

Purchase Exemption Certificates

About this Guide

The information in this *Guide* explains the use of Purchase Exemption Certificates (PECs) and valid identity cards to claim exemptions from Retail Sales Tax (RST). Please note that this *Guide* replaces the previous version dated March 2001. Revisions have been identified by a bar (|).

Use of Purchase Exemption Certificates

Purchase Exemption Certificates (PECs) are to be completed by persons entitled to claim an exemption from RST on the purchase of taxable goods and taxable services or entering into a contract of insurance or a benefits plan. A 'valid purchase exemption certificate' means a single or blanket PEC that a person is authorized to use and that contains all the required information, under the *Retail Sales Tax Act* (Act).

Examples of Exempt Items

These certificates are to be given to suppliers at the time of sale. Examples of items that can be purchased by persons who qualify for exemption include:

- Equipment, as defined under the *Retail Sales Tax Act* (Act), that is to be used by a religious institution exclusively in that part of its premises where religious worship or sabbath school is regularly conducted (See ***RST Guide 806 - Religious, Charitable and Benevolent Organizations***).
- Farm equipment, farm tools, and farm machinery, as defined under the Act, that are to be used by a person engaged in the business of farming as well as building supplies and materials used to build, repair or modernize structures **used exclusively** for farm purposes. Instead of a PEC, farmers may use a Farmer Identification (ID) card, issued by a general farm organization (GFO), to claim an exemption from RST (See ***RST Guide 807 - Farmers***).
- Hospital equipment, as defined under the Act, used exclusively by The Ontario Cancer Treatment and Research Foundation, or by a hospital that is approved as a public hospital under the *Public Hospitals Act*, or by a hospital that is established under the *Community Psychiatric Hospitals Act*, or a facility approved or established as a psychiatric facility under the *Mental Health Act* (See ***RST Guide 805 - Hospitals***).
- Machinery and equipment, as defined under the Act, used by a qualifying manufacturer in the production of tangible personal property (See ***RST Guide 400 - Manufacturers***).
- Taxable goods and certain taxable services purchased by vendors or wholesalers for resale to others.
- Certain contracts of insurance or benefits plans (See ***RST Guide 519 - Insurance - General Information***).

Note:

Vendors are not entitled to claim an exemption on items used for their business or for their own use unless an exemption is provided for under the Act. PECs cannot be used by customers to claim an exemption from RST on real property contracts or on fixtures.

Exempt Without a PEC

The following are examples of when goods and services can be purchased exempt from RST without having to complete a PEC:

- When goods, such as food products, are unconditionally exempt under the Act, i.e., all purchasers are exempt from the payment of RST.
- When suppliers ship the purchasers' goods directly out of the province and keep proof of the shipment on file to support a tax-exempt sale.
- When suppliers sell goods to vendors whose Vendor Permit number ends with a "G". Holders of "G" permits include the federal government and some large corporations. The Vendor Permit number must be noted on purchase orders.

Use of Valid Identity Cards instead of PECs

Valid identity cards may be used by authorized persons entitled to claim an exemption from RST on the purchase of taxable goods and taxable services, or entering into a contract of insurance or a benefits plan.

Farmer ID Card

Instead of a PEC, farmers may use a Farmer ID card, issued by a GFO, to claim an exemption from RST on eligible farm-related goods, services and insurance. The Farmer ID card shows the farmer's name and Farm Business Registration number. Farmer ID cards are currently issued by the Ontario Federation of Agriculture, Christian Farmers Federation of Ontario, and the National Farmers Union. Farmers who do not hold a Farmer ID card, choose not to be members of a GFO, or fail to provide the supplier with a Farmer ID card may issue a valid PEC to the supplier. (See **RST Guide 807 - Farmers**).

Foreign States, Representatives and Officials

The Office of Protocol, Department of Foreign Affairs and International Trade (Canada) (DFAIT) authorizes certain entities and persons to receive an exemption from RST on the purchase of taxable goods or taxable services. DFAIT issues multi-coloured identity cards to recognize foreign representatives and officials in Canada. Not all identity card holders are entitled to an RST exemption. The back of the identity card must indicate 'ON' for the card holder to qualify for an RST exemption in Ontario (See **RST Guide 803 - Foreign States, Representatives and Officials**).

Status Indians, Indian Bands and Band Councils

Status Indians hold "Certificate of Indian Status" identity cards issued by the federal government under the *Indian Act* (Canada). These cards are numbered and contain the photograph, name, and Indian band or registry number of the card holder. To claim an exemption, Status Indians must show suppliers their federal 'Certificate of Indian Status' identity card. Indian bands and band councils must provide the supplier with a valid PEC (See **RST Guide 808 - Status Indians, Indian Bands and Band Councils**).

CNIB Membership Card

Persons who are legally blind can purchase audio books for their own use exempt from RST by showing their Canadian National Institute for the Blind (CNIB) membership card to the supplier at the time of purchase. Audio books in any form such as CDs or cassettes qualify, as long as the audio book is a spoken reading of a book. Friends and family members can also purchase audio books on behalf of a blind person by showing the blind person's CNIB membership card to the supplier. The exemption will be given to them provided they confirm they are buying the audio book for the use of a legally blind person (See **Information Notice - Audio Books Purchased by Persons Who are Legally Blind**).

Note: Persons are not entitled to claim an exemption on items used for their business or for their own use unless an exemption is provided for under the Act. PECs or identity cards may not be used by purchasers to claim an exemption from RST on real property contracts or on fixtures.

PEC Formats

Supplies of PEC forms are not provided by the Ministry of Revenue since it is **not** a prescribed form. Vendors or taxpayers who need more forms may use photocopies or reproductions of the sample “Purchase Exemption Certificate” form provided with this *Guide*.

Purchase Exemption Certificates may be used in the following ways:

- **Single Purchase Certificates:** Used to claim an exemption for only **one** order of taxable goods, taxable services, or for contracts of insurance or benefits plans. (A copy of the sample form provided with this *Guide* may be used.)
- **Multiple Purchase Certificates (Blanket):** For repeat orders of the **same** taxable goods or taxable services from the **same** supplier, or for contracts of insurance or benefits plan, write or insert the word “Blanket” on the form beside “Purchase Exemption Certificate” or check the “Blanket” box. A blanket certificate is valid until revoked by the issuer or cancelled by the Minister of Revenue, whichever occurs first.
- **Purchase Orders:** If purchase orders are issued, a reference to the blanket certificate or Identity Card issued for above items must be typed, written, or stamped on the purchase order. See the sample, **Blanket Purchase Exemption Certificate/Identity Card Reference** in this *Guide*, for the wording of the reference.

Information Required on a PEC

A valid single purchase or multiple purchase (blanket) certificate must show:

- date
- name, address, and nature of the business
- business name
- name of authorized person
- business address
- Vendor Permit/International Registration Plan carrier account number (if applicable)
- reason exemption is being claimed

Note:

A blanket certificate is valid until revoked by the person or until cancelled by the Minister of Revenue. A person who issues a blanket PEC can revoke it if any information was omitted or is not currently correct. The person may then issue a replacement PEC with the correct information. The Minister may cancel a PEC if the person who provided it is not entitled to use it.

Suppliers' Responsibilities

Suppliers are required to charge RST on taxable goods, taxable services, or taxable contracts of insurance or benefits plan whenever persons do not provide a PEC or do not provide a valid identity card. **If a Vendor Permit number is provided by a person who is not a 'G'-Permit holder or who does not already have a valid PEC on file with the supplier, RST must be charged.**

A supplier who is a registered vendor may refund RST if the person buying the goods gives a valid PEC or a valid identity card to the supplier, after being charged the RST on goods purchased for resale.

Suppliers must maintain a record of all PECs provided by purchasers, and the name and number or other identifier on each identity card presented to support sales where no RST was charged. See the Ministry Tax Information Bulletin entitled, '**Retention/Destruction of Books and Records**', or contact the nearest Ontario Ministry of Revenue Tax Office to determine when these records can be destroyed.

Penalty

If a person misuses a PEC or makes a false statement on a PEC, the person can, on conviction, be fined not less than \$1,000 and an amount up to twice the RST owed, **or** imprisonment for up to two years, **or both**.

Legislative References

Retail Sales Tax Act, Clauses 2(16.0.1)b and 48(3)(c), and Subsection 32(4)
Regulation 1012 under the Act, Section 6
Regulation 1013 under the Act, Section 3 and subsections 4(1) and 4(2)

For More Information

The information contained in this publication is only a guideline. For more information, please contact the Ontario Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297) or visit our website at ontario.ca/revenue.

*Ce guide est disponible en français sous le nom « Certificats d'exemption de taxe, n° 204F ».
Vous pouvez obtenir un exemplaire en appelant le 1-800-668-5821.*

**ONTARIO RETAIL SALES TAX
PURCHASE EXEMPTION CERTIFICATE**

Blanket

Date: _____

Business Name: _____

Name of Person Authorizing the Purchase: _____

Business Address: _____

Vendor Permit / IRP Cab Number (if applicable): _____

Reason for Claiming Exemption: _____

I am claiming the following exemption from Ontario retail sales tax under the provisions of the *Retail Sales Tax Act* on the purchase of taxable goods, taxable services, contracts of insurance or benefits plan:

- Taxable Goods or Taxable Services Purchased for Resale
- Machinery, Equipment, and/or Processing Material Purchased for Manufacturing
- Equipment, Tools, and/or Machinery used by a Person Engaged in Farming or Fishing
- Insurance/Benefit Plan
- Religious, Charitable and Benevolent Organization
- Hospital Equipment
- Identity Card Type and Number _____
- Other (please state exemption) _____

IMPORTANT

The person buying the taxable goods or taxable services, or entering into a contract of insurance or benefits plan for which an exemption is claimed must complete this certificate and give it to the supplier. The supplier is to keep this form as stated in the regulations.

Every person who makes a false statement on a Purchase Exemption Certificate or misuses the certificate is liable, if convicted, to a fine of not less than \$1,000 and an amount of not more than double the amount of the tax that should have been paid, or that was evaded, or to imprisonment for a term of not more than two years, or both.

BLANKET PURCHASE EXEMPTION CERTIFICATE REFERENCE

If a blanket Purchase Exemption Certificate or Identity Card is given to your supplier and you are not a 'G'-Permit holder, a reference to the document in the following form must be imprinted on your purchase order(s):

ONTARIO RETAIL SALES TAX

The contracts of insurance or benefits plan or the taxable goods and taxable services ordered on this purchase order are covered by a blanket Purchase Exemption Certificate or Identity Card in the name of:

Business Name: _____

Business address: _____

RST Vendor Permit No. (if applicable)

Identity Card Type and Number (if applicable)

(Print) Name of Authorized Person