

## Propane Exemptions

### *Motor Fuel Tax Act*

This bulletin provides information for sellers and purchasers on the exemptions from motor fuel tax available for propane effective April 1, 2013. Propane includes liquefied petroleum gas (LPG) and may also be referred to as autogas.

For general and transitional information for sellers and purchasers of propane, please see [Notice 2012-015](#), *Notice to Propane Purchasers and Sellers*.

### Table of Contents

Overview.....	1
General Exemptions.....	1
Exemptions for Farmers With Farm Land .....	3
Exemptions for Other Persons .....	5
Claiming Farmer Exemptions .....	7

## Overview

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### Propane Purchasers

Effective April 1, 2013, purchasers of propane are required to pay motor fuel tax (MFT) at a rate of 2.7¢ per litre unless a specific exemption applies.

## General Exemptions

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The following three general exemptions apply to all purchasers. In these cases, MFT is not collected on the sale of propane. Sellers are eligible to apply to the ministry for a refund of the security paid to their supplier on the propane or, in some cases, will be exempt from security.

## 1. Propane Sold in Containers

Propane sold in the following containers is exempt from MFT:

- sealed, pre-packaged containers that hold not more than 4 litres of propane
- pre-filled or refilled cylinders that are designed to hold not more than 28 litres of propane

Collectors, deputy collectors or retail dealers are exempt from paying security on propane purchased in the containers listed above if they are filled and sealed at the time of purchase.

## 2. Propane Made Part of Tangible Personal Property

Propane purchased for the purpose of being processed, fabricated, or manufactured into, attached to or incorporated into tangible personal property (goods) for resale or lease is exempt from MFT.

The exemption does not apply if:

- the propane is used to produce energy or is used as a source of energy,
- the propane is purchased by a “small seller” as defined under the *Provincial Sales Tax Act*, or
- the purchaser retains an interest in the propane after the retail sale or lease of the good that the propane is made part of.

## 3. Propane Purchased for Residential Use

Propane purchased solely for residential use in a residential dwelling is exempt from MFT if:

- the seller delivers or provides the propane to:
  - a residential dwelling,
  - a building that contains a residential dwelling, or
  - a storage receptacle located at and connected to a residential dwelling.

If these delivery requirements are not met, MFT applies to the sale of the propane. However, the purchaser may apply for a refund of the MFT paid on the propane that was for residential use in a residential dwelling. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax Purchaser of Fuel* form ([FIN 147](#))

If the propane is provided to a residential dwelling that is part of a multi-use building, the propane is exempt from MFT if the retail dealer delivers the propane to a storage receptacle or meter that only services the part of the multi-use building that is only for residential use.

If the propane is provided to a multi-use building for both residential and non-residential use, and the residential portion is not separately metered or delivered into a separate storage receptacle, MFT applies to the sale of the propane.

However, the purchaser may apply to the ministry for a refund of the MFT paid if the purchaser can reasonably attribute the portion of the propane that was used for residential use in a residential dwelling. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax Purchaser of Fuel* form ([FIN 147](#)).

A **residential dwelling** is:

- a house, cottage or other detached dwelling
- a duplex
- an apartment, condominium or townhouse
- an apartment building, condominium or townhouse complex that is used only for the purpose of single family dwellings
- an assisted living residence as defined in the *Community Care and Assisted Living Act*
- a long-term residential care facility (e.g. a nursing home or rest home)
- a part of a multi-use building that is used for a residential use
- land attributable to a building or part of a building referred to above that is used for a residential use

A residential dwelling does **not** include:

- a building or part of a building referred to above while under original construction
- a part of a hotel, motel, lodge, resort, or other building or part of a building providing short-term accommodation
- a hospital or other institutional building
- a bunk house or camp building for use in connection with a commercial or construction project
- parts of a building used for a non-residential use (e.g. business, commercial or industrial)

## **Exemptions for Farmers With Farm Land**

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Farmers who own/lease or operate a farm on land classified as a farm under the *Assessment Act* may purchase propane exempt of MFT for the following purposes.

## **Propane for Farm Purposes Only**

Farmers who **own/lease or operate a farm** on land classified as a farm are exempt from MFT when purchasing propane for use solely for a farm purpose other than in machinery or a motor vehicle (e.g. heating).

## **Propane for Machinery or Motor Vehicles**

Farmers who **operate a farm** on land classified as a farm are exempt from MFT when purchasing propane for the following uses:

- in machinery on a farm for a farm purpose,
- in a tractor, other than on a highway,
- in a tractor on a highway when,
  - going to or returning from a location where the use of the propane in the tractor is for an authorized use (i.e. other than on a highway), or
  - for the purposes of the farmer's farm,
- in a farm truck being used by the farmer or other person in the operation of the farm, or
- in a motor vehicle, other than a farm truck, on the farm for a farm purpose.

## **Propane Purchased for Both Residential and Farm Purpose**

Farmers who **own/lease or operate a farm** are exempt from MFT when purchasing propane for **both** residential and farm use, when the propane is only for:

- residential use in a residential dwelling, and
- farm purposes (refer to the authorized uses described in the two sections above, Propane for Farm Purposes Only and Propane for Machinery or Motor Vehicles).

This exemption applies only if the farm contains a residential dwelling, a building that contains a residential dwelling, or a storage receptacle located at and connected to a residential dwelling.

## **Purchase and Delivery Requirements**

The following requirements must be met to qualify for the above exemptions:

- the retail dealer delivers the propane to a storage receptacle located on the farm,
- the farmer purchases the propane on account from a bulk agent, or
- the farmer purchases the propane through a keylock or cardlock system.

If the purchase or delivery requirements are not met, then the farmer may apply to the ministry for a refund of the MFT paid. The farmer must be able to reasonably attribute

the amount of propane purchased that was used for an exempt purpose. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax Purchaser of Fuel* form ([FIN 147](#)).

## **Exemptions for Other Persons**

Persons who do **not** own, lease or operate a farm on land classified as a farm under the *Assessment Act* but undertake certain agricultural activities may be eligible for certain propane exemptions as outlined below.

To be eligible for exemption, the person must meet one of the following three criteria:

### **1. Beekeepers, or Mushroom, Egg, Hog, Poultry, Rabbit or Fur Farmers**

- The person is an owner (as defined under the *Assessment Act*) or lessee of land who uses less than 0.8 hectares of that land for beekeeping, growing mushrooms, producing eggs, or for hog, poultry, rabbit or fur farming, and
- earned at least \$2,500 in gross income from those activities in the previous calendar year.

### **2. First Nations Farmers**

- The person is a First Nation individual who is an Indian under the *Indian Act* (Canada) and whose property is exempt under section 87 of the *Indian Act* (Canada), or under a provision of a final agreement equivalent to section 87 of the *Indian Act*,
- The land on which the agricultural use occurs is on a First Nation reserve, or is former reserve land now part of treaty lands (see the definition of First Nation land in the Provincial Sales Tax Exemption and Refund Regulation), which the farmer uses for a qualifying agricultural use (e.g. raising livestock), as defined under the *Assessment Act*, and
- The person earned at least \$2,500 in gross income from the qualifying agricultural use of the land in the previous calendar year.

### **3. Out-of-Province Farmers**

- The person uses land located outside of BC for a qualifying agricultural use, as defined under the *Assessment Act*, and
  - if the area of the land is less than 0.8 hectares, the person earned at least \$10,000 in gross income from the qualifying agricultural use of the land in the previous calendar year,

- if the area of the land is 0.8 hectares or more but not more than 4 hectares, the person earned at least \$2,500 in gross income from the qualifying agricultural use of the land in the previous calendar year, or
  - if the area of the land is more than 4 hectares, the person earned gross income from the qualifying agricultural use of the land in the previous calendar year of at least the total of \$2,500 plus 5% of the assessed value of the area of land in excess of 4 hectares, for the purpose of real property taxation, in the jurisdiction in which the land is located.
- Out-of province persons that meet the criteria outlined in the sections above—Beekeeper, or Mushroom, Egg, Hog, Poultry, Rabbit or Fur Farmers, or First Nations Farmers—also qualify for the propane exemptions.

### **Propane Purchased for Farm Purpose Only**

Persons who meet the criteria above are exempt from MFT when purchasing propane solely for a farm purpose, other than in a motor vehicle or machinery.

### **Propane Purchased for Both Residential and Farm Purpose**

Persons who meet the criteria above, other than out of province farmers, are exempt from MFT when purchasing propane for **both** residential and farm use when the propane is only for:

- residential use in a residential dwelling, and
- a farm purpose other than operating a motor vehicle or machinery.

This exemption applies only if the qualifying land contains a residential dwelling, a building that contains a residential dwelling, or a storage receptacle located at and connected to a residential dwelling.

### **Purchase and Delivery Requirements**

The following requirements must be met to qualify for the above exemptions:

- the retail dealer delivers the propane to a storage receptacle owned by the person,
- the person purchases the propane on account from a bulk agent, or
- the person purchases the propane through a keylock or cardlock system.

If the purchase or delivery requirements are not met, then the person may apply to the ministry for a refund of the MFT paid. The person must be able to reasonably attribute the amount of propane purchased that was used for an exempt purpose. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax Purchaser of Fuel* form ([FIN 147](#)).

## Claiming Farmer Exemptions

To claim an exemption, the farmer or person must provide the seller with:

- a completed *Certificate of Exemption – Farmer* form ([FIN 458](#)) or
- a valid BC Farmer Identity Card (see below).

If the farmer or person provides a *Certificate of Exemption – Farmer* form ([FIN 458](#)), the seller keeps this certificate as part of their records. The seller can make future sales exempt of MFT based on the same certificate, provided the information on the certificate is still valid. If the information on the certificate is no longer valid, the farmer or person must complete a new exemption certificate or pay MFT as applicable on any future purchases.

Farmers who own, lease or operate a farm on land classified as a farm under the *Assessment Act* may apply to the BC Agriculture Council for a BC Farmer Identity card. If the farmer provides a valid (has not expired) BC Farmer Identity Card, as an alternative to the exemption certificate, the seller must either make a copy of the card or document the name, address, card number and expiry date on the card for their records.

If the farmer does not provide a a valid BC Farmer Identity Card or if the farmer or person does not provide a completed and signed exemption certificate at or before the time of the purchase, the seller is required to collect MFT.

**Please note:** Exempt sales of propane cannot be made to farmers based on the old exemption certificate (*Certificate of Exemption as a Farmer* FIN 465). However, for exempt sales of coloured fuel, farmers may continue to use the old certificate until October 1, 2013.

### **Assessments, Penalties and Interest**

The farmer or person is responsible for ensuring that they meet all the requirements for the exemption. If the farmer claims an exemption with a BC Farmer Identity Card or if the farmer or person claim an exemption with an exemption certificate, and it is later found that the farmer or person did not qualify for the exemption, the farmer or person is liable for any tax, interest and penalties associated with the purchase.

However, if the seller had reason to believe that the farmer or person was not entitled to the exemption (e.g. farmer provided an exemption certificate stating that the propane was being purchased for farm use but the seller knows the farm is no longer operating) and the seller provided the exemption, the seller may also be subject to an assessment.



## Need more info?

Online: [gov.bc.ca/consumertaxes](http://gov.bc.ca/consumertaxes)

Toll free in Canada: 1 877 388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

You can access our forms and publications online at [gov.bc.ca/consumertaxes](http://gov.bc.ca/consumertaxes)  
(go to *Motor Fuel and Carbon Tax* and then *Forms* or *Publications*)

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. You can find the *Motor Fuel Tax Act* and regulations online under *Publications*.