

Provincial Vehicle Tax – Tax Evasion

What is Tax Evasion?

Tax evasion, as it relates to Provincial Vehicle Tax (PVT), occurs when an individual or a business purposely tries to deceive the government so that the tax paid or payable is less than the tax amount that should have been paid based on laws and regulations.

Tax evasion leads to the hidden sector of the underground economy where economic activity or transactions in goods or services are partially or entirely hidden from the government in order to reduce, or evade paying, taxes. This includes activities that may be productive and legal but are deliberately concealed from authorities with the intention of avoiding taxes.

The following are some of the tax evasion methods used to reduce or eliminate the amount of tax due on the transfer of a vehicle:

- Providing inaccurate bill of sale documents (produced by the seller or purchaser) that include a value that is less than the actual purchase price and / or amount of consideration provided by the purchaser to acquire the vehicle.
- Purchaser produces a fraudulent bill of sale, or alters the original bill of sale, and submits this at the time of registration instead of the original document provided by the seller.
- Intentionally making false statements to lower the tax payable at the time of registration, which may include;
 - providing a reduced purchase price;
 - omitting an amount of consideration; or
 - making false statements on declarations/affidavits when applying for legislated exemptions to which the individual does not qualify.
- Making false statements or submitting fraudulent documentation when applying for a refund of PVT.

Will I Get Caught?

In its continuous efforts to ensure fairness and protect the integrity of the tax system, Finance and Treasury Board routinely conducts comprehensive reviews and audits of vehicle transactions. These examinations may include, but are not limited to, reviewing the documents presented at the time of registration, previous transaction history, communication with the taxpayer and analysis of fair value on the open market. These investigations also include audits of affidavits submitted as part of the transfer of vehicles to determine if exemptions were applied correctly.

The General Regulation, under the *Harmonized Sales Tax Act*, allows for the Provincial Tax Commissioner (Commissioner) to determine the fair value of a vehicle, for the purpose of taxation, if in the opinion of the

Commissioner, the fair value attributed to the vehicle by the purchaser does not represent the actual fair value of the vehicle.

After the audit of a transaction is completed and it has been determined that tax evasion has occurred, the department may levy an assessment. The assessment will advise that there are additional taxes, and applicable interest, which must be paid to the Minister of Finance and Treasury Board.

In addition to supplementary tax being levied, you may also be subject to significant fines and / or penalties prescribed by legislation as outlined below.

Consequences of Tax Evasion

Tax evasion is a crime and the *Harmonized Sales Tax Act and the Revenue Administration Act* prescribe fines ranging from \$240 to a maximum of \$10,200 for failing to comply with the provisions of the *Acts*. Additionally, the *Criminal Code of Canada* has provisions that deal specifically with fraud. Being convicted of tax evasion can also lead to fingerprinting, court imposed fines, jail time, and a criminal record. Moreover, when taxpayers are convicted of tax evasion, they must still repay the full amount of taxes owing, plus interest and any penalties assessed.

Furthermore, when tax evasion occurs, the government sustains enormous revenue losses and, as a result, all New Brunswick residents are affected. These losses contribute to an increased debt level, undermine the integrity of our tax system and negatively impact the government's ability to deliver fundamental services to the public. Where the taxation of motor vehicles is concerned, the revenues collected are used to provide critical government services to the residents of the province, for example, these revenues support hospitals, schools and necessary infrastructure projects. In situations where individuals attempt to minimize or evade taxes, it decreases the revenues available to fund these important services, which has a significant impact on the availability and quality of the services offered.

Tax evasion also leads to an unfair tax system where some residents are forced to pay for others. Individuals who comply with the law bear a heavier tax burden than they should because they are forced to compensate for others who participate in the underground economy.

Where the taxation of vehicles is concerned, Finance and Treasury Board relies on **all** taxpayers to submit true and accurate documentation at the time of registration and to pay the tax in accordance with the applicable legislation.

How Can I Help Prevent Tax Evasion?

Accurate bill of sale

- Always provide an accurate bill of sale document that specifies all purchase information, including considerations. For example, if there is a loan takeover involved in the purchase, this should be identified on the bill of sale presented when the vehicle is being transferred.
- The purchase price on the bill of sale should never be reduced, or altered in any way, from the value actually provided to the seller for the purchase of the vehicle.

Keep a paper trail

- Purchasers are required to present a bill of sale document when transferring the vehicle ownership. If you are selling a vehicle, you should make a copy of the original bill of sale document you issue to the purchaser.
- Keep a copy of any documentation related to the sale of the vehicle. For example, if the payment is made by cheque, you should keep a copy of the cheque or the deposit slip issued by the bank.

Report suspicious transactions

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.

If you have information regarding suspected tax evasion (or fraudulent activity), or if you have additional concerns regarding taxes, please contact Finance and Treasury Board:

Finance and Treasury Board
Revenue Administration Division
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Fredericton, NB E3B 5G5

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