

Ministry of Finance

Tax Bulletin



ISSUED: June 1990 REVISED: July 2010

Bulletin MFT-CT 008

www.fin.gov.bc.ca/rev.htm

International Fuel Tax Agreement and Motive Fuel User Permits

Motor Fuel Tax Act and Carbon Tax Act

Do you need information about the International Fuel Tax Agreement (IFTA)?

Do you need to know how fuel tax applies to your vehicle?

This bulletin provides specific tax information to help motor carriers, who operate certain types of commercial motor vehicles inter-jurisdictionally, understand how the *Motor Fuel Tax Act* and the *Carbon Tax Act* apply to their businesses.

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Definitions

A **base jurisdiction** is the province or state where you license your motor vehicle, control the operation of the vehicle and keep your operational records.

A **carrier** is the person or business that owns or operates one or more IFTA commercial motor vehicles used for transporting passengers or goods between jurisdictions.

A **motive fuel user permit (MFUP)** is a motive fuel permit purchased by the owner/operator of an IFTA commercial vehicle that is not registered under IFTA, when the vehicle enters into British Columbia.

Motive fuel is diesel fuel, or a combination of fuels including diesel fuel, used to propel a motor vehicle. Motive fuel does not include alternative motor fuel, locomotive fuel or coloured fuel.

An IFTA **commercial vehicle** is a motor vehicle used inter-provincially or internationally for the commercial transportation of passengers or goods that:

- § has two axles and a gross vehicle weight or registered gross vehicle weight exceeding 11,800 kg or 26,000 lbs,
- § has three or more axles regardless of weight, or
- § is used in combination with a trailer and the weight of such combination exceeds 11,800 kg or 26,000 lbs.

An IFTA commercial vehicle does not include a recreational vehicle.

A **recreational vehicle** is a vehicle used solely for personal pleasure by an individual and includes motor homes, buses and pick-up trucks with attached campers.

The International Fuel Tax Agreement (IFTA)

IFTA is a single system for collecting and distributing fuel taxes based on where fuel is consumed.

Under IFTA, you register with your base jurisdiction and receive credentials, including an IFTA licence and decals for your IFTA commercial vehicles. These credentials allow your IFTA commercial vehicle to enter other IFTA jurisdictions without any additional fuel tax registration, licensing or reporting requirements.

When you are registered under IFTA, you file a single fuel tax return with your base jurisdiction each quarter. You report the amount of fuel you purchased and the distances your IFTA vehicles travelled in each jurisdiction during the quarter. You also make a single payment to your base jurisdiction if any taxes are due. Your base jurisdiction redistributes the taxes based on the information from your return.

Alaska, the District of Columbia, Hawaii, Mexico, the Yukon Territory, Nunavut and the Northwest Territories are not members of IFTA.

For more information on IFTA, including links to the *International Fuel Tax Agreement (IFTA) Operating Manual for BC Carriers*, the carrier licence application, IFTA tax return forms and instructions, please visit our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm

If your IFTA commercial vehicle is not registered under IFTA, you need to obtain an MFUP each time your vehicle enters British Columbia. Other jurisdictions may have different requirements for out-of-jurisdiction trip permits and you should contact those jurisdictions for more information.

IFTA Licence or an MFUP

If your base jurisdiction is British Columbia and you operate an IFTA commercial vehicle, you need to:

- § register under IFTA with the Ministry of Finance (the ministry), or
- § obtain an MFUP from the Ministry of Transportation and Infrastructure each time your vehicle enters British Columbia (see the section below, MFUP in British Columbia).

If your base jurisdiction is not a member of IFTA and you operate an IFTA commercial vehicle, you must either:

- § register under IFTA in a member jurisdiction, such as British Columbia, or
- § obtain an MFUP each time your vehicle enters British Columbia.

You do not need an IFTA licence or an MFUP if you operate an IFTA commercial vehicle and:

- § the vehicle you operate is an ambulance, school bus, fire truck, taxi or police vehicle, or
- § the vehicle you operate is registered for farm use outside of British Columbia.

IFTA Registration in British Columbia

To register under IFTA, you complete an *Application for Carrier Licence: International Fuel Tax Agreement (IFTA)* form (**FIN 363**). This form requests basic information about your business, its operations and the number of vehicles you plan to operate under IFTA. Instructions for completing the form are available on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm

When you submit your application form, you include an initiation fee of \$200 and an annual IFTA licence fee of \$100. All payments must be in Canadian funds and payable to the Minister of Finance.

After the ministry receives your completed application form and the applicable fees, the ministry will issue you an IFTA licence and a pair of decals for each IFTA commercial vehicle you plan to operate under IFTA.

IFTA Licences and Decals

If your IFTA commercial vehicle is registered under IFTA, you must display an IFTA decal on each side of the exterior of the cab and keep the IFTA licence, or a photocopy of the licence, inside the cab.

You need to keep a log book of decals issued, noting the vehicle for which the decals are issued and the date the decals were attached. IFTA licences and decals are valid for one calendar year, from January 1 through December 31. If your business name or address changes, you must inform the ministry who will issue you a new IFTA licence.

IFTA Temporary Permits

If you want to register an additional IFTA commercial vehicle under IFTA immediately, but you do not have extra decals on hand, you may ask the ministry for an IFTA temporary permit. The ministry will fax the temporary permit to you if:

- § you provide the vehicle year, make, licence plate number and Vehicle Identification Number (VIN), and
- § your IFTA account is in good standing.

This permit is vehicle specific and valid for 30 days. The ministry will mail you the IFTA licence and decals to replace the permit within the 30-day period.

IFTA Quarterly Fuel Tax Returns

If you register for IFTA in British Columbia, you are required to file quarterly IFTA fuel tax returns with the ministry.

Your IFTA tax return calculates the tax you owe, or the credit you are due, from each member jurisdiction. If you owe tax, you send one payment with your IFTA tax return for the tax due as calculated on your return. If you do not operate between jurisdictions or you do not purchase fuel during the quarter, you are still required to file your quarterly return.

You will receive your IFTA tax return at least 30 days before the due date. If you do not receive your IFTA tax return, ask the ministry to send you one or you can download a copy of an *IFTA Electronic Quarterly Tax Return* form (**FIN 360**) from our website, which also contains **instructions** for completing the return.

Please note: You must use metric measurements and payments are payable to the Minister of Finance in Canadian currency.

The following chart shows the due dates for each quarter:

Quarter	Reporting Period	Due Date
1 st	January – March	April 30 th
2 nd	April – June	July 31 st
3 rd	July – September	October 31 st
4 th	October – December	January 31 st

If you mail your IFTA tax return, it must be postmarked on, or before, the due date. A business postage meter-mark is not acceptable.

If you deliver or send your IFTA tax return by courier, you must have it stamped received by the ministry on the waybill or the envelope by the close of business (4:30 pm) on the due date. If you deliver your IFTA tax return to the ministry or a **Service BC Centre** through the after hours drop box, it must be **received** before 8:30 am on the first business day **following** the due date.

If your IFTA tax return indicates no payment due, you may fax it to 250 387-5882; however, it must be **received** by the ministry before 12 midnight on the due date.

British Columbia Combined Tax Rate

You report and pay motor fuel tax, which includes an additional amount equal to the carbon tax, on your IFTA tax return.

For information on motor fuel and carbon tax rates, please see **Bulletin MFT-CT 005**, *Tax Rates on Fuels*.

For information on tax rates in all IFTA jurisdictions, please see the IFTA website at www.iftach.org

Credits and Refunds

If the fuel taxes you paid on fuel purchases are greater than the taxes you should have paid, you may either:

- § claim a refund on your IFTA tax return (the ministry cannot process a refund of less than \$20), or
- § carry the credit forward to subsequent quarters.

Please note: To claim a refund, check the Refund Requested box on your IFTA tax return.

Failure to File a Quarterly Return

If you do not file your IFTA tax return, the ministry may assess you, on behalf of all member jurisdictions, for the estimated tax, plus a 10% penalty and interest. The ministry may also suspend or revoke your IFTA licence.

Suspension, Revocation, Reinstatement and Cancellation

The ministry can suspend and/or revoke your IFTA licence for failure to file IFTA returns or pay taxes. If your licence is suspended or revoked, the ministry will notify you and all member jurisdictions, who will notify roadside enforcement.

The ministry may reinstate your suspended or revoked IFTA licence once you have filed your IFTA returns and paid the taxes due. If you are reinstated, the ministry will notify you and all member jurisdictions of your reinstatement.

You may cancel your IFTA licence if you have filed all required IFTA returns and paid any tax due. If you cancel your licence, you need to return your original IFTA licence to the ministry and remove all IFTA credentials from your vehicles, including decals and licences.

Record Keeping and Audits

You need to keep records that support the information on your IFTA tax returns. Failure to keep records or pay the tax due may result in an assessment for the unpaid tax, plus interest and penalty charges. Under IFTA, you need to keep records for **four** years after you file your return.

If you are selected for an IFTA audit, your base jurisdiction will conduct the audit on behalf of all member jurisdictions. After the audit is completed, you and any affected member jurisdiction will receive an audit report. Your base jurisdiction collects and remits any tax, penalty and interest you owe to other member jurisdictions.

Motive Fuel User Permit (MFUP) in British Columbia

If your IFTA commercial vehicle is not registered under IFTA, you need to obtain an MFUP each time your vehicle enters British Columbia. You may obtain an MFUP from the Ministry of Transportation and Infrastructure by:

§ accessing the Transportation Permitting System (TPS) online at www.th.gov.bc.ca/cvse/tps/tps_online.htm or

§ calling the Provincial Permit Centre toll-free at 1 800 559-9688.

Your MFUP is valid for seven days and it cannot be extended.

Please note: If you are not registered under IFTA, you need to have your MFUP available for inspection at all times while your IFTA commercial vehicle is in British Columbia.

To obtain an MFUP, you are required to pay a deposit. The deposit is equal to the motor fuel tax rate and carbon tax rate multiplied by the number of kilometres that you estimate you will travel in British Columbia.

Please note: You cannot calculate the deposit based on the volume of fuel.

The table below lists the motor fuel tax rate and carbon tax rate used to calculate the deposit. The minimum payment is \$20 per MFUP (\$10 for motor fuel and \$10 for carbon tax).

Period	Carbon Tax Rate for Each Kilometre	Motor Fuel Tax Rate for Each Kilometre	Combined Rate for Each Kilometre	Maximum Combined Deposit
Starting July 1, 2008	1¢	7¢	8¢	\$160
Starting July 1, 2009	2¢	7¢	9¢	\$180
Starting July 1, 2011	3¢	7¢	10¢	\$200
Starting July 1, 2012	4¢	7¢	11¢	\$220

If you travel more kilometres in British Columbia than you estimated, you are required to pay motor fuel tax and carbon tax to the ministry for the additional distance you travelled using the table above.

You are also required to pay motor fuel tax and carbon tax on fuel you purchase in British Columbia. Motive fuel sellers in British Columbia charge motor fuel tax and carbon tax at the time of purchase.

If the amount of the deposit and/or tax you paid exceeds the tax due on the fuel used in British Columbia, you may claim a refund. You calculate your refund using the following formula.

$$\text{Refund} = (\mathbf{D} + \mathbf{TP}) - (\mathbf{R} \times \mathbf{AD})$$

D = the amount of deposit paid

TP = the amount of motor fuel and carbon tax you paid for motive fuel purchased in British Columbia during the trip and used in the IFTA commercial vehicle

R = the rate set out by the province to calculate the deposit for that period

AD = the actual distance travelled by the vehicle in the province

To apply for a refund, you are required to complete an *Application For Refund of Motor Fuel Tax - Purchaser of Fuel* form (**FIN 147**). You are also required to submit the following supporting documents with your application form:

§ copies of all applicable MFUPs,

§ documentation to support the actual distance travelled, such as copies of the driver log book showing the distance travelled in British Columbia during the permit period, or bills of lading showing the delivery destination, **and**

§ copies of all invoices for fuel purchased within British Columbia during the permit period for use in the permitted vehicle showing:

- the name and location of the seller,
- the date of purchase, and
- the litres and type of fuel purchased.

Send your application form and supporting documents to:

Ministry of Finance
Refund Section
PO Box 9628 Stn Prov Govt
Victoria BC V8W 9N6

The ministry must receive your refund claim within four years from the date you paid the deposit.

Please note: A refund cannot exceed the amount of the deposit and the ministry will not issue a refund of less than \$20.

Need more info?

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

References: *Motor Fuel Tax Act*, Sections 1, 4(1.2), 4(2), 4(2.1), 10(1.2), 10(2), 10(2.1) 16-19, 25, 26, 42 and 43(3), and Regulations 1, 16-27, 40-43, 46, 48-50 and 52, *Carbon Tax Act*, Section 14(2), and Regulations 2, 39, 40, 40.1 and 41, and *International Fuel Tax Agreement (IFTA) Operating Manual for BC Carriers*