



Provincial Sales Tax (PST) Notice

Notice 2013-007

Issued: March 2013

Notice to Fuel Sellers and Purchasers Fuel Tax Changes

Provincial Sales Tax Act and Motor Fuel Tax Act

This notice provides information on how tax under the *Motor Fuel Tax Act* (MFTA) and *Provincial Sales Tax Act* (PSTA) will apply to fuel and other substances as a result of the re-implementation of the provincial sales tax (PST) on April 1, 2013, including:

- how PST will apply on the purchase of natural gas
- how motor fuel tax (MFT) will apply on the purchase and use of propane
- new rules related to the colouring, sale and use of heating oil and non-motor fuel oil
- tax on a fuel if it is purchased for a particular purpose and is later used for another purpose (i.e. tax on change in use)
- how the 0.4% tax on energy products to raise revenue for the Innovative Clean Energy (ICE) Fund (the ICE Fund tax) will apply to purchases of natural gas and fuel oil, and certain purchases of propane

Natural Gas

Natural Gas Purchasers

Effective April 1, 2013, if you purchase natural gas, you are required to pay 7% PST plus the 0.4% ICE Fund tax on the purchase price of the natural gas to the seller unless a specific exemption applies. For information about natural gas exemptions, please see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*.

Natural Gas Sellers

If you sell natural gas on or after April 1, 2013, you are required to register with the ministry and to charge 7% PST plus the 0.4% ICE Fund tax on the purchase price of the natural gas unless a specific exemption applies. For information about natural gas exemptions, please see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*. For information on the ICE Fund tax or the PST exemption for residential energy products, please see [Notice 2013-006](#), *Notice to Sellers of Energy Products*.

For information about registration for PST and collecting PST, please see [Bulletin PST 001](#), *Registering to Collect Provincial Sales Tax* and [Bulletin PST 002](#), *Charging, Collecting, and Remitting PST*.

Natural Gas Used in Stationary Internal Combustion Engines

If you do not purchase natural gas, but you use natural gas in a stationary internal combustion engine, you are required to pay MFT on the natural gas. You must self-assess MFT on the amount of natural gas used. For information on tax rates, please see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*.

To remit the MFT, you must complete and submit a *Natural Gas Consumed by Internal Combustion Engines* form ([FIN 451](#)). The MFT must be remitted on or before the 15th day of the month following the month in which the natural gas is used. For applicable tax rates, please see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*.

As noted above, if you purchase natural gas you will be required to pay 7% PST on the natural gas. If you then use the natural gas in a stationary internal combustion engine, you may be eligible for a refund of tax or be required to self-assess additional tax, depending on the amount of PST you paid.

You are eligible for a refund if the amount of PST you paid is greater than the amount of MFT that would have been payable had you not purchased the natural gas. The refund amount is equal to the difference between the amount of PST you paid and the amount of MFT that would have been payable.

More information on applying for a refund will be available in the near future.

However, if the amount of PST you paid is less than the amount of MFT you would have paid had you not purchased the gas, then you are required to self-assess and remit additional motor fuel tax to the ministry. The amount you must remit is the difference between the MFT that would have been payable and the amount of PST you paid. The additional tax must be remitted on or before the 15th day of the month following the month in which the natural gas is used.

To remit the additional motor fuel tax, you must complete and submit a *Natural Gas Consumed by Internal Combustion Engines* form ([FIN 451](#)).

For more information on self-assessing MFT, please see [Bulletin MFT-CT 006](#), *Self Assessing Motor Fuel and Carbon Tax*.

Propane

Effective April 1, 2013, propane will be taxed under the MFTA and will be included in the MFTA security scheme.

If you purchase propane, you must pay MFT at a rate of 2.7 cents per litre unless a specific exemption applies. If you sell propane, you will be required to pay security on propane that you purchase for resale or be required to register as a collector. For more information, please see [Notice 2012-015](#), *Notice to Propane Purchasers and Sellers*.

Heating Oil and Non-motor Fuel Oil

Overview

Generally, any gas or liquid purchased for use in an internal combustion engine is taxable under the MFTA.

However, some gasses or liquids (substances) which are chemically the same as fuels taxed under the MFTA may be purchased exempt of motor fuel tax if they are **not** for use in an internal combustion engine. These substances may be subject to PST. These substances include heating oil and non-motor fuel oil.

Heating oil means a light fuel oil (diesel fuel) marketed or sold for use in a furnace, boiler or open flame burner. For more information, please see [Bulletin MFT-CT 003](#), *Coloured Fuels*.

Non-motor fuel oil means a light fuel oil (diesel fuel) marketed or sold for a use other than for use in an internal combustion engine or for use in a furnace, boiler or open flame burner. Examples of non-motor fuel oil include light fuel oil sold for use as solvents, protective coatings or explosives.

Effective April 1, 2013, these substances will generally be subject to 7% PST and in some cases, the 0.4% ICE Levy tax under the PSTA.

However, the special rules regarding the colouring, labelling, purchase, sale and use of these substances are set out under the MFTA.

Colouring Heating Oil and Non-motor Fuel Oil

The MFTA provides rules for colouring and selling coloured heating oil and non-motor fuel oil. You must not colour heating oil or non-motor fuel oil unless you are authorized to do so by the ministry. You must not delegate or transfer your authority to colour heating oil or non-motor fuel oil to another person.

If you are authorized to colour fuel under the MFTA, you are also authorized to colour heating oil and non-motor fuel oil. If you are not authorized to colour fuel under the MFTA, you may apply to the ministry for authorization to colour heating oil and non-motor fuel oil. You must follow the same rules that apply to colouring fuel under the MFTA.

Selling Coloured Heating Oil and Non-motor Fuel Oil

If you are authorized to sell coloured fuel under the MFTA, you are also authorized to sell coloured heating oil and coloured non-motor fuel oil. If you are not authorized to sell coloured fuel under the MFTA, you may apply to the ministry for authorization to sell coloured heating oil and coloured non-motor fuel oil.

Sales of Heating Oil and Non-motor Fuel Oil

The MFTA restricts the way heating oil and non-motor fuel oil may be bought and sold.

If you sell heating oil, it must be coloured before you sell it.

If you sell non-motor fuel oil, you are not required to colour it before you sell it. However, at or before the time you sell non-motor fuel oil (whether coloured or not) to a person for the person's own use, you must obtain from the purchaser a *Certificate of Exemption - Substances Not Sold for Use in Internal Combustion Engines* ([FIN 480](#)). You must keep this completed certificate in your records.

You must not sell coloured heating oil or coloured non-motor fuel oil unless you are authorized to do so by the ministry. If you are already authorized to sell coloured fuel under the MFTA, you are also authorized to sell coloured heating oil and coloured non-motor fuel oil.

If you are not authorized to sell coloured fuel under the MFTA, you must apply to the ministry for authorization to sell coloured heating oil or coloured non-motor fuel oil before you can sell either of these substances. You must not delegate or transfer your authority to sell coloured heating oil or coloured non-motor fuel oil to another person.

Prohibited Relabeling of Heating Oil and Non-motor Fuel Oil

The MFTA restricts the relabeling and unauthorized uses of heating oil and non-motor fuel oil.

You must not relabel and sell heating oil or non-motor fuel oil as diesel for use in an internal combustion engine (i.e. relabel as a fuel).

You may relabel and sell a substance purchased as non-motor fuel oil as heating oil if:

- the substance was coloured when you purchased it, or
- you are authorized to colour non-motor fuel oil and the substance is coloured before it is sold as heating oil.

If you purchased a substance as heating oil, you must sell it as heating oil. You may not relabel heating oil as a fuel or a non-motor fuel oil.

Prohibited Uses of Heating Oil and Non-motor Fuel Oil

The MFTA prohibits the unauthorized use of heating oil and non-motor fuel oil.

You must not use:

- heating oil or non-motor fuel oil in an internal combustion engine,
- non-motor fuel oil in a furnace, boiler or open flame burner, or
- heating oil in a furnace, boiler or open flame burner unless the heating oil is coloured.

If you use a substance in a prohibited way, you must pay MFT on the heating oil or non-motor fuel oil at the rate of 15 cents per litre. You may also be subject to penalties of up to 45 cents per litre.

Gasoline

If you sell a substance that is chemically identical to gasoline (e.g. solvent), MFT does not apply if the substance is marked or sold for a use other than for use in an internal combustion engine. However, 7% PST will apply to sales of these substances.

If you sell these substances, you must obtain from the purchaser a *Certificate of Exemption - Substances Not Sold for Use in Internal Combustion Engines* ([FIN 480](#)). You need to keep this completed certificate in your records.

Tax on Change in Use of Fuel

The MFTA provides rules for the taxation of fuel when it is used for a purpose different from the purpose for which it was purchased.

If you purchase a fuel for a particular purpose and later use that fuel or allow that fuel to be used for another purpose, you must pay the difference between the amount of MFT that was paid and the amount of MFT that would have been payable if the fuel had been purchased for the new purpose. If you use fuel for another purpose and the amount of MFT that would have been payable is less than the amount that was paid, you are not eligible for a refund.

To remit the MFT due, you use the *Miscellaneous Payment of Tax* form ([FIN 135](#)).

For more information on self-assessing MFT, please see [Bulletin MFT-CT 006](#), *Self-Assessing Motor Fuel and Carbon Tax*.

Refund of Security Paid on a Fuel that is Sold as Heating Oil or Non-motor Fuel Oil

If you are a deputy collector or retail dealer who has paid an amount as security on a substance bought as a fuel¹, and you sell or will sell it as a heating oil or non-motor fuel oil, you may apply for a refund of the amount of security you paid on the substance.

To apply for a refund of security, you use the *Application for Refund of Motor Fuel Tax - Deputy Collector or Retail Dealer* form ([FIN 152](#)).

Further Information

If you have any questions, please call us toll free at 1 877 388-4440 or email your questions to CTBTaxQuestions@gov.bc.ca

You can also find information on our website at gov.bc.ca/pst

The information in this notice is for your convenience and guidance and is not a replacement for the legislation.

You can find the *Provincial Sales Tax Act* and regulations, and the *Motor Fuel Tax Act* on our website (go to [Provincial Sales Tax](#) and then [Forms and Publications](#))

For up to date information on the return to PST, subscribe to our What's New page at sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm

¹ Fuel means any gas or liquid, including biofuel, for use in an internal combustion engine, or hydrogen for use in a fuel cell vehicle.