

Delivery Charges

About this Guide

The information in this *Guide* explains how Retail Sales Tax (RST) applies to delivery charges. Please note that this *Guide* replaces the previous version dated March 2001. Revisions to previous content have been identified by a bar (|).

Taxable Value

Fair Value

RST applies to the **fair value** of taxable goods and taxable services. If RST is collectable on the **sale or lease** of taxable goods and taxable services, RST is also collectable on any customs, mailing, handling, delivery, or transportation charges made by the seller or lessor, even though the purchaser may not have title to the goods and services. Mailing includes the charge made for postage.

Goods Imported for Own Use

Taxable goods and taxable services are often imported into the province for **own use**. In some cases, the goods and services are sent free of charge but the person or business in Ontario may be required to pay the applicable customs, duty, and federal Goods and Services Tax (GST) to the federal government. RST is payable on the applicable customs and duty, but not on the GST.

See **RST Guide 202 - Goods Brought Into Ontario** for details on the payment of RST if the goods and services are not sent free of charge.

Exemptions

Common Carrier

Customers may make their own arrangements with a common carrier to have the goods picked-up from the supplier and delivered to a specific location. A common carrier is a business (such as a moving company) whose only operation is delivering or transporting goods that are owned or sold by the carrier's customers. In this instance, the carrier is not required to collect RST on its invoice for the delivery or transportation charged to its customers.

RST does not apply to the cost or charges for mailing, handling, delivery, etc., if the goods, services, or the purchaser qualify for exemption from RST.

For example, when a trucking company delivers a manufacturer's taxable goods to various retail outlets, the delivery charges will be invoiced by the trucking company to the manufacturer. If the delivery charges are added to the manufacturer's invoice to the retailers, the goods and delivery charges would not be taxable if the goods are purchased by the retailers for the purpose of resale.

Purchase Exemption Certificates

| The customer **must** provide a valid Purchase Exemption Certificate (PEC) to their supplier when claiming an exemption from RST on taxable goods. See **RST Guide 204 - Purchase Exemption Certificates** for further details. If the PEC is not provided, RST is payable on both the goods and delivery charges.

Note: A Purchase Exemption Certificate cannot be used solely for delivery charges.

Out-of-Province Shipment

A vendor will often ship taxable goods directly to a customer located outside Ontario. The charges for mailing, delivery, etc., would not be subject to Retail Sales Tax (RST) if the vendor is able to provide proof of the out-of-province shipment.

Taxable and Exempt Items in Same Shipment

A shipment may include the delivery of some taxable and some tax-exempt items. The delivery and handling charges may be prorated based on the fair value of the goods. The portion that applies to the taxable goods is to be added to the amount on which RST is calculated.

Delivery of Clay, Gravel, Sand, etc.

RST does not apply to any charges made for the delivery of clay, gravel, sand, soil and unfinished stone **provided** the customer is made aware of the amount of the delivery charges included in the invoice price. The seller must keep supporting documents to show how their customers are made aware of the delivery charges. For example, contracts between the seller and customers must show the breakdown between the selling price of the gravel, sand, etc. and the charges for delivery. If the above items are mixed with each other, the charges for delivery would still be exempt provided the delivery charge is shown separately.

However, the exemption on delivery charges **does not** apply where the above items are mixed together with **other** ingredients. For example, if a mixture of salt and sand were sold, RST would apply to this mixture and to any related delivery charges.

Legislative References

Retail Sales Tax Act, Section 1, Subsection 2(18) and Paragraph 7(1)(42)
Regulation 1012 under the Act, Section 6
Regulation 1013 under the Act, Subsection 3(2)

For More Information

The information contained in this publication is only a guideline. For more information, please contact the Ontario Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297) or visit our website at ontario.ca/revenue.

Ce guide est disponible en français sous le nom « Frais de livraison, n° 602F ».

Vous pouvez obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297).