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April 1991

ENVIRONMENT TAX

On April 10, 1991 an Environment Tax was levied on all new pneumatic tires purchased or consumed in the Province of Prince Edward Island. This Revenue Tax Guide outlines the application of the tax and the procedures for collecting and remitting the tax.

New Pneumatic Tires

Environment Tax applies to each new pneumatic tire purchased or consumed in the province. From April 2005 to April 18, 2012, the amount of environment tax was \$4.00 per tire. Effective April 19, 2012, the amount of environment tax is \$4.00 per tire for all tires with a rim size of 17 inches or less, and \$11.25 per tire for all tires with a rim size greater than 17 inches. This includes both inflatable tires and solid tires (doughnuts) designed for use as spare tires for motor vehicles.

A motor vehicle is defined under [Section 1 \(a\)](#) of the [Environment Tax Act](#) as a passenger car, automobile, motorcycle, truck, bus, truck tractor, tractor trailer or similar mobile equipment designed and used for the transportation of passengers or goods including construction equipment and tractors, combines or other agricultural implements.

Who Pays The Tax?

With the exceptions noted on the following pages, all persons who purchase new pneumatic tires are required to pay the Environment Tax at the time of purchase. Pneumatic tires are considered new up to the time of their first retail sale subsequent to their manufacture.

Non-Residents: Non-residents of Prince Edward Island who purchase and take delivery of a new pneumatic tire in the province are required to pay the tax even if the tire will later be removed from the province. The Environment Tax paid by non-residents is not refundable.

Lessors: Persons who lease goods as lessors are required to pay the Environment Tax on new pneumatic tires acquired for use on their lease stock. Lessors must pay the tax to their suppliers at the time the tires are purchased. Lessees are not required to pay the Environment Tax on tires included with the item being leased.

Motor Vehicle Dealers: Motor Vehicle dealers are required to pay the Environment Tax on new vehicles taken out of inventory and dedicated to a specific use by the dealer such as parts delivery vehicles, tow trucks and the like.

On new vehicles that are used by dealers as demonstrators while held in inventory, the Environment Tax becomes due and payable by the purchaser when the vehicle is sold.

Additional information on the application of the Environment Tax to sales and leases of motor vehicles may be obtained by contacting the Taxation and Property Records Division.

Replacements, Exchanges, Warranties: When a customer purchases goods that include new pneumatic tires and as part of the sale agreement, the tires are exchanged for a different style or brand, the tax applies only once. That is, provided that the original tires are in such condition that they can be sold as new, the tax applies only to the replacement tires.

Where a tire fails as a result of a manufacturing defect and is replaced at no charge, the tax does not apply to the replacement.

If the customer is required to pay a portion of the cost of the replacement tire or if the customer chooses to pay the additional cost of a tire of a higher price than that which would be replaced at no charge under warranty, the tax applies.

Who Does Not Pay The Tax?

Vendors: New pneumatic tires acquired by a registered vendor for the sole purpose of resale are not subject to the tax provided the vendor quotes his or her vendor registration account number to the supplier. However, if the tire is subsequently taken out of inventory and used for any business or personal use, the vendor is required to remit the applicable tax with his Environment Tax return.

Shipments Out of Province: The Environment Tax does not apply when the tires are purchased by non-residents and shipped by the seller to a location outside of the province. The seller is required to maintain documentation relating to out of province delivery to substantiate the non-collection of the tax on that sale.

Purchases for Wheelchairs or Three Wheeled Vehicles: Purchasers of new pneumatic tires acquired for use on a wheelchair or a three wheeled device designed for the transportation of handicapped persons are not required to pay the tax provided that the following information is recorded on the sales invoice

- (1) certification that the tire is acquired for such use, and
- (2) name, address, telephone number and signature of the purchaser.

The seller must retain a copy of the signed invoice to substantiate the non-collection of the tax on that sale.

Collecting the Tax

Any person registered or required to be registered under the [Revenue Tax Act](#) and the [Environment Tax Act](#) shall collect Environment Tax.

All vendors are required to collect the tax from their customers at the time the sale takes place. The tax applies to each new pneumatic tire sold separately or included with the item sold. For example, when a new automobile with 17 inch tires is sold, the vendor is required to collect a total of \$20 in Environment Tax; \$4 for each of the five tires included with the automobile.

The tax must be indicated separately from revenue tax (PST) and from the purchase price on the bill of sale. The tax is in addition to the revenue tax (PST) payable on the purchase price of the item being sold. However, the tax is not part of the purchase price and therefore is not subject to revenue tax (PST). For example; If a new automobile is purchased for \$15,000, the vendor is required to collect \$1,500 in revenue tax (PST) plus \$20 in environment tax.

Remitting the Tax

The environment tax collected by vendors, or payable on items taken out of stock for business or personal use, are to be reported separately and remitted at the same time as the revenue tax (PST) collected on those sales or purchases. Returns must be filed no later than the 20th day of each month and must report and remit the tax collected in the preceding month.

Please note that the penalty and interest charges for late filing of revenue tax (PST) returns also apply to environment tax.

Further Information

Further information on the application, collection and remittance of environment tax may be obtained by contacting:

Taxation and Property Records Division
Finance, Energy and Municipal Affairs
P.O. Box 1330
Charlottetown, PE
C1A 7N1

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