

Tax on Multi-jurisdictional Vehicles

Social Service Tax Act

This bulletin will help motor carriers apply the social service tax, also called the provincial sales tax (PST), to multi-jurisdictional vehicles (MJVs). Information on licensing requirements may be obtained from the Insurance Corporation of British Columbia (ICBC) Prorate Office.

Carriers should also refer to [Bulletin MFT 008](#), *Inter-jurisdictional Motor Carriers: Fuel Used and/or Purchased in British Columbia*, for information on the motor fuel tax.

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

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INTERNATIONAL REGISTRATION PLAN (IRP)

What is IRP?

IRP is a multi-jurisdictional licensing agreement that establishes a single uniform system for administering and collecting license fees and other recurring fees and taxes from persons operating multi-jurisdictional vehicles for the commercial transportation of goods and passengers.

Under IRP, inter-jurisdictional carriers register with their base jurisdiction only. The base jurisdiction

issues one cab card and a set of apportioned plates for each of the carrier's vehicles. The apportioned plates and cab card permit the carrier to operate in jurisdictions that are members of IRP, the Canadian Agreement for Vehicle Registration (CAVR) or the Uniform Prorate Agreement (UPA). The base jurisdiction also collects all applicable registration fees and taxes from the carriers on behalf of the other member jurisdictions.

Registration

British Columbia-based carriers register under IRP through the ICBC Prorate Office. For more detailed information on IRP, the registration process, the vehicles eligible for registration, and the annual registration (license) fees, please refer to ICBC's *British Columbia Apportioned Registration Manual*.

Carriers Who Are Not Members of IRP, CAVR or UPA

Carriers from other jurisdictions, who are not members of IRP, CAVR or UPA, are able to enter the province under motive fuel user permits. Tax applies to such vehicles as outlined in this bulletin and is payable when the vehicle first enters the province for inter-jurisdictional commercial purposes in that vehicle license year.

The ministry monitors motive fuel user permits and audits carriers using motive fuel user permits to ensure that the applicable tax is paid.

TAX ON MULTI-JURISDICTIONAL VEHICLES

What Vehicles Are Eligible for the Multi-jurisdictional Vehicle Tax?

Commercial Carriers:

Vehicles operated by commercial carriers, including lightweight trucks, that are licensed in British Columbia or in another jurisdiction for inter-jurisdictional commercial purposes and that travel on British Columbia highways, are eligible for the multi-jurisdictional vehicle tax (**MJV tax**).

Inter-jurisdictional commercial purposes means use of the vehicle in British Columbia while the vehicle is engaged in inter-provincial or international trade for commercial carriage of passengers or goods.

Service Vehicles:

On February 20, 2002, eligibility for MJV tax was expanded to include light weight vehicles that operate inter-jurisdictionally and that are registered and licensed under a prorate agreement pursuant to section 10 of the *Commercial Transportation Act*, for example the International Registration Plan (IRP) or Canadian Agreement for Vehicle Registration (CAVR).

As a result, MJV tax applies to the following vehicles, **provided they qualify for and hold** a prorate license:

- pick up trucks used inter-jurisdictionally to transport goods or passengers,
- service vehicles, including pick up trucks, used inter-jurisdictionally to carry equipment, repair, or replacement parts for servicing tangible personal property or real property in British Columbia, including vehicles that service oil and natural gas wells and pipelines.

This amendment was made to align the application of the MJV tax with the Insurance Corporation of British Columbia's licensing policies for prorate vehicles. It is retroactive to January 1, 1996, the date the MJV tax was established, to provide tax parity for all vehicles that operate inter-jurisdictionally and hold a prorate license.

Persons who, after December 31, 1995, paid full tax on vehicles that are now eligible for MJV tax, may qualify for a partial refund of the tax paid. For further information, please contact the ministry (see **Need More Info?** at the end of this bulletin).

Other Vehicles:

All vehicles that operate solely in British Columbia are subject to tax on the full purchase or lease price.

Who is Liable to Pay the Tax?

The person licensing the vehicle, and any other person who has management of, or the right to determine the use of, the vehicle while it is in British Columbia during the vehicle license year are jointly and severally responsible for paying the tax.

Tax Formula

The MJV tax is calculated according to the following formula.

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

Where:

- TV = the vehicle taxable value
- R = the tax rate for the applicable calendar year
- TR = the travel ratio for the vehicle
- 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.

Note: The travel ratio used in this formula is the same ratio used to calculate the prorated license fee.

Vehicle Taxable Value (TV)

If the vehicle is purchased, the vehicle taxable value is the purchase price of the vehicle.

If the vehicle is leased, the vehicle taxable value is the greater of:

- the purchase price of the vehicle as described in the lease agreement, or
- the fair market value of the vehicle at the start of the lease (i.e., the price at which the legal and beneficial interest in the vehicle would, if unencumbered, be conveyed by a willing seller acting in good faith to a willing buyer acting in good faith in an arm's length retail sale in the open market).

If a multi-jurisdictional vehicle (MJV) is acquired as a gift, or purchased for a low lease buy-out price, the taxable value is the market value of that vehicle at the time the gift is received. The acquisition year for the vehicle, for the purposes of determining the annual tax rate, is the year in which the gift is received.

The vehicle taxable value includes any capital expenditure made to the vehicle within 30 days after the vehicle's acquisition date. It does not include equipment that remains on the vehicle but

does not become a part of the vehicle, such as dollies and small forklifts. Where such equipment is brought into the province for temporary use by a non-resident, it is subject to tax under the 1/3 formula.

For information on the 1/3 formula, please refer to [Bulletin SST 098, Equipment Brought into the Province for Temporary Use \(1/3 Formula\)](#).

Where such equipment is acquired by a resident of British Columbia, tax applies to the purchase price of the equipment.

Applicable Tax Rate (R)

The tax rate is based on the number of calendar years since the year in which the licensee acquired the vehicle.

Effective April 1, 2005, the following tax rates are to be used in each calendar year in which tax is payable on an MJV.

Calendar Year	Tax Rate
The year of acquisition	3.294%
First year following acquisition year	2.646%
Second year following acquisition year	2.177%
Third year following acquisition year	1.838%
Fourth year following acquisition year	1.597%
Fifth year following acquisition year	1.577%
Sixth year following acquisition year	1.509%
Seventh year following acquisition year	1.486%
Eighth year following acquisition year	1.497%
Ninth and subsequent years following acquisition year	1.533%

The following are the rates in effect from October 1, 2002 to March 31, 2005.

Calendar Year	Tax Rate
The year of acquisition	3.529%
First year following acquisition year	2.835%
Second year following acquisition year	2.332%
Third year following acquisition year	1.969%
Fourth year following acquisition year	1.711%
Fifth year following acquisition year	1.690%
Sixth year following acquisition year	1.617%
Seventh year following acquisition year	1.592%
Eighth year following acquisition year	1.604%
Ninth and subsequent years following acquisition year	1.642%

Travel Ratio for Vehicles Licensed as Part of a Fleet (TR)

If none of the vehicles in the fleet were MJVs for at least 90 days during the previous calculation year, the travel ratio is the ratio of:

- a reasonable estimate of the distance that the vehicles in the fleet will travel in British Columbia during the fleet license year, and
- a reasonable estimate of the total distance that the vehicles in the fleet will travel in the fleet license year.

If one or more of the vehicles in the fleet were MJVs for at least 90 days during the previous calculation year, the travel ratio is the ratio of:

- the distance travelled in British Columbia by the vehicles of the fleet in the period beginning on the first date in that calculation year that a vehicle in the fleet became an MJV or on the first day of the calculation year, whichever is later, and ending on the last day of the calculation year, and
- the total distance travelled by the vehicles of the fleet during that same period.

The **fleet licensing date** is the first date in that calendar year that fleet vehicles are licensed as such. The **fleet licensing year** is the period beginning on a fleet licensing date for that fleet of vehicles and ending on the day before the anniversary of that licensing date. The **calculation year** is the period July 1 to the following June 30.

Travel Ratio (TR) for Individual Vehicles NOT Licensed as Part of a Fleet

If the vehicle was not a multi-jurisdictional vehicle for at least 90 days during the previous calculation year, the travel ratio is the ratio of:

- a reasonable estimate of the distance that the vehicle will travel in British Columbia during the vehicle license year, and
- a reasonable estimate of the total distance that the vehicle will travel in the vehicle license year.

If the vehicle was an MJV for at least 90 days during the previous calculation year, the travel ratio is the ratio of:

- the distance travelled in British Columbia by that vehicle in the period beginning on the date in that calculation year that it became an MJV or on the first day of the calculation year, whichever is later, and ending on the last day of the calculation year, and

- the total distance travelled by that vehicle during that same period.

The **vehicle licensing date** is the date on which the vehicle is licensed. The **vehicle licensing year** is the period beginning the date the license is issued for that vehicle and ending on the expiry date of the license. The **calculation year** is the period July 1 to the following June 30.

British Columbia Based Carriers: Initial IRP Registration

When applying for registration under IRP, carriers must include on the application form the distance information that forms the basis for the travel ratio used in the tax calculation formula (page 2). First time registrants without distance experience may estimate distances based on the proposed operation of the fleet during the year for which registration is required. The carrier will be required to substantiate the estimate by submitting details of their proposed operations. Carriers must also submit a copy of the bill of sale or the lease agreement for each vehicle.

The ICBC Prorate Office will issue an invoice to the carrier's mailing address, as shown on the application form, when the application for registration is processed. The invoice will contain all applicable fees and taxes for the jurisdictions in which the carrier travels, **including the British Columbia MJV tax** applicable to the carrier's vehicle(s). The tax calculation is based on the formula outlined on page 2 and on the information provided by the carrier.

Cheques should be made payable to ICBC and sent to the following address, along with a copy of the invoice summary.

ICBC
Inter-jurisdictional Licensing
PO Box 7500 Stn Terminal
Vancouver BC V6B 5R9

Payment may also be made at an Autoplan Office at the time of obtaining the apportioned plates, decal, certificate of registration, proof of insurance, and vehicle cab card(s).

First Year's Estimated Travel is Too High or Too Low

If the carrier's estimated travel in British Columbia for the first year was higher than the actual travel in British Columbia, the carrier may apply to the ministry for a refund of the excess tax paid.

If the carrier's estimated travel in British Columbia was lower than the actual travel in British Columbia, the branch will assess the carrier for the additional tax due.

British Columbia Based Carriers: Annual IRP Renewals

Approximately six weeks before the expiry of the carrier's prorate account, the ICBC Prorate Office will send Prorate Fleet and Prorate Vehicle Applications to renew the prorate account. The ICBC Prorate Office will also send a computer printout containing the active fleet information, as at the time of printing. Carriers should review the printout for accuracy and omissions, and provide any additional pertinent information with their applications.

After the application is processed, the ICBC Prorate Office will issue an invoice to the carrier. The invoice contains the annual fees and taxes for the jurisdictions in which the carrier travels, **including the British Columbia MJV tax**. Again, the tax calculation is based on the formula outlined on page 2 and on the information provided by the carrier.

Supplemental IRP Applications

A supplemental application must be submitted after the original or renewal application has been filed and paid for, in the following circumstances.

- To add a vehicle.
- To delete a vehicle.
- To replace a vehicle.
- To change the vehicle information.
- To increase/decrease a vehicle(s)'s weight in a jurisdiction.
- To add a jurisdiction.
- To replace a lost/stolen cab card.

When the application is processed, the ICBC Prorate Office will calculate any additional fees and taxes and issue an invoice to the carrier.

Out-of-province Carriers Licensed Under IRP, CAVR, or UPA in Another Jurisdiction

Carriers licensed in another jurisdiction under IRP, CAVR, or UPA for inter-jurisdictional commercial purposes will remit the applicable British Columbia tax on MJVs to that jurisdiction when the vehicle is licensed for operation in British Columbia in that jurisdiction each year.

Environmental Levies

Each new pneumatic tire sold for \$30 or more and each new lead-acid battery weighing 2 kg or more that are purchased in British Columbia is subject to environmental levies of \$3 and \$5 respectively.

The MJV tax rate factors do not apply to these levies. They must be paid in full at the time of purchase. New pneumatic tires and new lead-acid batteries purchased outside of British Columbia are

not subject to the levies, even if they are subsequently used in the province.

More Info: [Bulletin SST 015](#), *Environmental Levies on Tires and Batteries*

REPLACEMENT VEHICLES

A refund is available for tax paid on the lease of a motor vehicle used to replace an MJV while it is being repaired. To qualify for the refund, the replacement vehicle must only be used according to the terms of the license that was issued to the MJV under repair, and for the purpose for which the original MJV would be used if not under repair.

Where the replacement vehicle is leased, the refund is limited to the tax paid on the lease vehicle for the period during which the MJV is being repaired and that is within that vehicle's license year.

Refund requests should include:

- the cab card, vehicle and fleet fee notices for the vehicle under repair;
- the short-term lease agreement for the replacement vehicle identifying tax paid, and
- a copy of the repair invoice identifying the vehicle under repair and signed by an authorized repair shop representative; the invoice should also detail the length of time the vehicle was held for repair.

See OBTAINING CREDITS AND REFUNDS on page 7 for more information on refunds.

SHORT TERM RENTAL VEHICLES

Effective February 22, 2006, a full refund of the British Columbia portion of MJV tax is available if the MJV is primarily leased as a short term rental vehicle to the public (28 days or less), and PST is paid on the rental by the lessee.

To be eligible for the refund, the MJV must be primarily leased for the purposes of transporting goods and PST must be collected and remitted on the lease payments during the vehicle's license year.

Carriers must pay the MJV tax when the vehicle is prorate licensed and request a refund at the *end* of the vehicle's license year.

The refund request must include:

- cab cards, vehicle and fleet fee notices for the vehicle;

- evidence, such as rental agreements, that PST has been paid on the rentals by the lessees

See OBTAINING CREDITS AND REFUNDS on page 7 for more information on refunds.

VEHICLE TRANSFERS

Mid-license Year Fleet Changes

Where a vehicle is moved from one prorate fleet to another prorate fleet during a license year, and remains licensed to the same person, the vehicle may be eligible for a tax credit for the number of months left in the license year of the first fleet. To be eligible for the credit, the vehicle must be moved to a fleet that operates partly or exclusively in British Columbia and must pay tax at the new fleet rate. This credit or refund is issued to the carrier who paid tax on the second fleet.

For vehicles licensed through the ICBC Prorate Office, the credit will be automatically calculated if the change takes place the same day the vehicle is licensed. In all other cases, the second carrier must apply to the ministry for a refund at the address noted on page 7 of this bulletin and provide supporting documentation.

Vehicles Removed From Prorate to Operate Solely in British Columbia

Where a vehicle is moved from a multi-jurisdictional operation to an intra-provincial operation (operating solely in British Columbia), the vehicle owner is required to pay tax at the rate in effect on the date of transfer, on the depreciated purchase price of the vehicle.

The tax rates are:

- before February 20, 2002, 7%
- between February 20, 2002 and October 20, 2004, 7.5%
- on or after October 21, 2004, 7%

The vehicle's purchase price is depreciated at a rate of 30% per annum (2.5% per month) from the date of purchase to a maximum of 50% of the price. The vehicle will be eligible for a tax credit based on the tax paid previously on the vehicle.

For vehicles licensed through the British Columbia ICBC Prorate Office, the credit will be automatically calculated if the change takes place the same day the vehicle is licensed. In all other cases, the vehicle owner must apply to the ministry for a refund and provide supporting documentation.

There is no tax credit for a vehicle that is moved to a fleet that does not operate in British Columbia. In-province carriers and out-of-province based carriers who remove a vehicle from prorate are not eligible for a refund unless the vehicle is moved to an operation that operates solely in British Columbia.

Transfer from In-Province to Multi-jurisdictional Use After January 1, 1996

Where a vehicle is acquired on or after January 1, 1996, for in-province use only, tax is payable on the purchase price of that vehicle. If the vehicle is later licensed under IRP for multi-jurisdictional use, licensees may be eligible for a credit adjustment or refund.

For British Columbia based carriers, the **credit adjustment** will be calculated by the ICBC Prorate Office and applied to the MJV tax payable on the vehicle.

However, out-of-province based carriers must apply to the ministry for a refund and provide supporting documentation.

Please note that this is not a credit or refund of the tax paid on the purchase price of the vehicle, but rather, an adjustment to the MJV tax payable.

PURCHASES AND LEASES OF MULTI-JURISDICTIONAL VEHICLES

Purchases and Leases

Carriers may purchase or lease MJVs from dealers in British Columbia without paying tax at the time of purchase or lease by quoting their prorate account number to the dealer.

Trade-ins

Effective March 31, 1999, where an MJV is traded in during its license year, a refund or credit equal to the tax paid on the trade-in vehicle for the balance of that vehicle's license year, is available.

For the purpose of the refund or credit, a trade-in vehicle is an MJV on which the MJV tax has been paid and, before the expiration of its current vehicle license year, is accepted at the time of sale by the seller on account of the purchase price of another MJV. The trade-in credit does not apply to leased vehicles.

The refund amount is calculated as follows:

$$\text{Refund} = (\text{TP} / 12) \times (\text{MR})$$

Where

TP = the tax paid on the trade-in vehicle at the beginning of the vehicle license year in which it is traded-in against the purchase of another multi-jurisdictional vehicle.

MR = the number of whole months remaining in the trade-in vehicle's license year at the time it is traded in against the purchase of another multi-jurisdictional vehicle.

Refund applications should be forwarded to the ministry at the address noted on page 7 of this bulletin. The refund request must include cab cards, vehicle and fleet fee notices for both vehicles, and the bill of sale that identifies the traded-in vehicle.

PURCHASES AND LEASES OF TRAILERS

Exemption

Trailers used for inter-jurisdictional commercial purposes are specifically exempt from the tax where the trailers are acquired for use, and actually used, with a vehicle that qualifies as a multi-jurisdictional vehicle. Carriers may purchase or lease such trailers in British Columbia without paying tax by quoting their prorate account number to the supplier.

Trailers that are acquired for use, and used with, vehicles that do not qualify as multi-jurisdictional vehicles are not eligible for the exemption. PST applies to the purchase or lease of such trailers.

Trailers used with Both In-Province and Inter-jurisdictional Vehicles

Where the carrier is unable to designate specific trailers that are used solely for inter-jurisdictional commercial purposes and those that are used solely within British Columbia, an allocation may be made to determine the trailers that are subject to tax.

For example, the ratio of the distance travelled by power units that travel solely within British Columbia to the total distance travelled by all power units could be used to calculate the number of trailers used in British Columbia. The carrier may then designate specific trailers as being used only in British Columbia and ensure that the PST is paid on those trailers.

REPAIRS OF MULTI-JURISDICTIONAL VEHICLES AND TRAILERS

Repair and Maintenance Services

PST applies to purchases of taxable services in British Columbia. Taxable service means any service provided to install, assemble, dismantle, repair, adjust, restore, recondition, refinish, or maintain tangible personal property. However, such services provided to multi-jurisdictional motor vehicles and trailers used for inter-jurisdictional commercial purposes are specifically exempt from the tax.

Replacement Parts

Replacement parts purchased for use in a multi-jurisdictional motor vehicle or trailer used with such a vehicle are exempt from tax. To qualify as a part for an MJV or trailer, the item must be part of, or affixed to, the vehicle.

Tax applies to parts purchased for use in a vehicle or trailer used solely within British Columbia.

Parts Purchased for Both In-Province and Inter-jurisdictional Vehicles and Trailers

Where possible, the carrier should maintain separate inventories of parts for MJVs and vehicles that travel solely in British Columbia. Where this is not possible, the carrier's records must support which parts were used on which units.

Obtaining the Exemption

Carriers may purchase repair and maintenance services and parts for MJVs and trailers used for inter-jurisdictional commercial purposes without paying tax by quoting their prorate account number to their supplier.

A broker-driver under contract to a carrier may also quote the carrier's prorate account number to make qualifying purchases tax exempt.

Carriers who are not yet registered, and broker-drivers who are not currently under contract with a registered carrier, must pay tax on their purchases and apply to the ministry for a refund of the tax paid.

The supplier must record the prorate registration number, and the purchaser's name and license number, on the invoice and retain a copy of the invoice to substantiate the non-collection of tax.

Consumable Supplies

When consumable supplies, such as motor oil, grease, and windshield wiper fluid, are purchased in British Columbia, tax is payable on the full purchase price. Tax does not apply when such

supplies are purchased and put in the vehicle outside of British Columbia.

Warranties

Extended and optional service warranties relating to MJVs that do not include scheduled maintenance are tax exempt.

OBTAINING CREDITS AND REFUNDS

British Columbia Based Vehicles

For British Columbia based vehicles licensed through ICBC, tax credits will be calculated by ICBC at the time the vehicle is licensed and applied against the tax payable.

An exception is the refund for short term rental vehicles. For these vehicles you must pay the MJV tax and apply to the ministry for a refund whether the vehicle is based in British Columbia or out-of-province.

Out-of-Province Based Vehicles

Out-of-province based vehicles licensed in another jurisdiction must pay the full MJV tax to their base jurisdictions at the time of licensing the vehicle, and apply to the ministry for the applicable refund.

To claim a refund, complete the *Application for Refund of Social Service Tax in Relation to Multijurisdictional Vehicles* form ([FIN 413/MJV](#)) This form is available from ministry or Service BC-Government Agent offices. You will also find it on our website at: www.sbr.gov.bc.ca/ctb/forms.htm.

Forward refund applications to:

Refund Section
Consumer Taxation Programs Branch
PO Box 9442 Stn Prov Govt
Victoria, British Columbia V8W 9V4

Please note that refund requests must include copies of all relevant documents.

RECORDS AND AUDITS

Records

Carriers who register vehicles under IRP must maintain records to substantiate the reported distances travelled and the costs of all vehicles in the IRP fleets.

Information on acceptable documentation and record retention periods is contained in ICBC's *British Columbia Apportioned Registration Manual*.

Audits

The ministry conducts audits of carriers based in British Columbia on behalf of all IRP member jurisdictions. The purpose of the audit is to ensure compliance with established rules and regulations governing prorated registration. The audits also ensure proper payment of prorated fees and taxes to British Columbia and to all other IRP member jurisdictions in which the carrier is (or was) registered for multi-jurisdictional travel.

To minimize the inconvenience of audits to carriers, an International Fuel Tax Agreement (IFTA) audit, motor fuel tax audit, and a social service tax audit of the company's operations in British Columbia will generally be conducted at the same time.

NEED MORE INFO?

This bulletin is provided for convenience and guidance.

If you have any questions, call us at 604 660-4524 in Vancouver or call toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

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 5, 11, 13, 20, 28 to 35, 75(f) (i), 130(a.1), and Regulations 2.45, 2.55 and 9.1 to 9.9; *British Columbia Apportioned Registration Manual*, ICBC