

## THE RETAIL SALES TAX ACT

### PRIVATELY PURCHASED VEHICLES

This bulletin provides information regarding the Retail Sales Tax (RST) application on privately purchased vehicles. It also outlines the vehicle tax refunds that are available.

#### Section 1 – GENERAL INFORMATION

##### What is a privately purchased vehicle?

- A privately purchased vehicle is a motor vehicle or off-road vehicle purchased or leased from a person or a business that is not a vehicle dealer.
- A motor vehicle is a vehicle as defined under *The Highway Traffic Act* and an off-road vehicle is a mini-bike, dirt bike, trail bike, snowmobile or all-terrain vehicle.

**Please Note:** In this bulletin, the term “vehicle” refers to both motor vehicles and off-road vehicles. If the term “motor vehicle” or “off-road vehicle” is used, it means only those types of vehicles.

##### Purchases and leases from a vehicle dealer

- When a new or used vehicle is purchased or leased from a vehicle dealer, the dealer is required to collect the RST on the net amount charged for the vehicle at the time of sale.
- For further information, see Bulletin No. 012 – Motor Vehicle and Trailer Dealers and Bulletin No. 013 – Off-Road Vehicle and Boat Dealers.

##### Inter-jurisdictional motor carriers

- See Bulletin No. 046 – Sales to Interjurisdictional Motor Carriers for information on trucks and trailers sold to interjurisdictional motor carriers.

#### Section 2 – PRIVATELY PURCHASED OR LEASED VEHICLES

##### RST collectible at time of vehicle registration

- When a vehicle is purchased privately, RST is collected by Manitoba Public Insurance (MPI) or an Autopac Agent at the time of registration.

##### How is tax calculated on a vehicle purchased privately in Manitoba?

- For passenger cars, light trucks, sport utility vehicles and vans, RST is calculated on the greater of its purchase price and its average wholesale price as listed for Western Canada in the Sanford Evans Gold book of vehicle values.
- For motorcycles, all terrain vehicles and snowmobiles, RST is calculated on the greater of its purchase price and its current resale value as listed in the Sanford Evans Gold Book for motorcycles/all terrain vehicles and the

Sanford Evans Gold Book for snowmobiles.

- If an appraisal report is obtained for a vehicle with severe damage or excessive use, as described below, RST applies on the greater of its purchase price or its appraised value.
- For buses, trailers and motor homes, RST is calculated on the purchase price.
- For vehicles with an average wholesale price or current resale value less than \$1,000, RST is calculated on the purchase price.
- If a vehicle is purchased with a trade-in, RST is calculated on the net purchase price, as described below in this bulletin.

**How is RST calculated on a vehicle purchased outside of Manitoba?**

- If a vehicle is acquired outside of Manitoba, all charges in connection with the transaction (such as, delivery, federal duty and excise taxes) are subject to RST, excluding the GST and any taxes imposed by the other jurisdiction.

**Example 1:** If a vehicle was privately purchased in the United States, the RST is to be calculated on the greater of the vehicle purchase price (converted into Canadian dollars) + federal duty + excise tax or its average wholesale price or current resale value.

**Example 2:** For vehicles purchased from out-of-province dealers, RST applies on the purchase price + any other applicable charges (such as shipping charges, federal duty or excise taxes), excluding the GST and any taxes imposed by the other jurisdiction.

**Please note:** When a vehicle is imported into Manitoba from outside of the country, the Canada Border Services Agency agent will complete a form titled "Casual Goods Accounting Document" (also known as a B15 form) or a form titled "Canada Customs – Coding Form" (also known as a B3 form – which is completed when goods are brought into Canada by a customs broker). These forms will list the purchase price of the vehicle in Canadian dollars along with any duty and excise tax. A copy of these forms must be provided to MPI or an Autopac agent when registering the vehicle.

**What is the "average wholesale price" and the "current resale value"?**

- The average wholesale price is the price listed for western Canada in the Sanford Evans Gold Book of vehicle values.
- The current resale value is the price listed in the Sanford Evans Gold Book for motorcycles/all terrain vehicles and the Sanford Evans Gold Book for snowmobiles.
- The average wholesale price or current resale value of an older vehicle not listed in the Sanford Evans Gold Book is the last value listed for that vehicle less 10% for each earlier year.
- The average wholesale price or current resale value of a newer model vehicle not listed in the Sanford Evans Gold Book is the most recent value listed for that vehicle.

- If the Sanford Evans Gold Book does not contain any listing for a vehicle, the average wholesale price or current resale value is its purchase price.
- The average wholesale price and the current resale value are for vehicles with standard equipment in that trim line. RST is only calculated on these values and not on optional equipment.

**Vehicles with severe damage or excessive use**

- If a person purchased a vehicle with severe damage or excessive use for less than the average wholesale price or the current resale value and the vehicle is appraised by an authorized appraiser, RST is calculated on the greater of the purchase price or the appraised value.

**Motor Vehicle and Off-Road Vehicle Appraisal Report**

- A Motor Vehicle and Off-Road Vehicle Appraisal Report is completed by an authorized appraiser that certifies the vehicle's appraised value. The appraiser conducts a detailed inspection of the vehicle and outlines on the report the damage or condition that affects the value of the vehicle.
- Each authorized appraiser independently establishes their own fees for a vehicle appraisal. The cost of an appraisal will not be refunded by Taxation Division; each purchaser of an appraisal is responsible for its cost.
- The Motor Vehicle and Off-Road Vehicle Appraisal Report is available from the Taxation Division offices and website listed at the end of this bulletin.

**Who is an authorized appraiser?**

- An authorized appraiser is a new or used vehicle dealer who regularly deals in that type of vehicle or an appraisal firm that is qualified to appraise that type of vehicle.

**Motor Vehicle and Off-Road Vehicle Appraisal Report completed after registering the vehicle**

- If RST was paid on a vehicle on its average wholesale price or its current resale value and a Motor Vehicle and Off-Road Vehicle Appraisal Report is subsequently completed after registering a vehicle, it can be forwarded along with an application for refund to one of the Taxation Division offices listed at the end of this bulletin.
- Any refund payable would be based on the difference between the tax paid and the tax that should have been paid based on the greater of the purchase price and the vehicle's appraised value.

**RST paid on vehicles requiring repairs prior to registration**

- If RST was paid on a vehicle on its average wholesale price or its current resale value and this vehicle required repairs prior to being able to register it, a RST refund may be applicable. A Motor Vehicle and Off-Road Vehicle Appraisal Report is not necessary to apply for the refund but a copy of the bill of sale, the vehicle purchaser's return (tax form RT 12), the repair bills, and the certificate of inspection along with an application for refund must be forwarded to one of the Taxation Division offices listed at the end of this bulletin.
- Any refund on the RST paid on repair parts and services is limited to repairs performed prior to the issuance of the certificate of inspection.

**Vehicle purchased with a trade-in**

- When a vehicle is purchased with a trade-in, RST applies on the net purchase price (i.e. the purchase price – the value of the trade-in) if all vehicles involved in the transaction are of the same general kind.

- Vehicles defined under *The Highway Traffic Act* are considered the same general kind, and mini-bikes, dirt bikes, trail bikes, snowmobiles or all-terrain vehicles are off-road vehicles that are considered the same general kind.
  - **For example:** A trade-in of the same general kind is a car traded-in on a truck or a snowmobile traded-in on an ATV. RST applies on the net difference payable when any vehicle that is defined under *The Highway Traffic Act* is traded-in for another vehicle in that group, and when any vehicle that is an off-road vehicle as described above is traded-in for another vehicle in that group.
  - When a vehicle in one group is traded for a vehicle in another group (such as a snowmobile on a car), RST applies on the greater of the vehicle's purchase price and its average wholesale price before deducting the trade-in allowance.
  - The average wholesale price or the current resale value is not used when a vehicle is purchased with a trade-in.
- How is tax calculated on a lease vehicle?**
- When a vehicle is leased and RST is not collected on the lease, MPI or an Autopac agent will collect RST on the monthly payments for the entire term of the lease. For example, if a vehicle is leased for \$600 a month for 12 months, the RST payable is  $\$600 \times 12 \times 7\% = \$504$ .
  - If a person entered into a vehicle lease outside of Manitoba and subsequently brings the leased vehicle into the province, no RST will apply if the registered owner provides a letter from the leasing company stating that it will collect RST on the monthly payments. The letter from the leasing company must state their RST number. In the absence of such a letter, RST will apply on the remaining monthly lease payments as described above.
  - The average wholesale price or the current resale value is not used when a vehicle is leased.

### Section 3 – EXEMPTIONS

**General information**

- There are several RST exemptions that relate to vehicle purchases. If a purchase qualifies for a RST exemption, no tax is applicable. To qualify for an exemption, a purchaser will have to meet the specific requirements of that exemption and sign a declaration certifying that they meet those requirements.

**Gifts from a qualifying family member**

- Gifts received from a qualifying family member are not taxable if the qualifying family member gifting the vehicle:
  - Paid the tax on the gifted vehicle, or
  - Received the vehicle under a bequest or devolution of an estate, or
  - Brought the vehicle into Manitoba as settler's effects, or
  - Received the vehicle from another qualifying family member at least 12 months earlier and this qualifying family member paid the tax.

- A qualifying family member means a father, mother, son, daughter, spouse, common-law partner, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson and stepdaughter of the recipient.

**Please note:** A gifted vehicle received from a sibling, cousin, uncle, aunt or other person that is not a qualifying family member is taxable.

- Common-law partners are persons who have:
  - Cohabited in a conjugal relationship for 3 years or more,
  - Cohabited in a conjugal relationship for 1 year or more and there is a child of their union, or
  - Registered their common-law relationship under *The Vital Statistics Act*.
- For the purpose of determining the relationship between family members, a qualifying common-law partner is treated the same as a spouse. For example, a person's common-law partner is regarded to be the daughter-in-law/son-in-law of the person's parents.

**Please note:** RST is payable where a gift, or a series of gifts within 12 months, results in the transfer of a vehicle between family members other than a qualifying family member. For example, where a child gifts a vehicle to a parent who then gifts the vehicle immediately to another child, the series of gifts is considered to be a transfer between siblings.

- When registering the vehicle, the recipient of the gift must produce verification of the gift, such as a written note from the previous owner stating that they are gifting the vehicle and their family relationship to the recipient.

#### **Settler's effects**

- A vehicle may be brought into Manitoba without RST when a person takes up residence in the province if the person:
  - Resided outside of Manitoba for at least 6 consecutive months,
  - Purchased the vehicle at least 30 days prior to taking up residence in Manitoba, and
  - Brought the vehicle into Manitoba within 6 months after taking up residence.
- Documentation demonstrating the above requirements must be presented to MPI or an Autopac agent when registering the vehicle.

#### **Status Indian or Indian Band**

- Status Indians and Indian Bands may purchase vehicles RST exempt provided:
  - The title to the vehicle is transferred on a reserve; and
  - The purchase documents are signed on a reserve, and
  - The purchaser takes possession of the vehicle on a reserve.

**Please note:** If a Status Indian or Indian Band jointly purchases a vehicle with a non Status Indian, RST applies on the non Status Indian's percentage share of the vehicle.

- To qualify for exemption on a leased vehicle the Status Indian must reside on a reserve, in addition to the above conditions.

**Please note:** Corporations held by Status Indians or Indian Bands do not qualify for the RST exemption available to Status Indians and Indian Bands.

- When registering the vehicle, the person claiming this exemption must provide a copy of their Certificate of Indian Status Registry No. (or Band number if the sale is to an Indian Band) and the name of the reserve on which legal title to the vehicle was transferred and to which the vehicle was delivered.

#### **Exclusive use**

- Vehicles can be registered without paying RST under an exclusive use agreement if the owner of the vehicle has paid RST on the vehicle or received the vehicle under a RST exemption (such as a bequest or as a gift from a qualifying family member).
- An exclusive use agreement allows the legal owner to give use of their vehicle to another person who will become the vehicles registered owner (for example – a family member may give exclusive use to another family member or a charitable organization may give exclusive use of a specially modified vehicle to a physically disabled individual).
- A copy of the exclusive use agreement between the vehicle owner and the other person must be presented at time of registration.

#### **Bequest or devolution of an estate**

- No RST applies on a vehicle that is bequeathed to a person or that is received through devolution of an estate.
- If the vehicle that is bequeathed or received through devolution of an estate is located outside of Manitoba, the exemption will still apply.
- A letter from the estate's executor containing the executor's name and address, the deceased person's name and former address and stating that the vehicle is being bequeathed or given through devolution of an estate must be presented to MPI or an Autopac agent at time of registration.

#### **Charitable gifts**

- Charitable organizations can receive gifts of vehicles tax exempt if the donor has:
  - Paid the RST on the gifted vehicle,
  - Received the vehicle under a bequest or devolution of an estate,
  - Brought the vehicle into Manitoba as settler's effects, or
  - Received the vehicle from another qualifying family member at least 12 months earlier and this qualifying family member paid the tax.
- Charitable organizations can gift vehicles tax exempt to another person if the charitable organization has paid the tax on the vehicle or if the vehicle was received as a gift and the donor paid RST on the gifted vehicle.
- A letter outlining that the vehicle is being gifted must be presented when registering the vehicle.

**Prizes**

- A person who has won a vehicle as a prize can register the vehicle without paying RST if the contest or lottery sponsor has paid RST on behalf of the prize winner.
- When registering the vehicle, the prize winner will be required to provide a copy of a letter from the contest or lottery sponsor confirming that they are the prize winner and a copy of the vehicle's purchase invoice showing that RST has been paid by the contest or lottery sponsor.

**Homemade trailers and other vehicles**

- Homemade trailers and other homemade vehicle (such as a car or motorcycle) that are build by the individual registering them are exempt of tax if RST has been paid on all the materials.
- Copies of all the invoices for the materials showing that RST has been paid must be supplied to MPI or an Autopac Agent when registering the homemade trailer or other homemade vehicle.

**Please note:** RST applies on homemade trailers and other homemade vehicles that are purchased in a private transaction on their purchase price (i.e. the homemade trailer and other vehicle are not build by the individual registering them).

**Previously registered by owner**

- A vehicle may be registered without paying RST if the owner has:
  - previously registered the vehicle, and
  - continuously owned the vehicle, and
  - previously paid RST.
- Documentation demonstrating the above requirements must be presented to MPI or an Autopac agent when registering the vehicle.

**Please note:** If the vehicle was sold and subsequently reacquired, RST is applicable as the vehicle was not continuously owned by that person.

**Corporations and partnerships**

- Corporations and partnerships may receive vehicles RST exempt at the time of incorporation or partnership formation if the seller has paid the RST on the vehicles and the payment for the vehicle is exclusively shares or partnership interest equal to the full fair market value of the vehicle. The shares or partnership interest received must be retained for at least 6 months after the sale.
- For further information on the sale of vehicles to corporations and partnerships at the time of incorporation and other situations in which corporations or partnerships may be acquiring vehicles, see Bulletin No. 042 – Corporations, Partnerships, Joint Ventures and Trusts.

## Section 4 – REFUNDS

### What vehicle refunds are available?

- Purchasers of a vehicle may qualify for a buy/sell refund or a reduction of their tax payable at the time of registration, as discussed below.
- A RST refund is available if a person purchases a vehicle in Manitoba and removes it within 30 days for permanent use outside of the province and pays any applicable sales tax in the other jurisdiction. To apply for this refund, please complete a general refund application form available from the Taxation Division offices or website listed at the end of this bulletin.

**Please note:** All refunds and tax reductions are subject to a two year limitation.

### Buy/sell refund

- A RST refund is available when a person purchases or leases a vehicle, and within six months before or after the date of purchase or lease, sells a vehicle of the same general kind.
- Vehicles defined under *The Highway Traffic Act* are the same general kind, and mini-bikes, dirt bikes, trail bikes, snowmobiles or all-terrain vehicles are off-road vehicles that are the same general kind.
- The RST refund is equal to the lesser of:
  - the RST paid by the person on the vehicle purchased or on the vehicle sold, whichever is less; and
  - 7% of the sale price of the vehicle sold.

**Please note:** In the case of a lease, a refund will not be issued until the RST paid on the down payment and the monthly lease payments equals 7% of the selling price of the vehicle sold, or until the conclusion or termination of the lease, which ever occurs first. The buy-out amount is not included in the refund calculation unless it occurs within six months of starting the lease as a buy-out is a separate sale. The refund application must be received within 2 years of the start of the lease.

- Buy/sell refund application forms are available from MPI's website, Autopac agent offices or from the Taxation Division offices and website listed at the end of this bulletin.

### Reduction of tax payable by MPI or an Autopac agent

- If the purchaser of a privately purchased motor vehicle has sold a motor vehicle within six months prior to registering the privately purchased motor vehicle, MPI or an Autopac agent can reduce the amount of tax payable in respect of the privately purchased motor vehicle by an amount equal to the lesser of:
  - The RST payable on the purchased motor vehicle;
  - The tax paid by the person on the sold motor vehicle; and
  - 7% of the sale price of the sold motor vehicle.

- Both the motor vehicle purchased and the motor vehicle sold must be of a type requiring registration under *The Drivers and Vehicles Act* (such as a passenger car, truck or motorcycle).
- For other types of vehicle transactions (such as leases or the purchase and sale of off-road vehicles), the RST must be paid in full at the time of registration. If the purchase and sale of these vehicles qualify for a buy/sell refund, the request must be submitted to a Taxation Division office listed at the end of this bulletin.

**Please note:** The tax payable is reduced at the time of registration. Neither MPI nor an Autopac agent can issue a refund cheque in lieu of a reduction of the tax payable.

**Spouse**

- For the buy/sell refund or a reduction of tax payable, a person includes their spouse.

**Trade-in**

- A trade-in is not a sale. As RST is payable only on the net difference, the tax has already been reduced which eliminates the need to apply for a tax refund or to obtain a tax reduction.

**Insurance Settlement**

- If a vehicle is stolen or written-off, transferring the vehicle to the insurance company is not a sale. RST is included in your insurance settlement from Manitoba Public Insurance.

**Processing fee**

- A \$25 processing fee is deducted from each buy/sell refund application that is processed by Taxation Division.
- If a reduction of tax payable is done by MPI or an Autopac agent, the processing fee does not apply.

**FURTHER INFORMATION**

This bulletin is intended to serve as a guideline and is not all-inclusive. For the specific wording of the law, please refer to *The Retail Sales Tax Act and Regulations*. Further information may be obtained from:

**Winnipeg Office**

Manitoba Finance  
Taxation Division  
101 - 401 York Avenue  
Winnipeg, Manitoba R3C 0P8  
Telephone (204) 945-5603  
Manitoba Toll Free 1-800-782-0318  
Fax (204) 948-2087

**Westman Regional Office**

Manitoba Finance  
Taxation Division  
314, 340 - 9th Street  
Brandon, Manitoba R7A 6C2  
Fax (204) 726-6763

E-mail: [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca)

**ONLINE SERVICES**

Our Web site at [manitoba.ca/finance/taxation](http://manitoba.ca/finance/taxation) provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at [manitoba.ca/TAXcess](http://manitoba.ca/TAXcess) provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.