

Ministry of Finance

Tax Bulletin



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Fuel Sellers

Motor Fuel Tax Act and Carbon Tax Act

Do you sell fuel within British Columbia for the first time after it is manufactured in, or imported into, British Columbia?

Do you know your responsibilities as a fuel seller, such as registering, paying and collecting, reporting and remitting security or taxes on various types of fuels?

This bulletin provides specific tax information to help fuel sellers understand how the motor fuel tax and carbon tax apply to their businesses.

This bulletin does not apply to natural gas sellers. Natural gas sellers should read [Notice 2008-020](#), *Notice to Natural Gas and Propane Sellers – Carbon Tax*.

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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, and the use of 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 the motor fuel tax and carbon tax. Effective July 1, 2010, sales of these fuels are also subject to the harmonized sales tax (HST), but most are eligible for a point-of-sale rebate for the 7% provincial portion of the HST. The only fuels not eligible for the point-of-sale rebate are bunker fuel, M85+, natural gas and propane. These fuels, except for natural gas used in certain compressors on a pipeline, have a zero tax rate under the *Motor Fuel Tax Act*. For more information on point-of-sale rebates for the 7% provincial portion of the HST, please see our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/hst.html

If fuel is used for any purpose other than in an internal combustion engine, it is subject to carbon tax and the harmonized sales tax (HST). However, if the fuel is purchased for residential energy use, it is eligible for a residential energy credit or rebate for the 7% provincial portion of the HST. As a fuel seller, you may be required to provide this credit at the point-of-sale. For more information on the Residential Energy Credit and Rebate Program, please see our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Residential_Energy/residential_energy.htm

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](#).

Definitions

The responsibilities of fuel sellers differ depending on how they are classified under the *Motor Fuel Tax Act* and the *Carbon Tax Act*. The *Motor Fuel Tax Act* and *Carbon Tax Act* divide fuel sellers and purchasers into the following classifications.

- You are a **vendor** if you sell 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 (see the section below, Applying to be a Collector).

- You are a **wholesale dealer** or **deputy collector** if you purchase fuel in British Columbia to resell to someone other than a purchaser.
- You are a **retail dealer** if you sell fuel to a purchaser in British Columbia.
- You are a **purchaser** if you buy or receive delivery of fuel in British Columbia for your own use. For clarity, this bulletin will refer to purchasers as **end purchasers** and end purchasers are required to pay tax.

Applying to be a Collector

To apply for appointment as a collector, you need to complete an *Application for Appointment as a Collector* form ([FIN 142](#)).

Once your application is received, and before you can be appointed as a collector, you will be required to enter into an agreement with the ministry that sets out the duties and conditions of your appointment. This may include posting a bond by providing an unconditional letter of credit from a recognized financial institution.

If you are conditionally approved as a collector, the ministry will send you two copies of a draft agreement outlining the duties and conditions of your collector appointment for motor fuel tax and/or two copies of a draft agreement outlining the duties and conditions of your collector appointment for carbon tax. If you agree with the duties and conditions, you must sign and return both copies of each agreement to the ministry. The ministry will return one copy of each agreement to you for your records.

If you are not approved for appointment as a collector, the ministry will send you a letter explaining why your application was refused and how to appeal the decision if you disagree.

If you are not appointed as a collector, you must not sell fuel within British Columbia for the first time after it is manufactured in, or imported into, British Columbia. If you do so, you will be charged a penalty equal to the amount of security that you should have paid if you had been a collector. If you continue to wilfully sell fuel without an appointment, the ministry may charge you an additional penalty equal to the amount of security that you should have paid as if none of your sales were made exempt of carbon tax or security. Also, you may be liable to a fine of up to \$10,000 and/or imprisonment for up to two years.

Suspension and Cancellation of Collector Appointments

Your appointment as a collector may be suspended or cancelled for non-compliance with the *Motor Fuel Tax Act* and/or *Carbon Tax Act* and/or regulations, or for failure to meet the duties and conditions set out in your agreement(s). You may appeal the suspension or cancellation of your appointment if you disagree with the decision.

If your appointment as a collector is suspended or cancelled, you must not sell fuel that you manufactured in, or imported into, British Columbia. If your appointment as a collector is suspended or cancelled under either Act, your appointment will be automatically suspended or cancelled under the other Act.

Paying Security

If you are appointed as a collector, you are required to pay a security equal to the amount of tax that would have been collected if the fuel was sold to an end purchaser. This is done to protect tax revenue and reduce the number of businesses that need to file and remit a tax return to the ministry.

The only exceptions to paying a security are if:

- the fuel is exported and then sold outside British Columbia,
- the ministry, in writing, specifically exempts you or your customer from the requirement to pay the security, or
- the fuel is sold from a collector to another collector, and both are collectors for the same type or subcategory of a type of fuel. Both collectors must also own and operate a crude oil refinery in Canada and are appointed as a refiner collector (for additional information on refiner collectors, please contact the ministry).

The following provides a detailed summary of the security and tax process, and responsibilities of fuel sellers and end purchasers.

Collectors

As a collector, you are required to:

- pay security to the ministry when you sell fuel for the first time in British Columbia,
- pay security to other collectors or deputy collectors when you purchase fuel in British Columbia from them for resale,
- collect security from deputy collectors and retail dealers when they purchase fuel in British Columbia from you for resale,
- collect tax on retail sales of fuel you sell to end purchasers, and
- reimburse yourself the security you pay through the security you collect on sales to deputy collectors and retail dealers, and through the tax you collect from end purchasers.

Deputy Collectors

As a deputy collector, you are required to:

- pay security to collectors or other deputy collectors when you purchase fuel in British Columbia from them for resale,
- collect security from collectors, other deputy collectors and retail dealers when they purchase fuel in British Columbia from you for resale,
- collect tax on retail sales of fuel you sell to end purchasers, and
- reimburse yourself the security you pay through the security you collect on sales to collectors, other deputy collectors and retail dealers, and through the tax you collect from end purchasers.

Retail Dealers

As a retail dealer, you are required to:

- pay security to collectors and deputy collectors when you purchase fuel in British Columbia from them for resale,
- collect tax on your retail sales of fuel you sell to end purchasers, and
- reimburse yourself the security you pay through the tax you collect from end purchasers.

End Purchasers

As an end purchaser, you are required to:

- pay tax to the fuel seller, unless you are authorized to purchase fuel without tax (see the section below, Non-Taxable Sales).

Please note: If you are a fuel seller located on-reserve and wish to purchase fuel for resale to status Indians and Indian bands without paying security, please see [Bulletin MFT-CT 002](#), *Sales to Status Indians and Indian Bands, and the Exempt Fuel Retailer Program*.

Reporting and Remitting Security

As a collector, you are required to report your sales and pay the security due to the ministry by the **15th day** of the month following the reporting period in which you sold the fuel for the first time in British Columbia.

Reporting periods are monthly, quarterly or annually, and are established when you are appointed as a collector. Your reporting period will be based on the annual amount of security you are required to pay or remit under each Act:

- less than \$12,000 under each Act – annual reporting (July 1 – June 30),

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

If you are required to report and pay security under both Acts, and the amounts of the security result in a different reporting frequency for each Act, the frequency will be adjusted so that both are consistent.

You use the *Motor Fuel – Generic Tax Return* form to report your sales and pay the motor fuel security due. This form is available in an Excel format by contacting the ministry by either fax or e-mail at:

Motor Fuel and Carbon Tax Section

Fax: 250 387-5882

E-mail: FuelTax@gov.bc.ca

You use the *Carbon Tax Return - Collectors* form (**FIN 175**) to report your sales and pay the carbon tax security due. Once appointed, you will receive a reminder in the mail prior to your remittance due date. This form is available on the ministry's website at www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm

You are required to submit your tax returns **even if** there was no fuel activity during the reporting period. You are also required to report the purchase and sale of fuels for which you are acting as a deputy collector or retail dealer. This allows you the ability to off-set the amount of security to be paid against any refunds or credits on fuel you may have purchased security-in within British Columbia, and sold at a lower rate or exempt of security or tax (see the section below, Non-Taxable Sales).

If you are a fuel seller acting only as a deputy collector or retail dealer, you are not required to submit tax returns, other than an inventory return when tax rates change. However, if you paid security on fuel and you sell that fuel to another deputy collector or retail dealer at a lower rate or exempt of security, or sell that fuel to an end purchaser at a lower rate or exempt of tax, you may apply for a refund of the difference (see the section below, Refunds).

If you send in your return and payment by mail, it is considered on time if the envelope is postmarked by Canada Post on, or before, the due date. A business postage meter mark is not sufficient. If you hand deliver your tax return, 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. If your return and payment are not received on time, penalties and interest may be applied.

Non-Taxable Sales

Fuel sellers are not required to collect motor fuel or carbon tax on certain types of fuel sold in British Columbia in the circumstances listed below.

▪ **Motor Fuel Tax and Carbon Tax**

You are not required to collect motor fuel tax or carbon tax on sales to an end purchaser if:

- you export the fuel and then sell the fuel outside of British Columbia,
- the end purchaser is a registered consumer for locomotive fuel under the *Motor Fuel Tax Act* and for light fuel oil (LFO) – locomotive under the *Carbon Tax Act* (for more information, please see the notice [Registered Consumer – Carbon Tax](#)),
- the end purchaser is a status Indian or Indian band, other than Nisga'a, who qualifies as an Indian or band under the *Indian Act* (Canada), and is located on reserve land at the time of the sale (for more information, please see [Bulletin MFT-CT 002, Sales to Status Indians and Indian Bands, and the Exempt Fuel Retailer Program](#)), or
- the end purchaser is a visiting force or member of the diplomatic and consular corps.

▪ **Motor Fuel Tax**

You are not required to collect motor fuel tax on sales to an end purchaser if:

- the end purchaser is purchasing marine bunker fuel or marine gas oil, or
- you are certain the fuel will not be used in an internal combustion engine (e.g. you are selling coloured heating fuel or the end purchaser provides documentation stating they will be using the fuel for an exempt purpose, such as a lubricant, or to manufacture explosives).

For more information, please see [Bulletin, MFT-CT 005, Tax Rates on Fuels](#).

▪ **Carbon Tax**

You are not required to collect carbon tax on sales to an end purchaser if:

- at the time of sale, the end purchaser has entered into a contract with a common carrier to export the fuel from British Columbia for their own use outside British Columbia,
- the end purchaser is a registered consumer for a specific type of fuel, as indicated on their *Registered Consumer Certificate*, such as:
 - inter-jurisdictional air services, and

- businesses that use fuel for an exempt purpose, such as a feedstock (for more information, please see the notice [Registered Consumer – Carbon Tax](#)),
- the fuel will be used in an inter-jurisdictional cruise ship,
- the fuel will be used in a ship prohibited from coasting trade under the *Coasting Trade Act* (Canada),
- the end purchaser is a registered air service or registered marine service (please see notice [Registered Air Service and Registered Marine Service - Carbon Tax](#)), or
- the fuel is sold in sealed, pre-packaged containers of four litres or less.

In all of the above circumstances, you are required to collect and record specific information to support not collecting security or tax on these non-taxable sales. This may include:

- copies of certificates of exemption,
- registered consumer and registered air or marine service certificates,
- the name and registry number shown on a customer's *Certificate of Indian Status* card, or
- the name of the ship, or proof the fuel was exported.

If you cannot collect and record sufficient information or documentation, you must collect motor fuel and carbon tax from the end purchaser.

Collectors are required to report these non-taxable sales and provide a breakdown by exemption type as separate lines on their motor fuel and carbon tax returns. Deputy collectors and retail dealers are required to provide similar information on their motor fuel and carbon tax refund application forms.

Additional Responsibilities for Fuel Sellers

Reporting Tax on Sales Invoices

You are required to record certain information on your fuel sales invoices, if you sell fuel:

- from a bulk storage facility, cardlock or terminal rack,
- for resale to another fuel seller,
- to a registered consumer, registered air service or registered marine service, or
- to a customer who requests an invoice,

You must provide an invoice to your customer showing:

- the date of the sale,
- your name and address,

- the location of the sale if different than above, and, if applicable, where the fuel was delivered,
- the name and address of the person you sold the fuel to,
- the quantity of each type of fuel sold, and
- the rates for motor fuel tax and carbon tax, for each type of fuel sold, as separate lines or columns on the invoice.

Please note: Additional invoice requirements are required if you are selling coloured fuel. For more information, please see [Bulletin MFT-CT 003](#), *Coloured Fuel*.

For information on the current motor fuel and carbon tax rates that apply to motor fuels used in internal combustion engines, and carbon tax rates that apply to other fuels and combustibles, please see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*.

Annual Fuel Inventory

You are required to report and remit any additional security due to the ministry on fuel inventory that you own, or are deemed to own, on which you have paid, or will be paying, security to your supplier (i.e. acting as a deputy collector or retail dealer) if there is a tax rate change.

Please note: The carbon tax rates are scheduled to change on July 1, 2011 and 2012.

If you are a deputy collector or retail dealer, you are deemed to own a type of fuel immediately after midnight on the day of a tax rate change if:

- you have entered into an **agreement to purchase fuel** and the agreement provides that you own the fuel immediately after midnight on July 1,
- you have not received delivery of the fuel at that time, and
- you have not entered into an agreement with another person that provides that the other person owns the fuel at that time.

If you are a retail dealer, you are also deemed to own a type of fuel immediately after midnight on the day of a tax rate change if:

- you have entered into an **agreement to sell fuel** to an end purchaser, and
- the end purchaser has not received delivery of the fuel.

When motor fuel tax rates change, you use the *Motor Fuel Tax Return – Inventory* form ([FIN 154](#)) to calculate and report your inventory and the amount of additional security due.

When carbon tax rates change, you use the *Carbon Tax Return – Inventory* form (**FIN 103**) to calculate and report your inventory and the amount of additional security due.

Under the *Carbon Tax Act*, you are entitled to an allowance of \$250 for calculating and reporting your fuel inventory, provided you have the capacity to store at least 1,000 litres of fuel and you file the inventory return and pay any security due on, or before, the due date. You deduct this allowance from the additional security you owe and remit the remaining amount of security to the ministry.

Fuel Sellers Website

If you sell coloured fuel or sell fuel exempt from tax to exempt fuel retailers, registered consumers, registered air services or registered marine services, you should check the ministry's website at www.sbr.gov.bc.ca/applications/mft_coloured_fuel/authorized.asp?acctype=Registered%20Consumer&status=&city on the first business day of each month to verify that the status of your customers' certificates, permits and authorizations have not changed.

Specifically, you can verify that:

- the status of your customers' certificates, permits or authorizations is active, (i.e. not suspended or cancelled),
- the types of fuel and the percentage at which your customers are authorized to purchase exempt of security or tax is correct, and
- any other changes, such as a change of business name.

If your customer's certificate or permit has been suspended or cancelled, you must not sell fuel to them exempt of security or tax. If you do, you may not receive a refund for the difference between the security you paid and the amount of security or tax you collected on that fuel.

If your customer is no longer listed as authorized to purchase coloured fuel, you must not sell coloured fuel to this customer as you will be in violation of your agreement with the ministry.

If you or your customer is in disagreement regarding their status, please contact the ministry for confirmation.

Self-Assessing Tax on Fuel for Your Own Use

You are required to self-assess and pay motor fuel and/or carbon tax on fuel manufactured, imported or taken from your resale supply for your own use. For more information, please see the notice [Self-Assessing Carbon Tax](#).

Coloured Fuels

Businesses may apply for authorization to colour fuel and/or to sell coloured fuel. Coloured fuel is taxed at a lower rate and may only be used for specific purposes, such as in portable generators, in road-building machinery, logging trucks, farm tractors or industrial machinery (i.e. bulldozers and backhoes) when not used on a public road or highway. For more information, please see [Bulletin MFT-CT 003, Coloured Fuel](#).

Re-labelling Fuel

Businesses may apply for authorization to re-label fuel (e.g. purchase one type of fuel and sell it as another type of fuel, at either the same or a different tax rate). For more information, please see [Bulletin MFT-CT 003, Coloured Fuel](#).

Refunds

If you paid security on fuel and you sell that fuel to a collector, deputy collector or retail dealer at a lower rate or exempt of security, or sell that fuel to an end purchaser at a lower rate or exempt of tax, you may apply for a refund of the difference as follows.

- If you are a collector, you may claim a refund on your regular motor fuel or carbon tax return, as applicable, by deducting the refund amount from the amount of the security due on the return for the same reporting period.
- If you are operating only as a deputy collector or retail dealer, you may apply for a refund using an:
 - *Application for Refund of Carbon Tax – Deputy Collector or Retail Dealer* form ([FIN 143](#)), or
 - *Application for Refund of Motor Fuel Tax – Deputy Collector or Retail Dealer* form ([FIN 152](#)).

You must include a schedule of sales supported by copies of the sales invoices that include the date, name and address of the customer and seller, and the volume and type of fuel sold. For more information on refunds of carbon tax, please see the notice [Carbon Tax Refunds – Deputy Collectors and Retail Dealers](#).

Your refund claim must be received by the ministry within four years of the date that you paid the security (i.e. the fuel purchase date). Claims for amounts of less than \$10 **are not** eligible for a refund. The *Motor Fuel Tax Act* and *Carbon Tax Act* require that you keep all your records and documents in British Columbia for **five** years.

Need more info?

Motor Fuel 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