

RTG: 158
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For Historical Reference Only

Effective April 1, 2013, the Province of Prince Edward Island adopted the harmonized sales tax (HST). HST replaces the former provincial revenue sales tax (PST). The information provided on the PST is presented for historical reference only. Please refer to the [Canada Revenue Agency](#) for assistance with the application of the HST.

SALES TAX INFORMATION FOR SERVICE STATIONS AND GARAGES

INTRODUCTION

This guide has been prepared to provide owners and operators of service stations, garages, auto body shops, auto dealerships and businesses of a similar nature with information regarding the application of the revenue tax (PST) in relation to the sale and repair of taxable goods as it applies to their type of business.

RESPONSIBILITIES

As a registered vendor, under the Prince Edward Island *Revenue Tax Act* you are required to charge and collect revenue tax (PST) on all taxable sales. Also, you are required to remit the tax collected and file vendor returns by the 20th day of the month following the end of your reporting period. These returns must contain information on sales made and revenue tax (PST) collected during the reporting period. The Department considers revenue tax (PST) to have been collected at the time of sale regardless of the method of payment for the sale.

RECORDS

All vendors are required to maintain proper accounting records providing information for tax inspection and audit purposes, including;

- (a) Sales invoices, purchase invoices and cash register tapes. Invoices should include the purchaser's name, date, description of the merchandise and the tax charged.
- (b) Details of exempt sales, such as sales to other registered vendors, farmers, fishers and aquaculturists. Vendor Account, Business Class Codes or Revenue Tax Exemption Permit number must be recorded on all invoices on tax exempt sales.

(c) Records of revenue tax (PST) collected, including the vendor's copy of vendor return forms, records of payments and the commission taken.

(d) A record of all goods taken from stock for own use.

All records and documents must be retained until such time as the Provincial Tax Commissioner authorizes their destruction in writing.

PARTS FOR RE-SALE

The Vendor Account Number (six digits) and Business Class Code (four digits) allows you to purchase, revenue tax (PST) exempt, parts and materials which will be incorporated into or become affixed to your customer's vehicle; for example: spark plugs, batteries, body filler, patching supplies, welding rods, wheel weights, etc. You in turn must charge tax to your customers on the total job cost including both parts and labour.

SUPPLIES FOR OWN USE

In providing service to your customers, you must use certain materials and supplies that are consumed or used by you and do not become part of the vehicle being repaired. You are required to pay tax on all goods which you consume yourself.

The following are examples of goods which are taxable under the *Revenue Tax Act* when sold to garages, service stations and similar businesses for use or consumption and not for resale.

NOTE: This is not an exhaustive list and is intended as a guide only.

- Abrasives
- Anti-Freeze Testers
- Battery Chargers, Fillers, Testers
- Bulbs - For Lighting
- Cables - Booster, Towing
- Cans - Oil, Water and Paint
- Carborundum
- Car Seat Covers – Paper
- Cash Registers
- Chain Blocks and Chain
- Chamois
- Compressors
- Computers
- Creepers and Casters
- Desks
- Electric Sanders, Drills
- Hammers
- Electric Tape
- Emery Cloth
- Extension Cords and Fittings
- Engine Cleaning Compounds
- Equipment of All Types
- Exhaust Hose and Fittings
- Exhaust Fans
- Fender Protectors
- Grinding Wheels
- Grinding Compounds
- Grease Guns, Hose and Parts
- Hoists
- Hoses - Water, Air Brake
- Hand Tools
- Hacksaw Blades
- Hydrometers
- Jack Oil
- Jacks - Hydraulic, Bumper

- Lubrication Greases, Fittings
- Masking Tape, Duct Tape
- Office Supplies
- Oil Dry and similar preparations
- Penetration Oil
- Premiums
- Prestolite and similar refills
- Protective Covers
- Rags
- Sanding Discs
- Sand Paper
- Signal Gongs and Hose
- Spark Plug Testers and Cleaners
- Spouts - Oil Can
- Squeegees
- Stones
- Tire Brushes
- Tire and Tube Test Equipment
- Tools
- Trouble Lights, Cages and Bulbs
- Washing Compounds

If it is unclear whether an item is taxable or non-taxable, it should be referred to Taxation and Property Records Division of Finance, Energy and Municipal Affairs.

REPAIRS TO GOODS FOR RE-SALE OR LEASE

A registered vendor who has goods repaired which form part of inventory of goods for resale is not subject to revenue tax (PST) on the material or labour charged for such repairs. For example, a motor vehicle being repaired for resale by a licensed dealer or for lease by a car rental agency would not be subject to revenue tax (PST) on either the material or labour provided the vendor account number and business class code are recorded.

If the repairs are for the car dealer's own vehicle, for example, his service truck, then it is a purchase for own use and revenue tax (PST) must be charged, even if he quotes his vendor account number and business class code.

WARRANTY REPAIRS

If you replace or repair goods under warranty, free of charge, no revenue tax (PST) applies. However, there are various warranty plans requiring a partial payment or a deductible amount such as Drive or Power Train Warranties, Gold Plan, Extended Coverage and Insurance and each one is treated differently for purposes of revenue tax (PST).

Drive or Power Train Warranties usually continue for a longer period than the normal warranty. In most cases a deductible amount is part of the warranty coverage. The only amount subject to revenue tax (PST) on a Drive or Power Train Warranty is the actual amount billed to the customer, (the deductible amount.)

With a Gold Plan type of warranty the customer pays a fee to be covered under the warranty plan. The customer in this case, is still subject to revenue tax (PST) on the full amount of the deductible. For example; the deductible amount is \$100.00. Under the Gold Plan the customer pays \$25.00 and the Gold Plan pays \$75.00. The customer is still liable for revenue tax (PST) on the \$100.00 amount plus GST.

On Extended Coverage and Insurance plans, the revenue tax (PST) applies to the total repair bill plus GST before the deductible amount is taken off.

Some goods also carry a partial warranty - for example - tires where the customer is required to pay for tread wear. In these cases revenue tax (PST) is applied to the full amount charged to the customer.

REPAIRS TO OWN GOODS

A person who repairs his own goods or has such goods repaired by his own staff (i.e. paid employees) is not subject to revenue tax (PST) on the labour portion of such repairs. However, he must pay revenue tax (PST) on the cost of the parts used for such repairs.

REPAIRS TO EXEMPT GOODS

Repairs to goods which are exempt, (e.g. farm machinery and production equipment) are not subject to revenue tax (PST). Certain parts for and repairs to vehicles registered under the International Registration Plan (IRP) are exempt of revenue tax (PST). If you have customers who are registered under IRP you should obtain a copy of revenue tax guide [RTG:155 - Sales to Interjurisdictional Motor Carriers](#) prior to making tax exempt sales to these customers. **In ALL other cases, trucks, cars and other motor vehicles are not considered to be exempt goods, and repairs therefore are subject to revenue tax (PST).**

In the case of exempt repairs on exempt goods for farmers, fishers and aquaculturists, their Revenue Tax Exemption Permit number and the permit expiration date must be recorded on the invoice. **REPAIRS AND REPAIR LABOUR ON MOTOR VEHICLES OWNED BY FARMERS, FISHERS AND AQUACULTURISTS ARE ALWAYS SUBJECT TO REVENUE TAX (PST).**

In the case of production equipment, the customer must confirm that the equipment repaired is used directly in the manufacturing process.

TAXABLE ITEMS TO FARMERS, FISHERS AND AQUACULTURISTS

Garages, service stations and the like often sell or repair goods for farmers, fishers and aquaculturists. Although farmers, fishers and aquaculturists enjoy many exemptions under the *Revenue Tax Act*, they are also required to pay revenue tax (PST) on a range of items.

The following items are commonly mistaken as revenue tax (PST) exempt to farmers, fishers and aquaculturists, however, they are **TAXABLE** under the *Revenue Tax Act* and Regulations. These items are taxable whether the vendor installs them or not. This list is not an exhaustive list and is intended as a guide only. Items that arise where it is not clear whether taxable or not should be referred to Taxation and Property Records Division of the Department of Finance, Energy and Municipal Affairs.

- Anti-freeze
- Air Compressors
- Building Materials
- Construction Machinery
- Electric Bulbs
- Electric wiring for barns and housing
- Flares
- Flashlights
- Freezers
- Gas Cans
- Grease Guns
- Lawnmowers
- Motor vehicles including farm trucks, ATV's, motorbikes, snowmobiles, etc.
- Paint
- Paint Brushes
- Pumps (except part of irrigation systems)
- Refrigerators
- Stoves and Appliances (except for boats)
- Tools
- Tractors below compact utility class and accessories
- Trailers except unregistered farm trailers
- Truck Boxes other than bulk boxes specifically designed to haul farm products, fertilizer or pesticides
- Water systems

REPAIRS TO NON-RESIDENT VEHICLES

Any repair work completed on a vehicle owned by non-residents is taxable under the *Revenue Tax Act*. Both parts and labour are taxable based on the fact delivery of the parts and labour is within this province and is therefore consumed in this province. As long as possession of the goods and services is taken in Prince Edward Island, PEI revenue tax (PST) must be applied. The ultimate destination of the goods and services is immaterial.

SERVICE CALLS

Repair and installation labour on taxable goods is taxable. Charges for towing, battery boosting and Motor Vehicle Inspections are not taxable providing the charge is shown separately on your invoice.

PARTS ALLOWANCES

Where a vendor allows a credit for used parts, (e.g. the charge for a replacement pump and labour is \$25.00 less a \$5.00 allowance for the defective pump), revenue tax (PST) should be collected on the reduced charge (\$20.00). The allowance for the defective unit is considered to be a trade-in and, in such cases, the revenue tax (PST) is computed on the difference.

OTHER SALES

COOKING FUEL SALES (CHARCOAL, NAPHTHA, ETC.)

Fuels used for the preparation of food or heating of premises are exempt from revenue tax (PST).

CONFECTIONERY SALES

Chocolate bars, chewing gum, etc. are taxable if the total sale of taxable goods amounts to more than \$0.49.

PREPARED MEAL SALES

Prepared food products are subject to revenue tax (PST). For the purposes of this guide, prepared food products include food or beverages heated for human consumption, non-carbonated, non-alcoholic beverages when purchased with non-liquid food products, carbonated beverages, salads, sandwiches and similar products, platters of cheese, cold cuts, seafood, baked goods, fruit or vegetables, pastries, muffins, tarts, cookies, doughnuts, croissants, bagels, servings of pies or cakes and other baked goods and snack foods.

SALE OF THE SERVICE STATION BUSINESS

Before finalizing a sale of your business you should obtain, from the Provincial Tax Commissioner, a Clearance Certificate in duplicate stating that all taxes payable by you have been paid.

After the sale is finalized you should return your Certificate of Registration to the Taxation and Property Records Division, pay any remaining tax due, and advise the office of the name of the purchaser and the date he or she took over the business.

PROVINCIAL SALES TAX AND GST

With the implementation of the Federal Goods and Services Tax, a registered vendor under the Prince Edward Island *Revenue Tax Act* is responsible for collecting revenue tax (PST) on the selling price of goods and services including the GST.

FOR EXAMPLE:

Selling price of goods	\$10.00
G.S.T. at 5%	<u>.50</u>
	10.50
P.S.T. at 10%	<u>1.05</u>
Total Price	\$11.55

ENVIRONMENT TAX

The 1991 Provincial Budget introduced an Environment Tax on new tires. For purposes of the *Environment Tax Act*, a tire is considered to be "new" until it is sold at retail for the first time in Prince Edward Island.

The Environment Tax is to be collected from the consumer and remitted by the vendor on or before the 20th day of the month following the end of the reporting period. The Environment Tax is to be shown separately from revenue tax (PST) on any invoice. For the current Environment Tax rates please see [ETN:101 Environment Tax Rates](#).

Further Information

For copies of the [Revenue Tax Act](#), [Revenue Administration Act](#) and [Regulations](#) and any inquiries regarding this Revenue Tax Guide, please contact:

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