

## **TAX INTERPRETATION NUMBER: RTA 10-07-3**

Type:  
Revenue Tax Guide

Subject:

Application of Revenue Tax to Municipalities

Effective Date:  
TBA

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**DRAFT**

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Reference:

*Revenue Tax Act*  
Regulations to the *Revenue Tax Act*

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### **Introduction**

This guide is intended to clarify the application of revenue tax (PST) for goods purchased by a municipality solely for its own use and not for resale.

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### **TAX APPLICATION:**

The following goods are exempt from Prince Edward Island revenue tax (PST) when purchased by a municipality solely for its own use and not for resale:

- Culverts;
- Equipment designed exclusively for street or road making, street or road maintenance and cleaning as well as all parts and repair services provided to this equipment;
- Equipment, including fire and rescue trucks, used exclusively for fire fighting and any parts or repairs to the equipment;
- All goods and material used as part of a sewerage, drainage or water system, when owned and operated by a municipality or an agency on behalf of a municipality, but excluding engineering services;

- Structural steel, timber, and aluminum used in the construction and repair of bridges;
- Liquid asphalt and asphaltic and ready-mix concrete;
- Motorized equipment (Zamboni™) used specifically for shaving, cleaning and flooding ice in community-operated skating and hockey rinks.

If a municipality pays revenue tax (PST) on any of the above items, it can apply to Taxation and Property Records for a refund of the tax paid in error.

Municipalities may also apply for rebates of revenue tax (PST) paid in the following circumstances:

- 1) Where tax has been paid by a contractor on goods that become part of a sewerage, drainage, or water system operated by a municipality or a municipal agency, the municipality or municipal agency may apply for a refund of 4% of the total contract price.
- 2) Where asphalt contractors supplying and installing asphaltic concrete, pay revenue tax (PST) on liquid asphalt and include that tax in the billing to the municipality, the municipality may claim a refund of that amount of revenue tax (PST).

### **Taxable Goods**

The following goods are **NOT** exempt from revenue tax (PST) when purchased by a municipality: automobiles, police patrol wagons, motorcycles, snow mobiles, ordinary motor trucks, grass cutting equipment, sidewalk snow clearing equipment, park maintenance equipment and trailers used to haul such equipment.

Engineering services purchased in connection with the construction or maintenance and repair of a sewerage, drainage or water system operated by or on behalf of a municipality are **NOT** exempt of revenue tax (PST).

### **Further Information**

This guide is prepared for information purposes only, and should not be considered a substitute for the applicable statutes. Should there be any conflict between the contents of this guide and the statutes, the statutes shall prevail.

For copies of the *Revenue Tax Act* and Regulations and any inquires regarding this Revenue Tax Guide, please contact:

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Finance and Municipal Affairs  
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