



Excise Taxes and Special Levies Memorandum

X3.1

July 2013

Goods Subject to Excise Tax

This memorandum outlines the application of the excise tax imposed by Part III of the *Excise Tax Act* (the Act) on specific goods enumerated in Schedule I to the Act.

Note: Effective March 20, 2007, the green levy replaced the heavy vehicle weight tax. This levy is an excise tax on fuel-efficient automobiles and is explained further in this memorandum.

Disclaimer:

The information in this memorandum is for reference purposes only and does not replace the law found in the Act or its regulations. Should there be any discrepancy between the information in this memorandum and that contained in the Act or its regulations, the legislative provisions apply. As the information in this publication may not completely address your particular situation, you may wish to refer to the Act or appropriate regulation, or call 1-866-330-3304 for additional information.

Excise tax imposed

1. Under section 23 of Part III¹, an excise tax is imposed, levied and collected on certain goods mentioned in Schedule I, which are imported or are manufactured or produced in Canada at the time of delivery to the purchaser. This tax is in addition to the GST/HST imposed under Part IX of the Act.
2. The excise tax applies to the goods at the rates set out in Schedule I unless they are sold or imported under excise tax-exempt conditions.
3. For goods that are imported into Canada, the excise tax is payable in accordance with the provisions of the *Customs Act* at the time of importation.
4. The following terms are used in this memorandum:

diesel fuel includes any fuel oil that is suitable for use in internal combustion engines of the compression-ignition type; other than fuel that is intended for use and is actually used as heating oil;

gasoline means gasoline-type fuels for use in internal combustion engines other than aircraft engines;

qualifying data means fuel consumption data, in respect of automobiles², that is

- (a) if the fuel consumption data under the EnerGuide mark is based on a test method composed of two – but not five – test cycles, data published by the Government of Canada under the EnerGuide mark in respect of those automobiles; or
- (b) in any other case, data in respect of those automobiles based on a test method composed of only two test cycles and published by the Government of Canada, as specified by the Minister of National Revenue, on the basis of information adjusted and provided by the Minister of Natural Resources.

¹ Unless otherwise stated, all legislative references are to the *Excise Tax Act*.

² Including station wagons, vans and sport utility vehicles designed primarily for use as passenger vehicles but not including trucks, vans equipped to accommodate 10 or more passengers, ambulances and hearses.

La version française de la présente publication est intitulée *Produits assujettis à la taxe d'accise*.



Canada Revenue Agency
Agence du revenu
du Canada

Canada

Goods taxable

5. The following goods are subject to an excise tax:

- fuel-inefficient automobiles (green levy);
- air conditioners designed for use in automobiles, station wagons, vans and trucks; and
- gasoline, diesel fuel, aviation gasoline, and aviation fuel.

Fuel-inefficient automobiles

6. Subsection 6(1) of Schedule I imposes an excise tax (often called a “green levy”) on fuel-inefficient automobiles (including station wagons, vans and sport utility vehicles) that are designed primarily for use as passenger vehicles. Automobiles subject to the green levy do not include pickup trucks, vans with ten or more seats, ambulances and hearses, in accordance with the vehicle’s fuel-efficiency rating.

Excise tax rate based on weighted fuel consumption

7. The excise tax rate is calculated on the basis of the weighted fuel consumption, as determined in accordance with the vehicle’s fuel-efficiency ratings published by Natural Resources Canada. Those ratings take into account 55% of city fuel consumption and 45% of highway fuel consumption for the vehicle. For more information on fuel consumption ratings, go to the following Natural Resources Canada Web page: <http://oee.nrcan.gc.ca/transportation/tools/fuelratings/ratings-search.cfm?attr=8>.

Rates of excise tax on fuel-inefficient automobiles

8. Automobiles with a weighted average fuel consumption rating of 13 or more litres per 100 kilometres will be subject to the excise tax at the following rates:

- \$1,000 in the case of an automobile that has a rating of 13 litres but less than 14 litres per 100 kilometres;
- \$2,000 in the case of an automobile that has a rating of 14 litres but less than 15 litres per 100 kilometres;
- \$3,000 in the case of an automobile that has a rating of 15 litres but less than 16 litres per 100 kilometres; and
- \$4,000 in the case of an automobile that has a rating of 16 litres or more per 100 kilometres.

Calculation of weighted fuel consumption rating

9. The formula for the calculation of the weighted fuel consumption rating referred to in subsection 6(1) of Schedule I is determined as follows:

$$0.55A + 0.45B$$

where:

- A is the city fuel consumption rating (based on the number of litres of fuel, other than E85 ethanol, per 100 kilometres) for automobiles of the same model with the same attributes as the automobile, as determined by reference to qualifying data published, or, if no rating can be so determined that would apply to the automobile, by reference to the best available data, which may include the city fuel consumption rating for the most similar model and attributes; and

B is the highway fuel consumption rating (based on the number of litres of fuel, other than E85 ethanol, per 100 kilometres) for automobiles of the same model with the same attributes as the automobile, as determined by reference to qualifying data, or, if no rating can be so determined that would apply to the automobile, by reference to the best available data, which may include the highway fuel consumption rating for the most similar model and attributes.

Exceptions

10. As per section 10 of Schedule I, the excise tax applicable to automobiles mentioned in section 6 of Schedule I does not apply if these goods are:

- (a) sold under conditions that would qualify the sale as a zero-rated supply for purposes of Part IX of the Act;
- (b) purchased or imported for police or fire-fighting services; or
- (c) purchased by and for the personal or official use of a person who is entitled to the tax exemptions specified in article 34 of the convention set out in Schedule I to the *Foreign Missions and International Organizations Act* or in article 49 of the convention set out in Schedule II to that Act.

11. However, when vehicles referred to under (b) and (c) above are sold, leased or diverted under taxable conditions within a five-year period, they are subject to excise tax, as per subsection 50(7).

12. According to section 11 of Schedule I, payment of the tax imposed under section 6 may be deferred, in the case of automobiles imported by persons who manufacture automobiles in Canada, until such time as the imported automobiles are sold in Canada by those persons.

Automotive air conditioners

13. Section 7 of Schedule I states that air conditioners designed for use in automobiles, station wagons, vans or trucks are subject to an excise tax of \$100, whether:

- (a) separate, or
- (b) included as permanently installed equipment in an automobile, station wagon, van or truck, at the time of sale or importation of the vehicle by the manufacturer or importer thereof.

Evaporator unit

14. An evaporator unit designed for use with or as part of an automotive type air conditioning system is deemed to be an air conditioner as described in section 7 of Schedule I. Where the evaporator unit is used for repair or replacement purposes or in conjunction with another evaporator unit that already forms part of an automobile type air conditioning system, it is not deemed to be an air conditioner.

Refunds

15. Where the \$100 excise tax has been paid on an evaporator unit used for repair or replacement purposes or in conjunction with another evaporator unit, a refund of the excise tax may be claimed by the person who actually performed the physical installation (upon presentation of evidence of installation).

16. A person who does not have an excise tax licence and who sells or installs, under exempt conditions, a complete air conditioner on which excise tax was paid may apply for a refund of the excise tax paid.

Exceptions

17. The excise tax on air conditioners designed for automobiles, station wagons, vans or trucks applies only to those that are powered by the engines or power trains of the vehicles mentioned. Air conditioners that are powered by separate motors, propane or electricity are not subject to this tax.

18. Air conditioners specifically designed for motor homes regardless of how they are powered are not subject to excise tax. However, air conditioners of a design normally used in automobiles, station wagons, vans or trucks, even though installed in motor homes or chassis for motor homes, are subject to excise tax.

Air conditioners in kits

19. Air conditioners imported or sold in complete kits designed for installation in automobiles, station wagons, vans or trucks are subject to excise tax. Where only partial kits or individual components are imported or sold, excise tax does not apply unless an evaporator unit is included.

20. According to section 8 of Schedule I, automotive air conditioners described in section 7 will not be subject to excise tax when:

- (a) they are purchased or imported for permanent installation in an ambulance or hearse, or when they become permanently installed equipment in such vehicles;
- (b) the sale qualifies as a zero-rated supply for the purposes of Part IX of the Act; and
- (c) they are purchased by and for the official use of a person who is entitled to the tax exemptions specified in section 34 of the Convention set out in Schedule I to the *Foreign Missions and International Organizations Act* or in article 49 of the Convention set out in Schedule II to that Act.

Fuels

Unleaded gasoline

21. Under subsection 9(a) of Schedule I, the excise tax for unleaded gasoline and unleaded aviation gasoline is \$0.10 per litre.

Leaded gasoline

22. Under subsection 9(b) of Schedule I, the excise tax for leaded gasoline and leaded aviation gasoline is \$0.11 per litre.

Diesel and aviation fuel

23. Under section 9.1 of Schedule I, the excise tax for diesel fuel and aviation fuel, other than aviation gasoline, is \$0.04 per litre.

Exception – heating oil

24. Fuel oil actually used as heating oil and that was intended for such use, does not come within the definition of diesel fuel found in the Act, and is therefore not subject to the specific excise tax on diesel fuel.

Enquiries

For a ruling or interpretation or to make a technical enquiry, contact the Excise Taxes and Other Levies Unit at the following address:

Excise Duties and Taxes Division
Excise and GST/HST Rulings Directorate
Canada Revenue Agency
Place de Ville, Tower A
320 Queen Street, 20th floor
Ottawa, ON K1A 0L5

All Excise Taxes and Special Levies Memoranda are available on the CRA Web site at www.cra.gc.ca/etsl.