

Provincial Vehicle Tax – Determining the Fair Value of a Vehicle

The purpose of this bulletin is to provide clarification pertaining to the process of determining the fair value of a vehicle for taxation purposes where the vehicle is acquired through a private sale.

The imposition of Provincial Vehicle Tax (PVT) on vehicles is prescribed in subsection 14(1) of the **Harmonized Sales Tax Act** and section 18 of the General Regulation outlines the manner in which private sale transactions of vehicles are assessed tax.

The *Harmonized Sales Tax Act* imposes the tax at a rate of 15% on the fair value of a vehicle acquired in any transaction other than a purchase from a business registered to collect the Harmonized Sales Tax, where the fair value is the greatest of:

1. The purchase price detailed on a valid bill of sale;
2. The average wholesale value determined through the use of approved trade publications; and
3. The value established by the Provincial Tax Commissioner.

However, when the purchase price is less than the average wholesale value, but the difference between both values is \$1,000 or less, the fair value is determined to be the purchase price, while not going below the minimum fair value.

The minimum fair value for a motor vehicle, as per subsection 18(4) of the General Regulation under the *Harmonized Sales Tax Act*, is \$1,000. The minimum fair value for a motorcycle or off-road vehicle, as per subsection 18(5) of the General Regulation under the *Harmonized Sales Tax Act*, is \$500.

For the processing of transactions at the Service New Brunswick (SNB) counter the approved trade publications in use are the Canadian Red Book (Red Book) for motor vehicles, and the Canadian Sport Vehicle Blue Book (Blue Book) for motorcycles and off-road vehicles. The Red Book and Blue Book are standard valuation tools used by many jurisdictions. These books list average wholesale values based on the Vehicle Identification Number (VIN) and take into account a variety of factors that affect the resale values of vehicles.

When the documents are presented at SNB to complete the transaction, the Customer Service Representative will compare the purchase price indicated on the bill of sale with the average wholesale value in the Red Book or Blue Book to determine the fair value for PVT based on the criteria detailed above.

When a vehicle model or similar model is listed in the Red Book or Blue Book, but the vehicle year is too old to appear, fair value will be determined by taking the average wholesale value calculated using the Red Book or the Blue Book value for the last year that particular model or similar model is listed and then depreciate 10% per year as follows.

Beyond last listed year in Red or Blue Book:

1st year =	90%	4th year =	60%	7th year =	30%
2nd year =	80%	5th year =	50%	8th year =	20%
3rd year =	70%	6th year =	40%	9th year =	10%

Example:

2002 Toyota Corolla - The last average wholesale value listed in the Red Book is for a 2005 Toyota Corolla at \$2,600. To calculate the value of the 2002 Toyota Corolla:

<u>Last Average Wholesale Value in Red Book</u>	<u>Depreciation</u>	<u>Last Avg. Wholesale Value in Red Book x Depreciation</u>	<u>Average Wholesale Value</u>
\$1,600	70% (or 30% depreciation, 10% for each year)	\$1,600 x .70	\$1,120

For more information please refer to the [PVT Used Vehicles and Taxes; Frequently Asked Questions](#).

When a vehicle does not appear in the Red Book or Blue Book, the purchaser will be required to complete a Vehicle Purchase Affidavit (VPA). The completion of a VPA will allow for a preliminary assessment of the tax liability. It enables the transaction to be completed in a prompt and efficient manner. The fair value, at the time of registration, will be based on the information declared in the affidavit, which means the tax, at a rate of 15%, will be applied to the greater of the purchase price (or any amount of other consideration given in exchange for the vehicle) and minimum value. For more information please refer to the [PVT Vehicle Purchase Affidavit; Frequently Asked Questions](#).

Once received by Finance and Treasury Board, the documents provided at Service New Brunswick (SNB) will be reviewed and may be audited. If the Tax Commissioner determines that the values used for taxation purposes did not represent the actual fair value of the vehicles, or if the Tax Commissioner has reason to believe that additional consideration was involved in the transaction, an assessment will be issued and may also result in the issuance of fines and / or penalties.

Any person who knowingly provides false or misleading information, or who presents fraudulent documentation, commits a serious offence. The department has recently reallocated resources to ensure the detection and subsequent assessment of individuals involved in tax evasion.

For more information, please refer to the [Bulletin PVTB-115](#); Tax Evasion Bulletin.

Additional Information

If this bulletin does not address your particular situation, or if you have further concerns regarding taxes, please refer to the [Act](#) and related regulations, visit our website at: www.gnb.ca/finance or contact:

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Disclaimer: The material in this bulletin is for your information and assistance only and should not be regarded as a replacement for the applicable legislation and associated regulations.