

Self-Assessing Motor Fuel and Carbon Tax

Motor Fuel Tax Act and Carbon Tax Act

Did you use fuel in British Columbia that you did not purchase in the province (i.e. fuel that you manufactured or imported)?

Did you use fuel purchased in British Columbia that you did not pay the correct amount of motor fuel and/or carbon tax on at the time of purchase?

This bulletin provides specific tax information to help individuals and businesses that use fuel in British Columbia understand when and how to self-assess and pay tax on that fuel. It also explains how individuals and businesses must self-assess and pay carbon tax on tires or peat when combusted to produce heat or energy in British Columbia.

This bulletin does not apply to registered consumers, registered air services or registered marine services for the types of fuels indicated on their certificates. This bulletin also does not apply to commercial airlines, commercial marine services or to the fuel used in International Fuel Tax Agreement (IFTA) commercial motor vehicles transporting passengers or goods between jurisdictions. For information on these types of businesses, please see:

- [Notice 2008-019](#), *Registered Consumer – Carbon Tax*
- [Notice 2008-018](#), *Registered Air Service and Registered Marine Service – Carbon Tax*
- [Notice 2008-028](#), *Non-Registered Air or Marine – Carbon Tax*
- [Bulletin MFT-CT 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*

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Overview

Carbon tax is a broad based tax that applies to the purchase or use of fuels, such as gasoline, diesel, natural gas, heating fuel, propane and coal. Carbon tax also applies to combustibles, such as peat and tires when used to produce heat or energy.

Motor fuel tax applies to fuels sold for use or used in internal combustion engines. Internal combustion engines are used in most automobiles, aircraft, ships and motor boats. They are also used in industrial equipment, such as bulldozers, skidders, chain saws and generators.

If a fuel is used to generate power in internal combustion engines, the fuel is subject to motor fuel tax and carbon tax. Individuals or businesses that buy or receive fuel for their own use in British Columbia generally pay motor fuel and/or carbon tax at the time of purchase. However, if an individual or business does not pay the correct amount of motor fuel and/or carbon tax at the time of purchase, they are required to self-assess the difference. Individuals or businesses who manufacture fuel in, or bring fuel into, British Columbia for their own use may be required to self-assess and pay motor fuel and/or carbon tax on that fuel. This includes fuel brought into the province in a motor vehicle or in bulk.

For a complete list of the fuels and combustibles subject to motor fuel tax and carbon tax, and their tax rates, please see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*.

Please note: References to tax in this bulletin also apply to security (i.e. an amount equal to the tax that would have been collected if the fuel was sold to a purchaser), if applicable.

Definitions

A **vendor** is a person who sells fuel in British Columbia for the first time after it is manufactured in, or imported into, British Columbia (manufacture includes the production, refining or compounding of fuel). Vendors must apply to be appointed as **collectors** for a type or types of fuel. For more information, please see [Bulletin MFT-CT 001, Fuel Sellers](#)

A **purchaser** is a person who buys or receives delivery of fuel in British Columbia for their own use.

Please note: Registered consumers, registered air services and registered marine services are purchasers. However, they are authorized to purchase the types of fuels indicated on specific certificates, issued by the ministry, without paying taxes. Instead, they are required to report and remit taxes based on any taxable use of the fuel.

Requirement to Self-Assess

Motor Fuel Tax

You are required to self-assess motor fuel tax if you:

- manufacture fuel in, or import fuel into, British Columbia and use it in an internal combustion engine, including fuel you bring into the province in a tidy tank or storage tank on a truck or trailer,
- bring fuel into British Columbia in excess of 182 litres in the supply tank, or supplemental supply tank, of a motor vehicle for use in that vehicle, other than an IFTA commercial vehicle,
- purchase fuel in British Columbia and are not charged, or are undercharged, the amount of motor fuel tax due at the time you purchase the fuel,
- use a type of fuel (e.g. coloured fuel or heating oil), for a different purpose than the seller's understanding when you purchase the fuel (e.g. unauthorized use of coloured fuel for a clear fuel purpose). For more information, please see [Bulletin MFT-CT 003, Coloured Fuel](#).

Exceptions to the above are:

- fuel brought into British Columbia in the supply tank, or supplemental supply tank, of an aircraft or ship that is used in the operation of the aircraft or ship,
- fuel with at least 85% methanol used to propel motor vehicles on a highway,
- natural gas used to propel motor vehicles,

- propane, effective July 1, 2010,
- marine gas oil used in a marine gas turbine engine that propels a commercial passenger or cargo ship,
- hydrogen used in fuel-cell vehicles, except hydrogen that is produced by electrolysis using coal generated electricity, unless the carbon dioxide emitted, as the result of using coal to generate the electricity, is captured and stored, or captured and sequestered, or
- fuel used by visiting forces and members of the diplomatic and consular corps.

Please note: If you identify an error in a tax return from a previous reporting period, you should submit an amended return for that reporting period, as soon as possible.

If you purchase or use coloured fuel or heating oil for an unauthorized purpose, in addition to the requirement to self-assess, the ministry may impose a penalty equal to three times the tax that would have been payable on the fuel if it had not been coloured fuel. You may also be subject to a fine of up to \$10,000 and/or imprisonment for up to two years.

Carbon Tax

You are required to self-assess carbon tax if you:

- use fuel that you manufacture in, or import into, British Columbia, including fuel that you bring into the province in a tidy tank or storage tank on a truck or trailer,
- bring fuel into British Columbia in excess of 182 litres in the supply tank, or supplemental supply tank, of a motor vehicle, other than an IFTA commercial vehicle,
- burn combustibles, such as tires (shredded or whole) or peat,
- flare or incinerate fuel (where the carbon tax has not already been paid), or
- purchase fuel in British Columbia and are not charged, or are undercharged, the amount of carbon tax due at the time you purchase the fuel.

Exceptions to the above are:

- fuel brought into British Columbia in the supply tank, or supplemental supply tank, of a non-commercial aircraft or ship that is used in the operation of the aircraft or ship,
- fuel used by visiting forces and members of the diplomatic and consular corps,
- fuel used as a raw material (feedstock) in an industrial process if the fuel used as feedstock is not combusted as part of the process,
- fuel that is not combusted when used in the following specific circumstances:

- as raw material to manufacture anodes used in an electrolytic process for smelting aluminum,
 - as a reagent to separate out coal or ores of metal in an industrial floatation process,
 - in pipeline pigging,
 - in down-hole operations at a well site,
 - to remove natural gas liquids or impurities in the processing of natural gas,
 - as an antifreeze in natural gas pipelines (effective September 2, 2009), or
 - as a refrigerant in a closed system in the processing of natural gas.
- coke, high heat coal or petroleum coke, or a combination of them used as a reductant in the production of lead or zinc. The maximum amount of fuel that is exempt as a reductant is set out in a table in the regulations to the *Carbon Tax Act*. The amount varies depending on the type of fuel combusted as a reductant and the type of metal (i.e. lead or zinc) produced.

Please note: If you identify an error in a tax return from a previous reporting period, you should submit an amended return for that reporting period, as soon as possible.

Tax Returns and Payments

You are required to report and remit taxes due as follows:

- for fuels subject to the *Motor Fuel Tax Act* (other than natural gas), you use the *Miscellaneous Payment of Tax* form ([FIN 135](#))
- for natural gas, you use the *Natural Gas Consumed by Internal Combustion Engines* form ([FIN 451](#))
- for fuels subject to the *Carbon Tax Act*, you use the *Carbon Tax Return – Self Assessors* form ([FIN 112](#))

Please note: If you are a collector or natural gas retailer, you cannot self-assess using your regular tax return form. However, if you identify that an error was made on one of your previous collector or retail dealer tax returns that resulted in an underpayment of tax, you are required to submit a revised collector or retail dealer tax return for that reporting period.

The ministry registers you as a self-assessor and establishes your filing frequency after you submit your first tax return. Before you are registered with the ministry, you are required to file a tax return and pay the taxes due according to the following table.

Act	Due Date
<i>Motor Fuel Tax Act</i>	15 th day of the month following the month in which you used the fuel
<i>Carbon Tax Act</i>	28 th day of the month following the month in which you used the fuel

Reporting Periods

When the ministry registers you as a self-assessor, your reporting period will be based on the annual amount of motor fuel and/or carbon tax you are expected to self-assess and pay as follows:

- less than \$12,000 – annual reporting (July 1 – June 30),
- \$12,000 to less than \$120,000 – quarterly reporting (January 1 – March 31, April 1 – June 30, July 1 – September 30, October 1 - December 31), or
- \$120,000 or more – monthly reporting.

Once you are registered with the ministry, you are required to file a tax return and pay the tax due as follows.

Act	Due Date
<i>Motor Fuel Tax Act</i>	15 th day of the month following the end of the reporting period in which you used the fuel
<i>Carbon Tax Act</i>	28 th day of the month following the end of the reporting period in which you used the fuel

Due Dates

If you send in your tax return and payment by mail, it is considered on time if the envelope is postmarked by Canada Post (or national equivalent if outside Canada) on, or before, the due date. A business postage meter mark is not sufficient. If you mail your tax return and payment on, or near, the due date, request Canada Post to postmark the envelope immediately.

If the due date for the tax return and payment falls on a weekend or a British Columbia statutory holiday, the due date is the next business day.

If you hand deliver your tax return and payment, or send it by courier, it must be received by the ministry by the close of business (4:30 pm) on the due date to be considered on time.

In all cases, payments must be negotiable on, or before, the due date and payable in Canadian funds to the Minister of Finance.

If you are registered with the ministry but no payment is due because no tax is due, you are still required to submit a **nil** tax return on time. You may fax it on, or before, the due date but it must be received by the ministry by 11:59 pm on the due date.

If your tax return and payment are not received on time, penalties and interest may be applied. Nil tax returns and amended tax returns are treated the same as other late tax returns in evaluating filing history.

Assessments

If the ministry finds that tax has not been self-assessed and remitted as required under either Act, the ministry may issue an assessment for the tax due. Interest and a penalty may also be imposed. However, a penalty is generally imposed only when facts indicate that the self-assessor was:

- aware that tax was due, or
- previously advised of the proper tax application (e.g. warned of a late return).

Where applicable, if you are a collector, licensed carrier, registered consumer, registered air service, registered marine service or exempt fuel retailer, the ministry may also suspend or cancel your authorization.

Need more info?

Motor Fuel Tax and Carbon Tax website:

www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Motor Fuel Tax Act*, *Carbon Tax Act* and the Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm