

Purchase Exemption Certificates

About this Guide

The information in this *Guide* explains the use of Purchase Exemption Certificates to claim exemptions from Retail Sales Tax (RST). Please note that this *Guide* replaces the previous version dated November 1995.

Use of Purchase Exemption Certificates

Examples of Exempt Items

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. 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 (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 Retail Sales Tax without having to complete a Purchase Exemption Certificate:

- When goods, such as food products, are unconditionally exempt under the Act, i.e., all customers are exempt from the payment of RST.
- When suppliers ship the customer's 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.

PEC Formats

Supplies of PEC forms are not provided by the Ministry of Finance 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 can be used in the following ways:

- **Single Purchase Certificates:** When you need an exemption for only **one** order of goods, taxable services, or for contracts of insurance or benefits plans. (You may use a copy of the sample form provided with this *Guide*.)
- **Multiple Purchase Certificates (Blanket):** For repeat orders of the **same** 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 for four years or until cancelled, whichever occurs first.

If purchase orders are issued, a "reference" to the blanket certificate issued for above items, must be typed, written, or stamped on the purchase order. See the sample, **Blanket Purchase Exemption Certificate Reference** in this guide, for the wording of the "reference".
- **"Rubber Stamp" Certificates:** Instead of using a form, the PEC wording may be stamped or imprinted on purchase orders. See the sample, **"Rubber Stamp" Certificate** in this guide, for the wording of this certificate.

Information Required on a PEC

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

- name, address, and nature of the business
- Vendor Permit number, if it applies (due to the nature of their operation, some manufacturers, wholesalers, and contractors do not require a Vendor Permit number)
- reason exemption is being claimed
- list of all items or services being purchased or type of insurance or benefits plan entered into for which an exemption is being claimed
- date the certificate is being issued
- signature of the purchaser or an approved official of the business.

If a “rubber stamp” certificate is used, the above information must form part of the purchase order.

Note:

New blanket certificates must be completed when the old ones expire. Suppliers must charge the applicable RST if new certificates are not issued.

Supplier Responsibilities

Suppliers are required to charge RST on taxable goods, taxable services, or taxable contracts of insurance or benefits plan whenever customers do not provide a properly completed PEC or do not renew an expired one. **If a Vendor Permit number is given without a PEC, RST must be charged to the customer, except where a “G” permit is stated as previously mentioned.**

All PECs provided by customers must be kept on file 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 Finance Tax Office to determine when the certificates can be destroyed.

Penalty

If you misuse or make a false statement on a PEC, you 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**.

For Further Information

The information contained in this publication is only a guideline. For further information, please contact the nearest Ontario Ministry of Finance Tax Office listed in the blue pages of your telephone directory, call our TAX FAX service at 1-877-4-TAX-FAX (1-877-482-9329), or visit our Web site at: www.trd.fin.gov.on.ca.

*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

Business Name: _____

Business Address: _____

Vendor Permit Number (if applicable): _____

Nature of Business: _____

Reason for Claiming Exemption: _____

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

Signature of Authorized Person

Date

(Print) Name of Authorized Person

IMPORTANT

The person buying the goods or taxable service, 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. This certificate is valid for four years if,

- (a) the box beside the word “**blanket**” at the top of the form is checked; and
- (b) the purchase order refers to this Purchase Exemption Certificate.

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 to both.

“RUBBER STAMP” CERTIFICATE

A “rubber stamp” certificate in the following form may be imprinted on each purchase order:

ONTARIO RETAIL SALES TAX PURCHASE EXEMPTION CERTIFICATE	
I claim exemption from Ontario retail sales tax on the contracts of insurance or benefits plan or on the purchase of the goods and taxable services ordered on this purchase order.	
_____	_____
Vendor Permit No. (if applicable)	Signature of Authorized Person
_____	_____
Business Name	(Print) Name of Authorized Person

BLANKET PURCHASE EXEMPTION CERTIFICATE REFERENCE

If a blanket Purchase Exemption Certificate is given to your supplier, a reference to the certificate in the following form must be imprinted on your purchase orders:

ONTARIO RETAIL SALES TAX	
The contracts of insurance or benefits plan or the goods and taxable services ordered on this purchase order are covered by a blanket Purchase Exemption Certificate in the name of:	
Business Name: _____	
Business address: _____	
_____	_____
Vendor Permit No. (if applicable)	Signature of Authorized Person

	(Print) Name of Authorized Person