

# Private Sales of Used Motor Vehicles

## About this Guide

The information in this *Guide* explains how Retail Sales Tax (RST) applies to used motor vehicles sold privately. Please note that this *Guide* replaces the “Used Vehicle Information Program” *Guide* dated January 1998.

For general RST information that applies to all businesses, such as registration for vendor permits, general exemptions, and how to charge and collect tax, see ***Small Business Pointer 901 – The Basics of Retail Sales Tax.***

## Used Motor Vehicles

### When is RST Payable?

RST is payable on the “fair market value” of a used motor vehicle purchased privately. Purchasers must pay the RST at the Ministry of Transportation, Driver and Vehicle Licence Issuing Office (Licence Issuing Office), when transferring the ownership of a used motor vehicle bought from a seller who is not a motor vehicle dealer in Ontario.

### Fair Market Value

Fair market value means the greater of the declared purchase price or the used motor vehicle’s average wholesale value. The average wholesale value of a used motor vehicle is the amount stated in the Canadian Red Book or the Canadian Older Car/Truck Red Book (Red Book). If the average wholesale value per the Red Book is less than \$1,000, then RST is payable on the declared purchase price of the used motor vehicle. Used motor vehicles include passenger cars, vans, motorcycles, and light trucks that have an empty weight of 2,200 kilograms or less.

The fair market value does not apply to buses (regular and school), imported vehicles registered for the first time in Ontario, mopeds, motor homes, off-road vehicles, snowmobiles and all-terrain vehicles, trailers and trucks that have an empty weight greater than 2,200 kilograms. RST applies to the declared purchase price.

### Motorcycles

Since the Red Book does not provide values for used motorcycles, the average wholesale value of a used motorcycle is the declared purchase price.

### Used Motor Vehicles Older Than 20 Years

For used motor vehicles that are 20 years or older at the time of registration, RST is payable on the greater of the following:

- the declared purchase price
- the replacement value for insurance purposes, or
- the appraised value.

A copy of the bill of sale, and, either a copy of the appraisal document or an insurance policy showing the insured value of the vehicle, must be provided to the Licence Issuing Office at the time of registration.

**Imported Vehicles**

Used motor vehicles purchased outside Ontario and brought into the province for personal use are subject to Retail Sales Tax (RST) on the declared purchase price. The RST must be paid at the Licence Issuing Office when the vehicle is first registered in Ontario. RST is not payable if the vehicle is brought into Ontario as settler's effects or by foreign states, representatives or officials.

**Used Vehicle Information Package**

The private seller of a used motor vehicle is required to purchase a Used Vehicle Information Package (UVIP) at the Licence Issuing Office. The seller is required to supply the purchaser with this package at the time of sale.

The UVIP contains vehicle registration history in Ontario, including all present and previous owners in Ontario as well as the municipality of residence, odometer information, vehicle lien information, the fair market value (Red Book) on which the minimum tax payable will apply and other information such as consumer tips, vehicle safety standards inspection, RST information and forms for bills of sale.

## Trade-ins

Private purchases may include exchanging or trading motor vehicles. RST is payable on the fair market value of any passenger car, van, motorcycle, or light truck that is acquired as the result of an even trade, trade-down or trade-up. The fair market value is not reduced by the value of the motor vehicle accepted as a trade or exchange. Any other taxable goods purchased along with a vehicle are subject to RST at the time of transfer.

## Appraisals

**Excessively Worn or Damaged Vehicles**

For used motor vehicles purchased privately, RST is normally paid on the greater of the purchase price or the average wholesale value (Red Book) of the vehicle. For excessively worn or damaged vehicles that have a Red Book value of \$1,000 or more, the purchaser has the option of having the vehicle appraised before the ownership is transferred. RST will be collected at the Licence Issuing Office on the greater of the purchase price or appraised value.

If a purchaser has paid RST on the used vehicle's average wholesale value at the time of transfer and later obtains an appraisal that shows that the average wholesale value is higher than the appraised value, the purchaser may claim a refund. The refund will be the difference between the RST paid on the average wholesale value and the RST due on the appraised value. The appraisal must be done within 60 days from the date of purchase to qualify for a partial refund.

**Documentation**

The appraiser must complete the required information on the *Motor Vehicle Appraisal Record* form that is available from the Ministry of Revenue. The appraised value of the used motor vehicle will only be accepted if the appraisal is done by:

- a new or used motor vehicle dealer that is licensed under the *Motor Vehicle Dealers Act* who sells at retail an average of 25 motor vehicles in a year, and is registered as a vendor with the ministry; or
- an independent motor vehicle appraiser who performs appraisals for insurance companies who are licensed under the *Insurance Act*. To be authorized as an independent appraiser, confirmation letters from the insurance companies for whom appraisals have been done must be provided by the appraiser to the ministry. The independent motor vehicle appraiser's number must be recorded on all appraisals.

## Exempt Transfers

### Estate Bequests

The ownership of a used motor vehicle may be transferred exempt from Retail Sales Tax (RST) to any beneficiary named in a will. A copy of the will must be shown to the Licence Issuing Office at the time of transfer.

Where there is no will, the beneficiary must provide:

- a copy of the Death Certificate, and
- a letter from the court or a lawyer to confirm that he or she is a beneficiary, or an affidavit or sworn statement supporting the requested transfer signed by the beneficiary.

If a will, letter, affidavit, or sworn statement cannot be provided, or if the ownership of the vehicle is to be transferred to someone other than a beneficiary, RST must be paid on the vehicle's fair market value.

### Gifts Between Family Members

A used motor vehicle may be transferred exempt from RST to a person from a member of his or her family. A family member means father, mother, spouse (as defined in section 29 of the *Family Law Act*), grandfather, grandmother, son, daughter, grandson, granddaughter, son-in-law, daughter-in-law, father-in-law, mother-in-law, step-father, step-mother, step-grandfather, step-grandmother, step-son, step-daughter, step-grandson or step-granddaughter.

Family members do not include brother, sister, aunt, uncle, or cousin.

Only one exempt transfer of the same vehicle, between family members, is allowed within a 12-month period.

If a used motor vehicle is given to a qualifying family member, the family members must complete a *Sworn Statement for a Family Gift of a Used Motor Vehicle in the Province of Ontario* form, which requires the signature of a Commissioner for Taking Affidavits. The completed form is to be given to the Licence Issuing Office at the time the ownership is transferred.

### Marital Breakdown

A used motor vehicle given to a spouse or former spouse as the result of a breakdown in the relationship is exempt from RST if it is part of a settlement under the *Family Law Act*.

### Donated Vehicles

A used motor vehicle may be donated exempt from RST to a qualifying religious, charitable or benevolent organization if the donor paid RST on the original purchase.

A used motor vehicle may be donated to an Ontario educational institution exempt from RST. The donor is not required to pay RST when acquiring the vehicle being donated.

### Settler's Effects

Individuals or businesses that are "settlers" may bring a used motor vehicle into Ontario exempt from RST if the vehicle was owned by them for at least 30 days before the move, and the vehicle was delivered into Ontario within six months of the move. Proof must be provided to show that the motor vehicle was previously licensed in a jurisdiction outside Ontario. For more information, see ***RST Guide 202 – Goods Brought Into Ontario***.

**Transfers  
Between  
Corporations  
and  
Shareholders**

No Retail Sales Tax (RST) is payable on the transfer of a used motor vehicle between:

- an individual and a corporation that the individual wholly owns (greater than 95 per cent of share capital), or
- a partnership and a corporation that the partnership wholly owns, or
- related corporations.

A used motor vehicle may be transferred an unlimited number of times within a related group of persons, provided the vehicle qualifies as eligible property.

A corporation may purchase a used motor vehicle from, or sell a used motor vehicle to, one of its shareholders. The RST payable may be pro-rated based on the shareholder's ownership of shares in the corporation immediately prior to the sale.

**Requirements for Exempt Transfers**

An exempt transfer of a used motor vehicle between related persons may only take place if:

- RST was paid when the vehicle was originally acquired by one of the related parties, and
- the related parties retain their relationship for a period of 180 consecutive days following the transfer.

If a used motor vehicle is transferred directly from a wholly-owned corporation to a member of the family who does not have direct or indirect ownership in the corporation, RST is payable on the fair market value of the vehicle.

**Documentation Required**

When transferring a used motor vehicle between a corporation and a shareholder, a *Sworn Statement for the Transfer of a Used Motor Vehicle in the Province of Ontario* form and an *Addendum to Sworn Statement When Claiming an Exempt Transfer of Used Motor Vehicles Between Corporations* form, must be completed and presented to the Licence Issuing Office. The forms must be witnessed and signed by a Commissioner for Taking Affidavits.

For more information, see ***RST Guide 214 – Transfer of Assets Between Related Persons***.




## Refunds

A refund of RST may be claimed on the purchase of a used motor vehicle where RST was paid in error.

Refund claims must be received by the ministry within four years from the date the RST was paid.

For more information, see ***RST Guide 700 – Refunds, Rebates and Adjustments***.

## More Information

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Ministry of Revenue  
Tax Advisory Services Branch  
Retail Sales Tax Section  
33 King Street West, 3rd Floor  
Oshawa ON L1H 8H5

## Disclaimer and References

The information contained in this publication is provided only as a guideline and is not intended to replace the legislation.

Legislative References:

- Retail Sales Tax Act, sections 4.2, 8; paragraph 7(1)58; clause 48(3) (n)
- Regulation 1012, Sections 1, 26, 27, 28, 29
- Regulation 1013, Section 13

*Cette publication est disponible en français sous le titre « Ventes de véhicules d'occasion à l'amiable ». Vous pouvez en obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297) ou en visitant [ontario.ca/revenu](http://ontario.ca/revenu).*