

Environmental Levies on Tires and Batteries

Social Service Tax Act

Environmental levies apply to new pneumatic tires and new lead-acid batteries purchased in British Columbia. The revenue from these levies is directed to the province's Sustainable Environment Fund to finance new initiatives aimed at the safe collection, disposal, and recycling of such products. This bulletin outlines the application of the levies and procedures for collecting and remitting the levies.

Please note: The environmental levy on new tires has been repealed effective January 1, 2007, when the new industry-led stewardship program will be implemented by Tire Stewardship B.C. (TSBC). However, until midnight December 31, 2006, you should continue to collect and remit the environmental levy on each new pneumatic tire as set out in this bulletin.

For more information on the new tire stewardship program, please refer to the Tire Stewardship B.C. website at www.tirestewardshipbc.ca. You can also contact TSBC toll-free in Canada at 1 866 759-0488 or by e-mail at info@tirestewardshipbc.ca.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Social Service Tax Act* and Regulations can be found on the web at www.gov.bc.ca/sbr

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APPLICATION OF ENVIRONMENTAL LEVIES

New Pneumatic Tires

A \$3 environmental levy applies to each new pneumatic tire purchased in the province for \$30 or more. This includes both inflatable tires and solid tires (doughnuts) designed for use as spare tires for vehicles.

A vehicle means an automobile, truck, bus, trailer, motorcycle, or any other device in, on, or by which a person or thing is or may be transported or drawn on a highway, except a device designed to be moved by human power or used exclusively on stationary rails or stationary tracks. This includes vehicles such as tractors, logging trucks, all terrain vehicles, and golf carts even though they may only be incidentally used on a highway.

The levy does not apply to the following:

- tires sold for less than \$30
- bicycle tires or wheelchair tires
- recapped, retreaded, or used tires
- tires purchased for use on three wheeled motorized devices designed for the transportation of persons with a physical impairment
- tires specifically designed for use on devices that do not qualify as vehicles, such as wheelbarrows and aircraft

New Lead-Acid Batteries

A \$5 environmental levy applies to purchases of new lead-acid batteries weighing 2 kilograms or more. The levy does not apply to rebuilt or reconditioned batteries, or new lead-acid batteries purchased solely to power an electric wheelchair or a three wheeled motorized device designed for the transportation of a person with a physical impairment.

WHO PAYS THE LEVIES?

General Application

Pneumatic tires and lead-acid batteries are considered new up to the time of their first retail sale subsequent to their manufacture. Where the first retail sale takes place in British Columbia, the environmental levies apply.

With the exceptions noted on the following page, all persons who purchase new pneumatic tires and new lead-acid batteries are required to pay the environmental levies at the time of purchase. This includes persons who may be exempt from payment of social service tax, such as *bona fide* farmers and members of the diplomatic or consular corps.

Non-residents

Non-residents of British Columbia who purchase and take delivery of a new pneumatic tire or new lead-acid battery in the province are required to pay the levy, even if the tire or battery will later be removed from the province. Non-residents who purchase a vehicle in the province are required to pay the applicable levies even if the purchase qualifies for a point-of-sale exemption from, or refund of, social service tax. The environmental levies paid by the non-residents are not refundable.

Motor Vehicle Dealers

Motor vehicle dealers are required to pay the levies on new vehicles taken out of resale inventory and dedicated to a specific use by the dealer, such as racing cars, parts delivery vehicles, and tow trucks.

Environmental levies also apply to new vehicles that are used by a dealer while held in the resale or lease inventory and taxed under the dealer-use formula. The levies are payable the first time the vehicle is taxed under the dealer-use formula. When such vehicles are subsequently sold, the purchaser is not required to pay the levies on the tires and battery because they are no longer new.

However, if new tires or a new battery are placed in the vehicle as part of the sale agreement, then the purchaser is required to pay the applicable environmental levy.

More Info: [Bulletin SST 042](#), *Motor Vehicle Dealers*

Federal Government Purchases

The vendor is required to collect environmental levies on purchases by the Government of Canada.

Lessors and Lease Contracts

Persons who lease tangible personal property as lessors are required to pay the environmental levies on new pneumatic tires and lead-acid batteries acquired for use on their lease stock.

Lessors must pay the levies to their suppliers at the time the tires and batteries are purchased. Lessees are not required to pay an environmental levy on tires or batteries included with the item being leased.

The lessor may recover the cost of the environmental levies in the lump sum lease price established for the vehicle. In order to do this, the lease contract must meet all of the following criteria:

- The lease contract must clearly indicate the lessee's liability to pay the taxes, fees, and levies incurred by the lessor with respect to the vehicle.
- The lease invoice to the customer must not indicate a separate charge for the levies, other than as a reference to the provision in the contract that allows the lessor to recover these amounts.
- As the lessee is required to pay these amounts to obtain the right to use the vehicle, such charges become part of the total lease price that is subject to tax.

If the criteria outlined above are not met in the lease contract, the lessor will be assessed for failure to pay levies as required under the *Social Service Tax Act*.

Replacements, Exchanges, and Warranties

When a customer purchases tangible personal property that includes new pneumatic tires or new lead-acid batteries and, as part of the sale agreement, the tires or batteries are exchanged for a different style or brand, the levy applies only once. That is, provided that the original tires or

batteries are in such condition that they can be sold as new, the levy applies only to the replacement tires or batteries.

Where a tire or battery fails as a result of a manufacturing defect and is replaced at no charge, the levy does not apply to the replacement. If the customer is required to pay a portion of the cost of the replacement tire or battery, or if the customer chooses to pay the additional cost of a tire or battery of a higher price than that which would be replaced at no charge under warranty, the levies apply.

However, in the case of tires, the levy does not apply if the amount paid by the customer is less than \$30.

WHO DOES NOT PAY THE LEVIES?

Registered Indians

Registered Indians or Indian bands are not required to pay the environmental levies on purchases of tires or batteries which take place on reserve or designated reserve land, provided all criteria for a social service tax exemption are met.

More Info: [Bulletin SST 046](#), *Exemption for Indians and Indian Bands*

Vendors

New pneumatic tires and new lead-acid batteries acquired by registered vendors for the sole purpose of resale are not subject to the levies provided vendors quote their registration number to their supplier.

However, if the tire or battery is subsequently taken out of the resale inventory and used for any business or personal use, vendors must remit the applicable levy with their social service tax return.

Shipments Out-of-Province

The environmental levies do not apply when the tires or batteries are purchased by non-residents and shipped by the seller to a location outside of the province. The seller is required to retain documentation relating to the out-of-province delivery to substantiate non-collection of the levies on that sale.

Purchases for Wheelchairs or Three Wheeled Devices

Purchasers of new pneumatic tires or new lead-acid batteries acquired for use on a wheelchair or a three wheeled device designed for the

transportation of disabled individuals are not required to pay the levies provided the following information is recorded on the sales invoice:

- certification that the tire or battery is acquired for such use, and
- name, address, telephone number, and signature of the purchaser.

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

COLLECTING AND REMITTING THE LEVIES

Collecting the Levies

All persons who sell new pneumatic tires and new lead-acid batteries are required to be registered as vendors under the *Social Service Tax Act*. Persons who are already registered need not re-apply.

All vendors are required to collect the levies from their customers at the time the sale takes place. The levies apply to each new lead-acid battery and each new pneumatic tire sold separately or included with the item sold.

For example, when a new automobile is sold, the vendor is required to collect a total of \$20 in environmental levies: \$3 for each of the five tires and \$5 for the lead-acid battery.

The environmental levies must be indicated separately from the social service tax and from the purchase price on the bill of sale. The levies are in addition to the social service tax payable on the purchase price of the item being sold. However, the levies are not part of the purchase price and are therefore not subject to the tax.

For example, if a new automobile is purchased for \$15,000, the vendor is required to collect \$1,050 in social service tax plus \$20 in environmental levies.

Environmental levies **are** subject to the federal goods and services tax (GST).

More Info: [Bulletin SST 016](#), *Provincial Social Service Tax and Federal Goods and Service Tax (GST)*

Remitting the Levies

The environmental levies collected by vendors, or payable on items taken out of stock for personal or business use, are reported on the same form and remitted at the same time as the social service tax collected on sales or payable on purchases. All

amounts collected as environmental levies are required to be remitted to the government. Please note that penalty charges, interest charges, and disallowed commission for late filing of tax returns also apply to levies.

Each reporting period, the amount of environmental levies collected is added to the social service tax collected and this total is entered in Box B of the tax return form (**FIN 400**).

The vendor's commission (Box C of the tax return form) applies to the total amount of environmental levies and social service tax collected during the reporting period.

Similarly, the environmental levies payable by the vendor on items purchased for the vendor's own use, taken out of stock for the vendor's business or personal use, or payable on dealer-use vehicles, is added to the social service tax payable on such items and this total is entered in Box F of the tax return form.

OTHER ENVIRONMENTAL LEVIES

Eco/Enviro Levies

Some industries have imposed "eco" or "enviro" levies, fees, or charges on products that pose potential environmental or safety hazards. These fees fund programs for the safe collection and disposal of hazardous materials.

The provincial government does not impose the fees and does not receive or administer the funds that are collected. The eco or enviro fees form part of the purchase price, as established under the *Social Service Tax Act*, because the fees must be paid to acquire the product. Therefore, if the product purchased is subject to social service tax, the eco or enviro levy is also subject to tax.

For more information on eco/enviro levies please contact the Ministry of Environment (www.gov.bc.ca/env or 250 387-9971).

NEED MORE INFO?

This bulletin is provided for convenience and guidance.

If you still have questions call us at 604 660-4524 in Vancouver or toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.