

Automotive Services and Parts

Social Service Tax Act

Are you in the automotive repair industry?

Do you sell automotive parts?

This bulletin provides detailed tax information to help automotive repair shops and parts stores understand how to apply the social service tax, also called the provincial sales tax (PST), to their businesses.

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 \(PST\)](#).

Sales

When to Charge PST

You charge PST on sales of the following:

- new and used automotive parts and materials, such as replacement parts, tools, paints, fluids and accessories,
- shop supplies, such as a 1% or 2% flat rate, and
- most automotive services, such as tune-ups, oil changes, repairs, maintenance, painting, and installation of windshields, tires, mufflers and other parts.

You charge PST on the full price of your services, including charges for parts, labour and travel time. For more information, please refer to [Bulletin SST 018, Taxable Services](#).

When Not to Charge PST

You do not charge PST on sales of the following:

- services that are specifically non-taxable, such as towing, battery boosting (but not battery recharging), diagnostics, testing, safety inspection services and estimates.

For detailed lists of taxable and non-taxable automotive services, please see our website at www.sbr.gov.bc.ca/ctb/AutoService.htm

Sales to PST Registered Businesses

You do not charge PST on automotive services and parts for resale to registered businesses if they provide their PST registration number. For example, you do not charge PST to motor dealers on repairs to their resale vehicles.

You also do not charge PST to lease or rental companies on repairs to their lease or rental vehicles. For example, you do not charge a car rental company PST on repairs to vehicles in its rental fleet when the company provides its PST registration number. You do not charge PST when the Insurance Corporation of British Columbia (ICBC) pays for the rental company repairs, as long as you obtain the rental company's PST registration number.

When you sell to other businesses, you record their PST registration number on each invoice and keep it in your records to show why you did not charge PST.

Services Provided to Visitors to British Columbia

You charge PST on automotive services and parts sold to customers who are visiting British Columbia from another province or country, unless the service is specifically non-taxable. See the section above, When Not to Charge PST.

An exception is when an out-of-province customer brings a vehicle into the province solely for the purpose of receiving a service, and removes the vehicle from the province immediately afterwards. In this case, you do not charge PST. To show why you did not charge PST, your records must show that the vehicle was removed from the province after the service was completed, such as a shipping invoice or a written statement signed by the customer. For more information, please refer to [Bulletin SST 030](#), *Purchases by Non-Residents of British Columbia*.

Parts or Services Provided Free-of-charge

You pay PST on your cost of give-away items when you provide taxable goods or services free-of-charge without any conditions attached. You self-assess and record the PST due at Step 3 of your next tax return.

However, you do not pay PST when you give away a taxable good or service with the purchase of another good or service, such as a “buy one—get one free.” In this case, your customer has already paid the PST because both items were sold at a discount (i.e. 50% off each).

Another example is when your customer buys 10 oil changes and you provide the 11th oil change “free”. You do not pay PST on the parts or services for the “free” oil change. You also do not charge your customer PST because all 11 oil changes were offered at a discounted price (i.e. 10% off each oil change). For more information, please refer to [Bulletin SST 080](#), *Promotional Goods*.

Combining Taxable and Non-taxable Services

You charge PST only on the taxable portion when you provide both taxable and non-taxable services together, and separately itemize the price for each service on the invoice.

You are making a bundled sale when you sell a taxable and non-taxable service together for a single price. You charge PST on the fair market value of the taxable item, although there are some exceptions if the price of the bundle is \$500 or less. For more information, please refer to [Bulletin SST 119](#), *Bundled Sales: Taxable and Non-Taxable Goods or Services Sold Together for a Single Price*.

Environmental Levies on Tires and Batteries

The environmental levy on new tires is to be repealed when the industry stewardship program is introduced. However, until that time, you should continue to collect the environmental levy on each new pneumatic tire as set out below.

You charge a \$3 environmental levy on each new pneumatic tire you sell that costs more than \$30, and a \$5 environmental levy on new lead-acid batteries that weigh more than 2 kg. This includes tires and batteries you install into new or used vehicles that you repair.

This includes:

- inflatable tires, and
- solid spare tires (doughnuts).

This does *not* include:

- retreaded tires,
- recapped tires,
- used tires, and
- rebuilt, reconditioned or used batteries.

Charging Environmental Levies

You do not charge PST on environmental levies, and you must identify levies on the invoice separately from the PST.

For the environmental levies you charge, you record the amount in Box B on your next tax return. The vendor's commission (Box C) applies to the total amount of PST and environmental levies collected during the reporting period.

For more information, please refer to [Bulletin SST 015](#), *Environmental Levies on Tires and Batteries*.

Purchases

When to Pay PST

You pay PST on the purchase or lease of goods and services that you use in your business, such as:

- display cases, stands and furniture,
- computers and office equipment,
- advertising materials and stationery,
- supplies that do not become part of the vehicles you are servicing, such as oil for your machinery, cloths to clean your hands or cleaning supplies,
- equipment used to perform your services, such as tools, machinery, hydraulic lifts, diagnostic machines, paint spraying equipment, hammers, screwdrivers, welders and reference materials,
- services to your own equipment, such as repairs to your tools; however, you do not pay PST on any services by your employees on your own equipment or vehicles, and

- delivery, courtesy and other business vehicles, including parts to repair the vehicles.
PST may apply differently if you are a motor vehicle dealer. For more information, please refer to [Bulletin SST 042](#), *Motor Vehicle Dealers*.

If your supplier does not charge you PST on the above items, you self-assess and record the PST due at Step 3 of your next tax return.

When Not to Pay PST

You do not pay PST on the following:

- items you purchase for resale or lease to your customers,
- parts and materials that will become part of the vehicle you are servicing, such as replacement parts, grease, glue, fabric protectors and paint, and
- automotive services that you contract out, such as an auto body shop that sends a customer's vehicle to a third party for repairs.

To purchase the above items without paying PST, give the supplier your PST registration number.

If you take parts from your resale inventory and use them in your business, you self-assess and record the PST due on your cost of the parts at Step 3 of your next tax return.

If you purchase both non-taxable items for resale and taxable items you will use in your business as a single sale, you need to tell your supplier which items are non-taxable and which items are taxable.

Purchases from Out-of-Province Suppliers

You pay PST on taxable goods or services you purchase from out-of-province suppliers. If the supplier does not charge you PST at the time of the sale, you self-assess and record the PST due at Step 3 of your next tax return form. You pay PST on the total purchase price, including charges for transportation, customs, excise and any other costs, except the federal goods and services tax (GST). For more information, please refer to [Bulletin SST 043](#), *Goods purchased from Out-of-Province Suppliers*.

ICBC Alternative Transportation Program

Under the Alternative Transportation Program, ICBC pays automotive repair shops an hourly rate for providing transportation to ICBC customers while the customer's vehicle is being repaired. ICBC adds the hourly rate for alternative

transportation to the hourly service rate they pay repair shops for repair services, such as painting and bodywork. The repair shop may provide the transportation to their customers in different forms, such as by taxi, shuttle bus, city bus, courtesy car or rental car.

Leased courtesy cars

If your repair shop leases vehicles to use as courtesy cars, you pay PST on the lease prices of the vehicles, whether they are for ICBC customers or non-ICBC customers. While ICBC provides compensation to you for ICBC customers (the hourly rate), there is no lease agreement with ICBC. When ICBC pays you, ICBC does not pay PST on the hourly rate for alternative transportation but they do pay PST on the hourly rate for taxable repair services.

If your repair shop provides a courtesy vehicle from your pool of leased vehicles to a non-ICBC customer, you do not charge your customer PST, even if you charge a fee for the use of the vehicle. The fee is considered a cost recovery charge and not a lease charge. If you lease a vehicle specifically for the use of an individual customer, you also do not charge your customer PST.

In these situations, the repair shop is the lessee of the vehicle and you pay PST on the lease price of the vehicle.

Warranties and Service Contracts

Sales of Warranties or Service Contracts

You may or may not charge PST to your customers depending on the type of warranty or service contract you sell.

You charge PST on the following types of warranties and service contracts:

- mandatory, or included in the purchase or lease price,
- optional, with scheduled maintenance, and
- optional, with specific or a limited number of services.

You do not charge PST on optional warranties or service contracts when the services are provided only on an “as needed basis.”

Parts and Services Provided Under Warranty

You may or may not pay PST on parts and services you provide under a warranty, depending on whether or not your customer initially paid PST on the warranty.

If your customer initially paid PST on the warranty:

- you do not pay PST on parts or services provided under a warranty, even if a third party performs the service.

If your customer did not pay PST on the warranty:

- you pay PST on your cost of parts provided under the tax-exempt warranty, and
- you also pay PST on your purchase of any services provided by a third party.

If you perform repairs under a warranty, and your customer pays for a portion of the taxable part or service you provide, you charge PST on the cost of the taxable part or service. For example, if repairs cost \$300 and a warranty covers the first \$200 of repairs, you charge PST on your customer's remaining \$100 portion.

Manufacturer's Warranty

You do not pay or charge your customer PST when you replace a part free of charge under a manufacturer's warranty or recall. The part and the service you provide are both non-taxable.

For more information, please refer to [Bulletin SST 110, Warranties, Service Contracts, and Maintenance Agreements](#).

Need more info?

Automotive Services and Parts website: www.sbr.gov.bc.ca/ctb/AutoService.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, 40-45, 77 (a), 92 and 93, and Regulations 2.45, 2.46, 2.47, 2.48 and 3.28.1