

Terms to know...

- Air Conditioning Levy:** Air conditioners designed for use in automobiles, station wagons, vans and trucks are subject to an excise tax of \$100 by Canada Revenue Agency. Air conditioners specifically designed for motor homes are not subject to the tax. The tax is imposed on vehicles imported or manufactured in Canada at time of delivery to the purchaser; in most cases that's the automotive dealer.
- AMVIC levy:** The Alberta Motor Vehicle Industry Council (AMVIC) charges all licensed businesses a levy on every vehicle they sell or lease to a consumer. The levy is \$6.25/vehicle. AMVIC uses revenue from the levy to fund AMVIC operations, a Consumer Compensation Fund and to provide enhanced investigation and education programs.
- Annual kilometre allowance:** The number of kilometres per year that you can drive the leased vehicle without incurring additional fees. If you exceed the limit, the additional cost will be calculated at a set value per kilometre in excess.
- Demo vehicle:** A demo vehicle, or demonstrator vehicle, is a vehicle that was purchased new by the business operator and used solely for the normal business of the business operator.
- Depreciation:** This is the difference between what you paid for your vehicle and its eventual selling price.
- Final purchase price:** The amount you are purchasing the vehicle for inclusive of all fees and taxes but excluding cost of financing. The final purchase price cannot exceed the advertised price unless the buyer consents to add-ons not included in advertisement.
- Fuel-Inefficient Vehicle Excise Tax:** An excise tax on a fuel-inefficient vehicle that's payable to Canada Revenue Agency by the manufacturer or wholesaler at the time of delivery to the purchaser; in most cases the automotive dealer.
- Lien:** A legal claim against an asset (chattel), e.g., vehicle, which is used to secure a loan and which must be paid when the property is sold.
- Make:** The name of the company that manufactures the vehicle, e.g., Ford, Toyota, BMW, etc.
- Model:** An automobile model is a particular brand of vehicle sold under a marque by a manufacturer, usually within a range of models, usually of different sizes or capabilities, e.g., Civic, Grand Cherokee, A4 etc.
- Negative equity:** Negative equity occurs when the value of an asset used to secure a loan is less than the outstanding balance on the loan. For example, you may owe more on your vehicle than it is worth.
- Odometer reading:** An odometer is an instrument that indicates distance traveled by a vehicle. The odometer reading can usually be found on the dashboard, it may be electronic, mechanical, or a combination of the two.
- Stock number:** A dealership's in-house stock number.
- Tire levy:** Alberta Environment & Sustainable Resource Development's environmental fee on the sale of all new tires sold in Alberta. \$4/tire for all passenger cars and light trucks. \$9/tire with rims sizes greater than 19.5 inches for use on larger vehicles licensed for highway use, including semi-trailer transport trucks, buses, and trailers.
- Trade-in Value:** The amount of money a dealership is willing to pay for your vehicle. Sometimes a trade-in value can be lower than what you still owe a bank or finance company for your vehicle, this is called negative equity.
- Trim:** A trim level further identifies a vehicle. It is a different style of that particular model.
- Vehicle purchase price:** The vehicle purchase price must be at or below the advertised price on TV, billboard, print, web and any other form of advertisement. This price must include the total cost of the vehicle including but not limited to, all fees and charges such as the cost of accessories, optional equipment physically attached to the vehicle, transportation charge transportation charges and any applicable taxes or administration fees. Only GST and financing charges can be added.

Financing

- Amount financed:** Refers to the actual amount of credit made available to a borrower in a loan. This is often called the loan principal. This amount must be repaid plus any interest accrued.
- APR:** APR stands for annual percentage rate which is the annual rate that is charged for borrowing. It is expressed as a single percentage number that represents the actual yearly interest rate for the cost of funds over the term of a loan.
- Balloon payment:** A lump-sum payment due at the end of an amortized loan. Since the entire loan amount is not amortized over the life of the loan, the remaining balance is due as a final repayment to the lender. A balloon payment is offered as a way of reducing your regular payments.
- Cost of borrowing:** The cost to you to borrow money, including interest, fees and any other costs associated with the loan.
- Down payment:** An initial payment made when a vehicle is bought on credit, i.e., financed. This is part of the cost of the vehicle. Finance charges are not charged on a down payment.
- Financing:** A vehicle purchased through financing allows you to acquire the vehicle through a loan. You will know exactly what your interest rate and monthly, or bi-weekly, payments will be during your specific term of the loan. The lender holds a right in your vehicle and may repossess it for non-payment. You may make a down payment at the start of the loan. At the end of your term, you fully own the vehicle and make no further financing payments unless there is a balloon payment.
- Term:** The specific amount of time you have to repay a loan.

Leasing

- Annual kilometre allowance:** The number of kilometres per year that you can drive the leased vehicle without incurring additional fees. If you exceed the limit, the additional cost will be calculated at a set value per kilometre in excess.
- Capitalized cost:** Capitalized cost is the selling price (before GST) of the vehicle you are leasing. This is what you would pay if you were buying the car.
- Lease:** A lease is a contract by which one party uses a vehicle for a specified time in return for periodic payment. This is essentially a long-term vehicle rental. The lessor retains title to the vehicle you are leasing. GST is usually payable on the lease payments. At the end of a lease you return the vehicle, you do not own it. Often the lessor will give the lessee the option to buy out the vehicle at the end of the lease. GST is usually payable on the buy-out amount.
- Residual value:** Residual value is the anticipated value of the vehicle when your lease is over.
- Term:** In leasing, term refers to the specific amount of time you will be making payments for usage of the vehicle. When the term is up, you must return, or buy out, the leased vehicle.



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