vehicles and motor homes**
- **Taxable services**

DEFINITIONS

Lease Price

The total consideration paid by the lessee to the lessor for the right to use the leased property. Please note, a lessee may **not** use a trade-in to reduce the taxable lease price.

Recreational Vehicle

Includes motor homes, travel trailers (including "park model" travel trailers), tent trailers, fifth wheels, camperized vans, and pickups with camper attached, that are designed to be used primarily for accommodation during travel or recreation. Also includes snowmobiles and all-terrain vehicles, vehicles which meet the CSA Z240 definition of "recreational vehicle", and units which serve a similar function. Does not include passenger vehicles.

REGISTRATION REQUIREMENTS FOR LESSORS

Vendors Under the Social Service Tax Act

Persons who purchase a recreational vehicle for the sole purpose of leasing it are required to register as vendors under the *Social Service Tax Act*. Applications for registration may be obtained from any Consumer Taxation Branch or Service BC-Government Agents office.

Upon receipt of a completed application, the Consumer Taxation Branch will assign a registration number and forward a Certificate of Registration and related information to the applicant. A tax reporting period will be established by the branch at the time of registration.

LESSORS' ACQUISITION OF RENTAL VEHICLES

Purchasing the Vehicle

When a recreational vehicle is acquired **for the sole purpose of leasing**, it may be purchased without payment of tax by quoting the purchaser's registration number to the supplier. However, if the lessor uses the recreational vehicle for its own purposes, tax is payable on the full purchase price of the recreational vehicle.

If the vehicle is purchased before the owner obtains a registration number, the tax paid on the purchase price will be refunded by the Consumer Taxation Branch if no personal use of the vehicle is made.

All distance travelled from the date of purchase must be fully accounted for, including all trip rental, maintenance and troubleshooting travel.

Without detailed continuous mileage records covering the period from the date of purchase of the vehicle to the date of receipt of a registration number, the branch will be unable to refund the tax paid.

When new lead-acid batteries or new pneumatic tires are included with a recreational vehicle being purchased, environmental levies are imposed on the sale of these items. The application of the levies is outlined in the next section of this bulletin.

Environmental Levies on Lead-Acid Batteries and Pneumatic Tires

A \$3 levy applies to each new pneumatic tire purchased in the province for \$30 or more. This includes both inflatable tires and solid spare tires (doughnuts). Retreaded, recapped, or used tires are not subject to the levy. A \$5 levy applies to all new lead-acid batteries weighing 2 kg or more. Rebuilt, reconditioned, or used batteries are not subject to the levy.

When a recreational vehicle is sold, the retailer is required to collect the applicable levies in addition to the social service tax which must be collected on the purchase price of the vehicle. However, the levy is not subject to the social service tax because it does not form part of the purchase price. The levy should be shown separately from the social service tax on the invoice.

The owner (lessor) of a recreational vehicle is required to pay the levy on the purchase of new batteries or tires for use in a recreational vehicle leased to others. Where lessors wish to recover the cost of the levies, lease contracts must clearly indicate that the lessee is liable for these levies, but must not indicate a separate charge for the levies. Such charges are rolled into the total lease price that is subject to tax.

Lease outlets (lessees) who purchase new batteries or tires for use in recreational vehicles they lease for re-lease to others must also pay the environmental levy.

APPLICATION OF TAX TO LEASES OF RECREATIONAL VEHICLES AND MOTOR HOMES

Vehicles Leased to an Individual

When a recreational vehicle is leased to an individual, the owner (lessor) must collect social service tax on all lease payments at the time the

payments are paid or become payable, whichever is earlier. Tax at the current rate applies to the total lease price for each rental period which the lessee must pay to receive the right to use the vehicle. This includes basic charges and mileage charges.

Charges for items such as fuel and optional insurance, which are not part of the normal lease charge, are not subject to social service tax if itemized separately on the invoice provided to the lessee. Refundable damage deposits are also not subject to tax.

Vehicles Leased to a Rental Outlet

When a recreational vehicle is leased to a rental outlet (lessee) for re-leasing, the owner (lessor) is not required to charge tax on lease payments provided that the registration number of the rental outlet is quoted on all lease billings issued by the owner. The rental outlet (lessee) is responsible for collecting and remitting the tax due on the release of the vehicle.

During the period in which the vehicle is leased to the rental outlet, the owner (lessor) must continue to file tax returns. If no other sales or leases are made by the owner, then nil tax returns must be filed during that period.

There are no special requirements which must be met if the lessor decides to end the lease agreement with the rental outlet and lease the vehicle directly to an individual. However, once the vehicle is removed from the lease agreement, the owner again becomes responsible for collecting and remitting the tax due when the vehicle is leased to another individual.

Use of the Vehicle by the Owner

A recreational vehicle, which is initially purchased without payment of tax on the basis that it is to be used solely for leasing purposes, becomes subject to tax if:

- it is subsequently used by the owner, the owner's spouse, or the owner's dependent children with or without charge, or
- it is permitted to be used by others without charge.

Tax is due on the greater of the depreciated value of the vehicle at the time the owner uses it, or 50% of the purchase price of the vehicle.

For the purpose of calculating the tax due, motor homes and recreational vehicles may be depreciated at the rate of 30% per year (2.5% per month) to a maximum of 50%. The tax becomes due and payable at the time the vehicle is converted to personal use by the owner.

Tax on the depreciated value also applies if the

owner of a recreational vehicle leases the vehicle to a rental outlet and subsequently rents the vehicle from the rental outlet. Under such circumstances, the recreational vehicle becomes subject to tax on the depreciated value, payable by the owner of the vehicle at the time of such use.

If a recreational vehicle owned by a corporation is leased to a rental outlet, a director or shareholder of the company may rent the vehicle without the purchase price becoming subject to tax provided that it is rented under the same terms as would be offered to any other individual.

Record Keeping

A vendor, lessor or other person carrying on business in British Columbia who is required to collect or pay tax under the Act must retain books of account, records and documents required under the Act for a period of seven years.

If a vendor, lessor or other person carrying on business in British Columbia makes a written application to the commissioner for permission to destroy a book of account, record or document, the commissioner may authorize the requested destruction prior to the expiry of the period described above.

TAXABLE SERVICES

Definition

Social service tax applies to the purchase price of specified labour services, referred to as taxable services. Taxable service means any service

provided to install, assemble, dismantle, repair, adjust, restore, recondition, refinish, or maintain tangible personal property.

Exemption

Persons who are registered vendors or lessors under the Act are not required to pay tax on purchases of taxable services applied to goods that will be leased. For example, registered lessors are not required to pay tax on charges for repairs to equipment held in their lease inventory. To substantiate non-collection of tax on such sales, the person providing the taxable service must record the customer's registration number on the sales invoice.

For further information on the application of tax to taxable services and to service contracts, please refer to [Bulletin SST 018, Taxable Services](#).

NEED MORE INFO?

This bulletin is provided for convenience and guidance. If you still have questions call us at 604 660-4524 in Vancouver or toll-free at 1 877 388-4440 elsewhere in Canada or refer to the legislation.

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.

References: *Social Service Tax Act*, Sections 1, 9, 20, 67, 78, 96, 101