

Some observations on the draft bulletin:

It may be wise to have a paragraph in the introduction that says retailers should consult provincial consumer protection legislation which may add other requirements which the Competition Act does not address. For instance, the *Business Practices and Consumer Protection Act* S.B.C. 2004 c.2 of British Columbia.

Another topic not mentioned is the rebates and “incentives” offered by car dealers and manufacturers. There are basically two types.

The first is the rebate a manufacturer offers to a dealer. This rebate is often advertised as a deduction from the selling price, often the MSRP. In B.C., this rebate is deducted from the purchase price before provincial sales tax is applied: SST Bulletin 042, March 2009.

The second rebate or incentive is one payable to the consumer. This is also often advertised as coming off the purchase price, often the MSRP. What occurs at the dealership is that these manufacturer rebates to consumer are assigned by the consumer to the dealer and deducted at the time of purchase – no waiting for the mail. For provincial sales tax purposes, this rebate/incentive is treated as a partial payment and not deducted from the purchase price when provincial sales tax is calculated: SST Bulletin 042, March 2009.

Also, B.C. has a graduated PST rate 7, 8, 9 and 10% for luxury vehicles which is based on the price paid. Seven (7%) percent is the base rate in B.C. Where a manufacturer to dealer rebate is applied, that will reduce the price to be paid and a consumer may benefit by paying a lower pst rate on a luxury car. If it is a manufacturer to consumer rebate, this will not reduce the pst payable and a person may have to pay the higher (luxury) tax rate: SST Bulletin 042, March 2009.

I provide an example of purchasing the same “luxury car” and showing the different pst tax treatments depending on the type of rebate:

Manufacturer to Dealer Rebate		Manufacturer to Consumer Rebate/Incentive	
Price	\$ 57,000	Price	\$ 57,000
Rebate	-\$ 2,000	Subtotal	\$ 57,000
Subtotal	\$ 55,000	B.C. PST (10%)	\$ 5,700
B.C. PST (7%)	\$ 3,850	Subtotal	\$ 62,700
Before GST amount	\$ 58,850	Incentive	-\$ 2,000
		Before GST amount	\$ 60,700

The PST information bulletin may be obtained here:

http://www.sbr.gov.bc.ca/documents_library/bulletins/sst_042.pdf

Currently we have had two complaints regarding these rebates. The first was unsubstantiated. The problem in that case was that there were so many incentives/rebates offered by the manufacturer and the dealer on the single transaction that there was no room to individually list them on the standard sales contract. They ended up being lumped together. The consumer was confused and the dealer did not take the time to explain everything clearly. It took our compliance officer some two hours working with an accountant familiar with the particular programs offered by that manufacturer to figure out the dealer did things correctly and did not short change the consumer.

The second complaint is still under investigation. The consumer is an accountant and was expecting to receive a \$3,000 rebate in the mail from the manufacturer. The dealer says the \$3,000 was taken off the purchase price at the time of sale. We have yet to sift through the numbers, conduct some interviews, do an in-depth review of the dealer file and obtain a copy of the advertisement.

Hope this is helpful. Contact me if you have any further questions.

Cheers

Ian Christman B.A., LL.B.

Director of Licensing/Deputy Registrar

Motor Vehicle Sales Authority of B.C. (VSA)

(Previously known as the Motor Dealer Council of BC)

Direct: 604-575-6166, Fax: 604-574-5886, Toll Free Phone: 1-877-294-9889