

Ministry of Finance

Tax Bulletin



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Coloured Fuels

Motor Fuel Tax Act and Carbon Tax Act

Do you know the authorized uses for coloured fuel?

Do you know what coloured fuel refunds are available?

This bulletin provides specific tax information to help purchasers and sellers of coloured fuel understand how the *Motor Fuel Tax Act* and *Carbon Tax Act* apply to their operations.

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Overview

Coloured fuel (also called dyed or marked fuel) is generally gasoline or diesel that is mixed with a specific dye to distinguish it from clear fuel. Under the *Motor Fuel Tax Act*, coloured fuel is taxed at a lower rate than clear fuel and may only be used for authorized purposes as outlined in this bulletin.

Under the *Carbon Tax Act*, tax rates are based on the type of fuel (e.g. gasoline or diesel) and the tax rates do not change if the fuel is coloured (e.g. clear diesel and coloured diesel are taxed at the same rate). For additional information on tax rates, please see [Bulletin MFT-CT 005, Tax Rates on Fuels](#).

To colour fuel, you must receive authorization from the ministry and follow the strict requirements for storing dye, colouring fuel and reporting. You are also required to receive authorization from the ministry to sell coloured fuel to qualifying customers (i.e. other fuel sellers and end purchasers).

Please note: You may lose your authority to colour and/or sell coloured fuel if you do not follow the procedures outlined in this bulletin. The unauthorized use of coloured fuel may result in fines and penalties.

To purchase or sell coloured fuel, you need to know the eligible uses of coloured fuel and the available exemptions and refunds outlined in this bulletin.

Definitions

A **highway** is any public road, street, lane or right of way (road allowance) in British Columbia.

A **highway project area** is a work area that is under construction, reconstruction or repair, by the provincial government or a municipality, or is designated for these purposes in a call for tender or contract.

A **licensed motor vehicle** is a vehicle registered for use on a public road. Generally, licensing includes a licence plate for the vehicle, a validation decal on the plate, the Owner's Certificate of Insurance, and a vehicle licence or a temporary operating permit. A motor vehicle is considered unlicensed if it does not meet any of the above requirements.

A **commercial motor vehicle** is a vehicle with a permanently attached truck or delivery body, or a combination of vehicles, such as a tractor-trailer unit. There are certain requirements for commercial motor vehicles used interprovincially or internationally.

For more information, please see [Bulletin MFT- CT 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*.

A **retail dealer** is a person who sells coloured fuel to a purchaser in British Columbia.

A **purchaser** is a person who buys or receives delivery of a coloured fuel in British Columbia for their own use. For clarity, this bulletin will refer to purchasers as **end purchasers**.

Authorized Uses of Coloured Fuel

Coloured fuel may be used in:

- ships and boats,
- stationary or portable engines, such as generators and chainsaws,
- industrial machines when used off-highway (see section below, End Purchasers – Authorized Uses),
- tractors when used off-highway,
- tractors when used on-highway by, or on behalf of, a farmer for the purposes of the farmer’s farm,
- tractors, unlicensed vehicles, industrial machines and road-building machines when travelling to, or from, an off-highway location or highway project area where use of coloured fuel in the vehicle is authorized,
- farm trucks licensed as farm vehicles under the *Commercial Transport Act* (i.e. vehicles with a farm licence plate, also known as an A or G plate) and being used by a farmer or other person in the operation of a farm (see section below, End Purchasers – Authorized Uses),
- road-building machines when used at a highway project area (see section below, End Purchasers – Authorized Uses and Refunds of Coloured Fuel),
- specific types of motor vehicles when used off-highway for the oil and gas industry (see [Bulletin MFT 007](#), *Fuel Used by the Oil and Gas Industry*),
- specific types of motor vehicles when used off-highway by the logging or mining industry (see [Bulletin MFT 010](#), *Fuel Used by the Logging and Mining Industries*),
- specific types of motor vehicles used by the logging or mining industry that are authorized to use coloured fuel and have a temporary operating permit issued under the *Commercial Transportation Act* (for more information on permits, please contact your local Autoplan broker or ICBC at 1 800 663-3051), and
- unlicensed vehicles when used off-highway, including all-terrain vehicles, such as snowmobiles or unlicensed trucks.

To report the unauthorized use or sale of coloured fuel, please call – 877 977-0858

For more information, see section below, End Purchasers - Authorized Uses.

Sellers

Authorization to Colour Fuel

You are required to receive authorization from the ministry to colour fuel. You apply for authorization 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 may only colour fuel at the following authorized locations:

- a refinery located in British Columbia,
- a bulk storage plant you own or lease,
- a truck-mounted injector, or
- onboard an authorized vessel that you own or lease.

If you are not approved to colour fuel, the ministry will send you a letter explaining why your application was refused and how to appeal the decision if you disagree. If your application is refused, you must not colour fuel. However, you may still receive authorization to sell coloured fuel in British Columbia. For more information, please see section below, Authorization to Sell Coloured Fuel.

The ministry conducts regular on-site inspections. If you are not properly handling and colouring the fuel, or appropriately storing the dye or dye concentrate, the ministry may suspend or cancel your authorization to colour fuel. This may result in fines and penalties.

Responsibilities of Businesses Authorized to Colour Fuel

Ordering and Storing Dye Concentrate

If you are a business authorized to colour fuel in British Columbia, you order dye from the ministry by completing and submitting a *Requisition for Dye* form (FIN 452). This form is available 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 need to keep dye and pre-mixed dye solution at your authorized location at all times. All pumps or containers you use to store, colour, transport or dispense coloured fuel must be clearly labelled as **marked or coloured fuel**.

If you transport fuel for sale or delivery, you cannot also transport or carry dye or pre-mixed solution unless it is in an authorized vessel you own or lease, or in a truck-mounted dye injector.

Colouring the Fuel

Coloured fuel is dyed at a concentration of 14 parts per million (i.e. 14 parts of dye per million parts of fuel). If you are colouring fuel, you must create a pre-mix solution of the specific dye provided to you by the ministry and a liquid petroleum product **before** the dye can be used to colour fuel. You can make this solution by mixing 3.5 kg of dye with 200 litres of a liquid petroleum product. For best results:

- mix the fuel in a 203.5 litre drum mounted on its side with a tap attached,
- fill the drum one quarter full of liquid petroleum,
- add the dye, then
- add more liquid petroleum until the drum is full. This method ensures the dye is well-mixed.

When you mix clear fuel with a pre-mix dye solution, you must ensure you mix them in the correct quantities. To colour gas or diesel fuel, the ratio is one part pre-mix dye solution to 1,250 parts of fuel. To determine the quantity of pre-mix in millilitres to add to the clear fuel, multiply the number of litres by 0.8. For example, if you have 500 litres of clear fuel, you multiply the litres by 0.8, which equals 400 ml of pre-mix dye ($500 \times 0.8 = 400$).

If automatic measuring devices are not available, you need to use measuring cups accurately calibrated in millilitres. For best results, add the pre-mix dye solution to a partially filled mixing tank. This method ensures that the dye is well-mixed.

Reporting Dye Used and On Hand

If you are authorized to colour fuel, you need to complete and submit a *Dye Stock Report* form ([FIN 476](#)) to the ministry on, or before, the 15th day of the month following the period you are reporting. This report indicates the amount of dye being stored and the amount of fuel coloured during the previous month.

Authorization to Sell Coloured Fuel

You need to apply to, and receive authorization from, the ministry to sell coloured fuel in British Columbia. To apply for authorization to sell coloured fuel, you must complete and submit an *Application for Authorization to Sell Coloured Fuel* form ([FIN 461](#)) and include two copies of the document containing terms and conditions.

Once your application is received, and before you are given authorization to sell coloured fuel, you will be required to enter into an agreement with the ministry that

sets out the duties and conditions of your appointment. If your application is approved, the deputy director will sign both copies of the document containing the terms and conditions. A copy of the terms and conditions will be returned to you along with labels to be affixed to all pumps that dispense coloured fuel.

If you are not approved as a coloured fuel seller, the ministry will send you a letter explaining why your application was refused and how to appeal the decision if you disagree. If your application is refused, you must not sell coloured fuel in British Columbia.

Responsibilities for Authorized Coloured Fuel Sellers

As a coloured fuel seller, you need to follow the conditions listed below.

- You may not sell coloured fuel to another business for resale purposes, unless that business is also authorized to sell coloured fuel. The only exception is if you are selling to a marine fuel pump where there is no motor vehicle access.

Please note: A current listing of all businesses authorized to sell coloured fuel is available at www.sbr.gov.bc.ca/applications/mft_coloured_fuel/authorized.asp

- At manned locations, such as self-service and full-service pumps, you must ensure that no person places coloured fuel into the supply tank(s) of the licensed motor vehicles, such as trucks, vans or campers. The only exception is for farms trucks licensed as farm vehicles under the *Commercial Transport Act* (i.e. vehicles with a farm licence plate, also known as an A or G plate), when operated by or behalf of a farmer for a farm purpose.
- At unmanned locations, such as cardlocks and keylocks where no staff are on site, you need to have your customers sign a *Coloured Fuel Account Certification* form (**FIN 438**). The form confirms that the customer understands when and how coloured fuel may be used and that their purchases meet those conditions. The form must be completed prior to the first sale, and you must keep a copy of the completed form for each customer purchasing from unmanned locations. The form is available on the ministry's website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Motor_Fuel_Tax/forms.htm
- You must attach the ministry's coloured fuel labels that outline authorized coloured fuel uses in a clearly visible location on all coloured fuel pumps. Examples of pump labels are on the ministry's website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Motor_Fuel_Tax/key_fuel_programs/colourfuel_labels.htm

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.

If you are a retail dealer, you must issue the end purchaser an invoice which records the above information on all sales of coloured fuel greater than 45 litres. You must keep copies of the invoices for your records.

Please note: Coloured fuel sellers must not relabel fuel (e.g. purchase heating oil and sell it as coloured diesel fuel) without prior authorization.

Suspension and Cancellations of Authorizations

Your authorization(s) to colour fuel and/or to sell coloured fuel may be suspended or cancelled for non-compliance with the *Motor Fuel Tax Act* and/or *Carbon Tax Act* and/or regulations, or if you fail to meet the terms and conditions set out in your authorization(s). You may appeal the suspension or cancellation of your authorization(s) if you disagree with the ministry's decision.

Coloured Fuel Exemptions – Motor Fuel and Carbon Tax

As a coloured fuel seller, you **are not** required to collect motor fuel or carbon tax on sales in British Columbia to the following specific types of end purchasers.

Status Indians and Indian band customers

You are not required to collect motor fuel tax or carbon tax on sales to an end purchaser who 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*).

Coloured Fuel Exemptions – Motor Fuel Tax

As a coloured fuel seller, you **are not** required to collect motor fuel tax on sales in British Columbia to the following specific types of end purchasers.

Farmers

Persons who qualify as farmers may purchaser coloured fuel exempt from motor fuel tax in certain situations. A farmer is a person who operates a farm. Farm land is land that is classified as farm land under the *Assessment Act* of British Columbia.

You may make tax exempt sales (point-of-sale exemptions) of coloured fuel to farmers if the fuel is:

- delivered to a storage tank on farm land,
- sold from a bulk agent on the farmer's account (i.e. not a cash, credit card or debit card sale), or
- sold through a keylock or cardlock system on the farmer's account.

To show why you did not charge tax, you need to keep supporting documentation from end purchasers. In addition to the requirements listed above, you also need to obtain:

- a copy of a signed *Farmer Identity Card*, or a completed and signed *Certificate of Exemption as a Farmer* form ([FIN 465](#)), and
- if being sold through a keylock or cardlock system on the farmer's account, a completed *Coloured Fuel Account Certification* form ([FIN 438](#)).

For more information, please see the Farms website at www.sbr.gov.bc.ca/business/Information_Groups/farms/index.htm

Please note: Farmers may not purchase marine diesel tax exempt, even if they are using the fuel on farm land for aquaculture activities.

Refunds for Businesses Authorized to Colour and Sell Coloured Fuel

If you paid security on fuel and you sell that fuel at a lower rate of security (e.g. you purchase clear fuel, then colour and sell coloured fuel) or pay security on coloured fuel and sell the fuel exempt of tax (e.g. to a status Indian or farmer), 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 and/or carbon tax return 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 (FIN 143)*, and/or
 - *Application for Refund of Motor Fuel Tax Deputy Collector or Retail Dealer (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*](#).

End Purchasers

Authorized Uses of Coloured Fuel

Industrial machines

You may use coloured fuel in industrial machines when the equipment is:

- used off-highway (use on private roads is permitted), or
- travelling to, or from, a location where the use of coloured fuel in the vehicle is authorized.

Industrial machines include bulldozers, backhoes, front-end loaders, shovels, graders, earth compactors, rollers, grass mowers, crushers, lumber carriers, skidders, forklifts and any machine equipped with caterpillar trucks. Locomotives are not considered industrial machines.

Farm vehicles

You may use coloured fuel in farm trucks licensed as farm vehicles under the *Commercial Transportation Act* (i.e. vehicles with a farm licence plate, also known as an A or G plate) when the vehicle is used:

- in the operation of a farm, or
- for limited personal use that can be reasonably linked to the operation of the farm. For example, driving your children to school, picking up groceries, or driving to the bank, post office or hardware store.

You may not use coloured fuel for any purpose that cannot be reasonably linked to the operation of the farm. For example, you may not use coloured fuel in farm vehicles when the vehicle is used in the operation of another business, to drive yourself to school or another place of employment, or for recreational purposes.

Please note: Washington, Idaho and Montana do not allow farmers to use coloured fuel in licensed vehicles on public roads. See the section below, Refunds.

Road-building machines

Road-building machines are equipment specifically designed for earth moving, grading, paving and constructing highways.

You may use coloured fuel in road-building machines when the vehicle is used:

- at a highway project area,
- by, or for, the provincial or municipal government in construction or repair of roads maintained by the government, including logging, mining, or petroleum and natural gas access roads on Crown land, or
- for travel to, and from, locations where the use of coloured fuel is authorized.

You must use clear fuel in road-building machines when:

- the vehicle is used on a highway outside a highway project area for grading, clearing, snow ploughing or other maintenance activities, or
- the vehicle is not used by, or for, the provincial or municipal government in construction or repair of roads maintained by the government.

Road-building machines include:

- bulldozers, compactors, loaders, self-propelled compressors, paving machines, rollers, cranes, scrapers, dumptors, tractors, machines equipped with shovels, articulated rock trucks, and
- trucks, such as Euclids that, because of their size, are not permitted to travel on-highway without a permit.

Road-building machines do not include vehicles that were originally designed for the transportation of persons or property and later have machinery attached to them. Road-building machines also do not include dump trucks designed to comply with the size and weight restrictions under the *Commercial Transportation Act*. For example, road-building machines do not include mobile cranes, dump trucks, flushers, street sweepers, vans and buses.

Multi-tank vehicles

You may not carry coloured fuel in the supply tank of a motor vehicle where another supply tank attached to the same engine in the same vehicle contains fuel that is not coloured.

Penalties

The penalty for the unauthorized purchase or use of coloured fuel is equal to the difference between the coloured fuel tax rate and the clear fuel tax that should have been paid. An additional penalty equal to **three** times the clear fuel tax that should have been paid may also be assessed.

Penalties may be assessed for all unauthorized purchases or uses during the previous four years.

Please note: Although coloured diesel and coloured heating oil can be chemically identical, their authorized uses and tax rates are different. Coloured diesel fuel is intended for use in internal combustion engines and is subject to motor fuel tax of 3.00¢ per litre.

Coloured heating oil is intended only for heating purposes and while not subject to motor fuel tax, is subject to carbon tax and HST. Substituting either fuel is unauthorized and may result in fines and other penalties. Coloured heating oil may be eligible for a provincial credit or rebate of the provincial portion of the HST if it is sold for residential heating purposes. For more information, please visit the Residential Energy Credit and Rebate Program website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Residential_Energy/residential_energy.htm

Refunds of Coloured Fuel

Taxes Paid in Error

If you are a status Indian or Indian band, and were incorrectly charged motor fuel tax and/or carbon tax on your purchase of coloured fuel on reserve land, you may apply for a refund. If you are a farmer and were incorrectly charged motor fuel tax on your purchase of coloured fuel, you may apply for a motor fuel refund. To claim a refund of motor fuel tax and/or carbon tax, for either of the situations described above, you may apply for a refund using an:

- *Application for Refund of Carbon Tax – Purchaser of Fuel (FIN 108)*, and/or
- *Application for Refund of Motor Fuel Tax – Purchaser of Fuel (FIN 147)*.

Specific Motor Fuel Refunds Where Clear Fuel is used for a Coloured Purpose

There are specific refund provisions of motor fuel tax where clear fuel is used for a coloured fuel purpose. To claim a refund of motor fuel tax for any of the specific refund provisions below, you need to complete and submit an *Application for Refund of Motor Fuel Tax – Purchaser of Fuel* form ([FIN 147](#)), unless otherwise indicated.

Farmers

If you use clear fuel in a truck with a farm licence plate (also known as an A or G plate) while operating internationally for a farm purpose (e.g. travel to the United States to deliver your farm product to a customer), you may apply for a refund of the tax paid on the clear fuel purchased within British Columbia. This refund allows the same preferential tax treatment farmers receive with coloured fuel when travelling for a farm purpose in jurisdictions, such as Washington State, Idaho and Montana that do not allow the use of coloured fuel on highways. To claim a refund of motor fuel tax in the situation described above, you may apply for a refund using an *Application for Refund of Motor Fuel Tax – Purchaser of Fuel* form ([FIN 147](#)).

Logging and mining

If you travel both on- and off-highway, you need to use clear fuel. However, if you operate specified vehicles for specified purposes in the logging or mining industry, you may apply for a refund of the difference between the clear and coloured fuel tax rates for the portion of the fuel consumed off-highway. For more information on refunds for the logging and mining industries, please see [Bulletin MFT 010](#), *Fuel Used by the Logging and Mining Industries*.

Oil and gas exploration and drilling

If you travel both on- and off-highway, you need to use clear fuel. However, if you operate specified vehicles to transport qualifying supplies and equipment to the oil and gas exploration and drilling industry, you may apply for a refund of the difference between the clear and coloured fuel tax rates for the portion of the fuel consumed off-highway. For more information on refunds for the oil and gas industry, please see [Bulletin MFT 007](#), *Fuel Used by the Oil and Gas Industry*.

Stationary engines

If you use clear fuel in a vehicle and operate the engine for a specific purpose, you may claim a refund of the difference between the clear and coloured fuel tax rates for the fuel consumed while the vehicle is stationary. For more information, please see:

- [Bulletin SST 013](#), *Refunds for the Ready-Mixed Concrete Industry*
- [Bulletin MFT 007](#), *Fuel Used by the Oil and Gas Industry*
- [Bulletin MFT 010](#), *Fuel Used by the Logging and Mining Industries*

Please note: If you use clear fuel where you are authorized to use coloured fuel, other than the specific uses described above, you may **not** claim a refund of the difference between the clear and coloured fuel tax rates. The ministry does not have the authority to refund in these circumstances.

Your refund claim must be received by the ministry within four years of the date that you paid the tax (i.e. the fuel purchase date). Claims for amounts of less than \$10 **are not** eligible for a refund.

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