

**ETN:104 (Formerly RTG:121)**  
**(Revised June 1998, July 2005, June 2012, April 2013, June 2016)**

**April 1991**

## **ENVIRONMENT TAX**

Effective April 10, 1991 the Province introduced an environment tax on all new pneumatic tires purchased or consumed in Prince Edward Island. This Environment Tax Notice outlines the application of the tax and the procedures for collecting and remitting the tax.

### **New Pneumatic Tires**

Environment tax applies to each new tire purchased or consumed in the province. This includes tires attached to or included with a new or used motor vehicle purchased outside the Province and brought into Prince Edward Island.

For the purposes of the *Environment Tax Act* a “tire” and “new tire” are defined as:

1(1)(k) “tire” means

- (i) a pneumatic tire for use with a motor vehicle, and
- (ii) (ii) a solid rubber tire sold with an automobile or truck for use as a spare tire,

but does not include a retreaded pneumatic tire;

1(1)(c) “new tire” means

- (i) a tire, other than one referred to in subclause (ii), that has not previously been sold at a retail sale in the province, or
- (ii) a tire that is attached to, or included with, a motor vehicle at the time of the first retail sale in the province of that motor vehicle.

**For greater clarity, a motor vehicle dealer who brings new or used motor vehicles into the Province is required to charge, collect and remit the tax on the tires included with the motor vehicle at the time of the motor vehicle’s first retail sale in the Province.**

Effective April 19, 2012, the environment tax rates are \$4.00 per tire for all new tires with a rim size of 17 inches or less, and \$11.25 per tire for all new 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](#) 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 tires within the Province or who register, for the first time in the Province, a new or used motor vehicle purchased outside the Province are required to pay the environment tax at the time of purchase or registration.

For the purposes of the Act retreaded tires are not considered to be new tires and are not subject to the tax.

### **Non-Residents**

The environment tax does not apply when the new tires are purchased and shipped by the vendor to the purchaser at a location outside of the province. The vendor is required to maintain documentation relating to out of province delivery to substantiate the non-collection of the tax on that sale.

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

### **Lessees/Lessors**

Lessees are not required to pay the environment tax on new tires included with the motor vehicle being leased.

However, persons who lease motor vehicles as lessors are required to pay the environment tax on new tires acquired for use on their leased motor vehicles. Lessors must pay the tax to their suppliers at the time the motor vehicles are purchased.

### **Vendors including Motor Vehicle Dealers**

New 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 new tire is subsequently taken out of inventory and used for any business or personal use, the vendor is required to report and remit the applicable tax on the next environment tax return.

Motor vehicle dealers are required to pay the environment tax on the tires included with motor vehicles taken out of inventory for the dealer's own use, such as parts delivery vehicles and courtesy cars.

The tax is not due on new motor 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.

### **Purchases for Wheelchairs or Three Wheeled Vehicles**

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

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

### **Replacements, Exchanges, Warranties**

Where a new tire is replaced under warranty at no charge to the customer, the tax does not apply to the replacement tire.

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 value than that which would be replaced at no charge under warranty, the tax applies.

### **Collecting the Tax**

Any person registered or required to be registered under 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 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 new tires included with the automobile.

The tax must be indicated separately on the bill of sale.

## Remitting the Tax

The environment tax collected by vendors, or payable on items taken out of inventory for business or personal use, are to be reported on and remitted with their vendor return. Returns must be filed no later than the 20th day of the month following the end of the reporting period.

Please note that a penalty and interest will be charged for late filing of environment tax returns or late payment of environment tax due.

When a taxpayer purchases a motor vehicle outside the Province and subsequently brings the motor vehicle into Prince Edward Island environment tax is payable on the tires included with the purchase. This tax is due at the time of first registration in the Province.

## Further Information

Electronic copies of the [Environment Tax Act](#), Revenue [Administration Act](#) and related [Regulations](#) are available on our website at [www.taxandland.pe.ca](http://www.taxandland.pe.ca). Inquiries regarding this Environment Tax Notice may be emailed to [taxandland@gov.pe.ca](mailto:taxandland@gov.pe.ca) or directed to:

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