

Changes to Legislation Administered by the Consumer Taxation Branch

On July 30, 2001, the Minister of Finance announced the following amendments to the *Social Service Tax Act* and the *Motor Fuel Tax Act*.

Additional information on these amendments may be obtained from the Consumer Taxation Branch Web site at www.rev.gov.bc.ca/ctb, or by calling (604) 660-4524 in Vancouver. Outside Vancouver, please call toll-free 1-877-388-4440.

Social Service Tax Act

Production Machinery and Equipment Exemption

Effective July 31, 2001, an exemption is provided for *qualifying* production machinery and equipment when purchased or leased by:

- an eligible manufacturer, including wood products manufacturers, software developers, production mines, and petroleum and natural gas processors,
- persons who, for commercial purposes, regularly engage in logging,
- persons who, for commercial purposes, regularly engage in the exploration, discovery, and development of petroleum and natural gas deposits,
- persons who, for commercial purposes, regularly engage in the exploration for coal and mineral resources, and the development of coal or mineral mines, including building and construction stone, marble, shale, clay, sand and gravel, and
- persons who, for commercial purposes, regularly engage in geophysical surveying for the purposes of discovering and determining the scope of petroleum, natural gas, coal and mineral deposits.

This bulletin cancels and replaces Bulletin 100 issued March 2001.

A summary chart outlining the main features of this exemption is provided at the end of this bulletin. The chart will direct you to industry-specific bulletins to help you to determine whether or not your business qualifies for this exemption, and which machinery and equipment qualify for the exemption.

Taxable services (repair, installation and maintenance services) provided to exempt machinery and equipment are also exempt from tax.

Qualification for the exemption must be documented by the purchaser or lessee by signing a *Certificate of Exemption – Production Machinery and Equipment* (FIN 453/M). The completed certificate must be retained by the seller, lessor or person providing taxable services for audit purposes. Details on the use of this certificate and where to obtain it are contained in the industry-specific bulletins referred to in the chart.

Vehicle Surtax Thresholds for Passenger Vehicles Increased

Effective July 31, 2001, the threshold for the higher tax rates on purchases and leases of passenger vehicles is raised from \$32,000 to \$47,000. The tax rates applicable to passenger vehicles as of that date are as follows.

Purchase Price (or Tax Rate Value for leases)	Tax Rate
Less than \$47,000	7%
\$47,000 or more, but less than \$48,000	8%
\$48,000 or more, but less than \$49,000	9%
\$49,000 or more	10%

The new thresholds apply to all passenger vehicles purchased after July 30, 2001, even if the agreement to purchase was entered into, but not completed, prior to that date. For leased passenger vehicles, the new vehicle surtax thresholds apply to the first lease payment due after July 30, 2001.

No changes were made to what qualifies as a passenger vehicle. For more information on motor vehicles, please refer to Bulletin 042, *Motor Vehicle Dealers*, and Bulletin 103, *Lessors of Motor Vehicles and Trailers*.

Maximum Rebate for Alternative Fuel Vehicles Raised

Purchasers of eligible new alternative fuel passenger vehicles and new alternative fuel passenger buses may claim a partial rebate of 30% of the social service tax paid up to a maximum amount.

Effective July 31, 2001, the maximum rebate for a qualifying alternative fuel passenger vehicle is raised from \$500 to \$1,000. The maximum rebate for a qualifying alternative fuel passenger bus is raised from \$5,000 to \$10,000.

Qualifying alternative fuel vehicles include new factory manufactured motor vehicles, licensed for highway use and designed to operate:

- exclusively on electricity, ethanol, methanol, natural gas, or propane,
- as a hybrid electric vehicle (a vehicle propelled by a combination of electricity and another fuel), and
- as a bi-fuel vehicle (a vehicle with two separate fuel tanks that can be powered by propane or natural gas as well as by gasoline or diesel fuel).

For more information on the rebate for alternative fuel vehicles, please see Bulletin 085, *Alternative Fuel Vehicles and Alternative Motor Fuel Tax Concessions*.

Motor Fuel Tax Act

Marine Bunker Fuel Tax Exemption

Effective August 1, 2001, the 7% tax on marine bunker motor fuel is eliminated. Marine bunker fuel is used in the main engines of large international cargo and cruise ships.

Domestic Jet Fuel and Aviation Fuel Tax Reduction

Effective August 1, 2001, the tax rate paid on domestic jet fuel is reduced to 2 cents per litre to match the current tax rate on international jet fuel.

Effective August 1, 2001, the tax rate on aviation fuel is also reduced to 2 cents per litre.

PuriNOx™ Motor Fuel Tax Exemption

Effective August 1, 2001, a tax exemption is provided for PuriNOx™ motor fuel for a period of three years, ending July 31, 2004.

PuriNOx™ is a cleaner fuel technology that combines approximately 20% water with diesel fuel by means of a special additive and blending process. It is a cleaner direct alternative to conventional diesel fuel that can be used in existing diesel engines without modification.

For more information on fuel tax rates and alternative fuels, please refer to Bulletin 099, *Tax Rates on Motor Fuels*, and Bulletin 085, *Alternative Fuel Vehicles and Alternative Motor Fuel Tax Concessions*, respectively.

Summary of Production Machinery and Equipment Exemption

Who Qualifies	Manufacturers ¹ (includes software developers and wood products manufacturers)	Production Mines ²	Petroleum and Natural Gas Producers ³
Eligibility Test	<ul style="list-style-type: none"> ➤ Reasonable expectation that the total value of sales of the manufactured product will be over \$30,000 per year. ➤ If the manufactured product is for lease or own business use, reasonable expectation that the manufactured cost of the product will be over \$30,000. 		
What Machinery and Equipment is Eligible?	Machinery and equipment used primarily (over 50%) in the manufacture or production of tangible personal property (goods), including software, petroleum, natural gas, coal and minerals. <i>See industry specific bulletins for information on what is included and excluded from this exemption.</i>		
What is the Scope of the Exemption?	<p>Machinery and equipment used</p> <ul style="list-style-type: none"> ➤ from the point at which raw materials are received at the manufacturing site, ➤ to the point at which the finished product is first stored or removed from the site. <p>➤ Pollution control machinery and equipment, directly related to the manufacturing process, used exclusively and directly in the detection, prevention measurement, treatment, reduction or removal of pollutants in water, soil or air.</p> <p>➤ Machinery and equipment used exclusively and directly for carrying refuse and waste from, or exhausting dust or noxious fumes from, the manufacturing site, mine site, well head, processing plant or refinery.</p>	<p>Machinery and equipment used</p> <ul style="list-style-type: none"> ➤ from the point at which the raw material is extracted, ➤ to the point at which the finished product is removed from the mine site. 	<p>Machinery and equipment used</p> <ul style="list-style-type: none"> ➤ at the well head, ➤ at a processing plant or refinery up to the point where a marketable product is produced.

¹ See Bulletin 054, *Manufacturers or Notice to Software Developers*.

² Minerals include mining sites for coal, metal ore, tailings, building and construction stone, marble, shale, clay, sand and gravel. See Bulletin 081, *Mining Industry*.

³ See Bulletin 055, *Petroleum and Natural Gas Industry*.

All bulletins are available at the Consumer Taxation Branch Web site at www.rev.gov.bc.ca/ctb, from any Consumer Taxation Branch office, or by calling (604) 660-4524 in Vancouver or 1-877-388-4440 elsewhere.

Summary of Production Machinery and Equipment Exemption (cont'd)

Who Qualifies	Loggers ⁴	Exploration, Discovery and Development		Geophysical Surveyors ⁷
		Petroleum and Natural Gas ⁵	Coal and Minerals ⁶	
Eligibility Test	Regularly engages in one of the above activities for commercial purposes. <i>See industry specific bulletins for information on what is included and excluded from this exemption.</i>			
What Machinery and Equipment is Eligible?	Machinery and equipment, as prescribed, that is used exclusively (over 90%) in the above activities.			
What is the Scope of the Exemption?	<p>Machinery and equipment used</p> <ul style="list-style-type: none"> ➤ for felling trees, ➤ from the point of removal of the logs from the stump to the depositing of logs in landings or other first accumulation point, ➤ for loading, unloading, sorting or storing at a landing, booming ground, mill yard, etc. 	<p>Machinery and equipment that is prescribed, including:</p> <ul style="list-style-type: none"> ➤ petroleum and natural gas drilling rigs and other specialized machinery and equipment for use in petroleum and natural gas exploration, discovery and development, ➤ drilling rigs, mucking machines, excavators and other machinery and equipment specific to the search for coal or mineral deposits and development of related mine sites, ➤ seismic machinery and equipment and other specialized machinery and equipment used to determine the presence and scope of petroleum, natural gas, coal or mineral deposits. 		

⁴ See *Notice to the Logging Industry*.

⁵ See Bulletin 055, *Petroleum and Natural Gas Industry*.

⁶ Minerals include metal ore, coal, tailings, building and construction stone, marble, shale, clay, sand and gravel. See Bulletin 081, *Mining Industry*.

⁷ See Bulletin 055, *Petroleum and Natural Gas Industry* or Bulletin 081, *Mining Industry*.

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Further Information

This bulletin contains general information and is provided for convenience and guidance. If interpretation problems occur, please refer to the legislation or call the Consumer Taxation Branch at (604) 660-4524 in Vancouver, or toll-free at 1-877-388-4440 outside Vancouver.

Branch bulletins and publications are also available on the Consumer Taxation Branch Web site at www.rev.gov.bc.ca/ctb

Consumer Taxation Branch Offices

115-1180 Ironwood Road
Campbell River, BC
V9W 5P7
Phone: (250) 286-7567
Fax: (250) 286-7573

202-495 Dunsmuir Street
Nanaimo, BC
V9R 6B9
Phone: (250) 741-3652
Fax: (250) 741-5585

500-605 Robson Street
Vancouver, BC
V6B 5J3
Phone: (604) 660-4524
Fax: (604) 660-1104

100 Cranbrook Street N.
Cranbrook, BC
V1C 3P9
Phone: (250) 426-1599
Fax: (250) 426-1253

310 Ward Street
Nelson, BC
V1L 5S4
Phone: (250) 354-6799
Fax: (250) 354-6102

3201-30th Street
Vernon, BC
V1T 9G3
Phone: (250) 549-5660
Fax: (250) 549-5508

1201-103rd Avenue
Dawson Creek, BC
V1G 4J2
Phone: (250) 784-2459
Fax: (250) 784-2211

112-100 Main Street
Penticton, BC
V2A 5A5
Phone: (250) 492-1409
Fax: (250) 492-1213

540 Borland Street
Williams Lake, BC
V2G 1R8
Phone: (250) 398-4817
Fax: (250) 398-4208

250-455 Columbia Street
Kamloops, BC
V2C 6K4
Phone: (250) 828-4507
Fax: (250) 828-4542

478 – 1011 4th Avenue
Prince George, BC
V2L 3H9
Phone: (250) 565-4299
Fax: (250) 565-6035

Victoria Office Location:
1802 Douglas Street
Victoria, BC
Phone: (250) 387-0656
Fax: (250) 387-6218

1420 St. Paul Street
Kelowna, BC
V1Y 2E6
Phone: (250) 861-7699
Fax: (250) 861-7435

103-3220 Eby Street
Terrace, BC
V8G 5K8
Phone: (250) 638-6565
Fax: (250) 638-6519

Victoria Mailing Address:
Consumer Taxation Branch
PO Box 9442, Stn Prov Govt
Victoria, BC
V8W 9V4