

COMING THIS SEPTEMBER: A LUXURY TAX ON VEHICLES

Are you planning on purchasing a luxury vehicle in the coming months? Be aware that as of this fall, you are likely to experience an increase in the cost of certain luxury vehicles. While final legislation has yet to be enacted at the time of writing, the federal government quietly released revised draft proposals in March for a luxury tax to be introduced as of September 2022. The tax will apply to cars and aircraft with a retail sales price of over \$100,000 and boats valued over \$250,000.

The tax will be payable by a registered vendor based on the sale of the luxury good delivered in Canada, similar to the way in which vendors are responsible for collecting and paying the GST or provincial sales tax.

It is proposed to be calculated as the lesser of:

- (a) 20 percent of the retail sales price that exceeds the thresholds listed above: \$100,000 for cars/aircraft and \$250,000 for boats; or
- (b) 10 percent of the full value of the luxury car, boat or aircraft.



For instance, if you were to purchase a car priced at \$150,000:

- (a) 20 percent of the retail sales price over \$100,000, or \$50,000 = \$10,000
- (b) 10 percent of the full value of \$150,000 = \$15,000

Luxury Tax = Lesser of (a) and (b) = \$10,000

Sub-Total Price (before provincial sales tax and GST) = \$160,000

GST = \$8,000 (based on federal government backgrounder)

Total Sales Price with Luxury Tax and GST = \$168,000

For more information, please see the Government of Canada website at: www.canada.ca/en/departement-finance/news/2022/03/government-releases-draft-legislative-proposals-to-implement-luxury-tax.html