

Aircraft, Vessels and Vehicles: The New Luxury Tax

ADVANCED WEALTH
PLANNING GROUP

First announced in the 2021 Federal Budget, the new luxury tax will apply to sales, leases, and imports in Canada of certain luxury recreational aircraft, vessels, and vehicles **delivered on or after September 1, 2022**.

What is subject to the tax?

The sale, lease or import of **new vehicles**, private **aircraft**, and leisure **vessels** with a sale price* or value exceeding the price threshold of:

 **\$100,000**
for vehicles and aircraft

 **\$250,000**
for boats and yachts

*The price includes taxes, duties, levies and fees, except GST/HST.

Modifications of \geq \$5,000 within 1 year of sale can also attract the tax.

How much is the tax?

The lesser of:

10% of sale price or value; and

20% of the excess over the price threshold

When is the tax paid?

Upon Delivery. The tax becomes payable at the earlier of:

- The time of possession or right to use
- The transfer of ownership

Additional tax may be payable on completion of modifications to the luxury item within 1 year of sale.

Who pays the tax?

The Vendor. Where the vendor is a federal, provincial, or Indigenous government, the purchaser pays.

Vendors making qualifying sales, leases and imports must register, file quarterly returns, and remit the tax.

Sales between registered vendors are generally exempt.



The luxury tax cost will be passed on to consumers – expect to pay GST/HST on that cost.

Exemptions to the tax

- Written agreements entered into before 2022
- Vehicles, aircraft, boats manufactured before 2019
- Vehicles with seating capacity of >10 individuals
- RVs that provide temporary accommodation
- Emergency vehicles
- Vehicles with <4 wheels
- Cargo and military aircraft
- Floating homes
- Commercial fishing boats
- Luxury items previously registered with a province or the Government of Canada



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