

Provincial Vehicle Tax – Trades

The purpose of this bulletin is to provide clarification regarding the application of Provincial Vehicle Tax (PVT) under the **Harmonized Sales Tax Act**, where vehicles are exchanged or traded as part of a private sale transaction¹.

As per section 16(2) of the *Harmonized Sales Tax Act*:

“If a person purchases a vehicle taxable under this Part and trades as part of the consideration of the purchase price one or more vehicles that are required to be registered under the Motor Vehicle Act or the Off-Road Vehicle Act, the tax shall be computed on the difference between the fair value of the vehicle purchased and the fair value of the vehicle or vehicles traded.”

Trades are restricted to vehicles that are required to be registered under the *Motor Vehicle Act* or the *Off-Road Vehicle Act*. For example, the credit does not apply where a person trades in a boat on the purchase of a car. One can, however, trade in an All-Terrain Vehicle, a motorcycle, or a snowmobile on a car.

If the vehicles being traded do not meet the criteria identified above, the transaction will be subject to the imposition of tax prescribed in subsection 14(1) of the *Harmonized Sales Tax Act*. For more information please refer to the [Bulletin PVTB-101](#); Determining the Fair Value of a Vehicle and / or [PVT Used Vehicles and Taxes: Frequently Asked Questions](#).

In all instances, the individuals trading vehicles must be the registered owners² of the vehicles. In addition, the transfer of both vehicle ownerships³ must be processed at the same time, unless one of the vehicles will be registered in a jurisdiction other than New Brunswick.

The transaction is not subject to the imposition of PVT provided the following criterion are met:

- the trade must be between two non-registrants⁴;
- there are no cash payments or other considerations⁵, such as services or other goods, involved; and
- the Red Book / Blue Book valuations are within \$1,000 of one another.

Example:

Anne trades her 2010 Nissan Rogue for Jackie’s 2010 Mazda MX-5.		
Trades	Comparison	Tax Application
Anne’s 2010 Nissan Rogue (Red Book value of \$7,700)	\$800 (Red Book difference)	No tax would be collected at the time of registration on this trade.
Jacque’s 2010 Mazda MX-5 (Red Book value of \$8,500)		

If the criterion above is not met, the transaction is taxable and PVT must be paid.

If there is no cash payment involved, tax is calculated on the difference between the Red Book / Blue Book values.

Example:

George trades his 2016 Honda Civic for Roger's 2015 Nissan Altima.		
Trades	Comparison	Tax Application
George's 2016 Honda Civic (Red Book value of \$11,500)	\$3,500 (Red Book difference)	Upon registering his newly acquired vehicle (Altima), <u>George</u> must pay 15% PVT on the Red Book difference of \$3,500.
Roger's 2015 Nissan Altima (Red Book value of \$15,000)		Roger's vehicle (Civic) would be registered exempt of tax.

If there is a cash payment involved, tax is calculated on the difference between the Red Book / Blue Book values or on the cash payment, whichever is greater.

Example:

Julie trades her 2008 Hyundai Accent plus \$2,500 for Jane's 2007 Chevrolet Avalanche.		
Trades	Comparison	Tax Application
Julie's 2008 Hyundai Accent (Red Book value of \$4,000)	+ \$2,500 (Cash payment) \$4,500 (Red Book difference)	Upon registering her newly acquired vehicle (Avalanche), <u>Julie</u> must pay 15% PVT on the Red Book difference of \$4,500.
Jane's 2007 Chevrolet Avalanche (Red Book value of \$8,500)		Jane's vehicle (Accent) would be registered exempt of tax.

The person acquiring the higher valued vehicle pays the PVT.

Out-of-Province trades are accepted only when the New Brunswick tax has previously been accounted for on the New Brunswick vehicle being traded. For example, a New Brunswick resident can trade his/her New Brunswick registered vehicle for a vehicle owned by an individual from outside New Brunswick.

Subject to Audit

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 to one or both parties 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.

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.

Definitions

- ¹Private Sale Transaction: When the supply (sale) of a vehicle is made from a non-registrant.
- ²Registered Owner: Name(s) of the owner(s) that appears on the vehicle ownership document.
- ³Vehicle Ownership: This is the proof of ownership document issued by SNB, on behalf of the Department of Public Safety. This document contains all the vehicle details and the owner's personal information.
- ⁴Non-Registrant: A person who is not registered for purposes of collecting the Goods and Services Tax / Harmonized Sales Tax (GST/HST).
- ⁵Consideration: Value in money, debt (particularly a debt related to the vehicle) assumed by the recipient, value of services rendered, actual value of goods given in exchange, and any service or form of payment accepted as the price of the vehicle.

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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