

# Exempt Fuel Retailer Program

## *Carbon Tax Act and Motor Fuel Tax Act*

### Overview

On January 1, 2009, a new Exempt Fuel Retailer Program will be introduced for retailers who operate on reserve land and sell fuel exempt of tax to eligible First Nations customers. This program allows retailers to purchase a specified percentage of certain types of fuel exempt of the security otherwise payable for carbon tax and motor fuel tax, as the retailer will sell the fuel exempt of tax. **This program replaces the existing collector appointments for retailers operating on reserve land.**

This notice explains the requirements for becoming an exempt fuel retailer and the associated responsibilities. This notice also outlines the requirements for collectors and deputy collectors who sell fuel to exempt fuel retailers.

The information in this notice does not apply to sales of marketable natural gas or propane to First Nations customers. For information on marketable natural gas and propane sales, please see the [Notice to Marketable Natural Gas and Propane Sellers – Carbon Tax](#).

### First Nations Retailers - Cancellation of Collector Appointments

First Nations Retailers are retailers who were appointed collectors of motor fuel tax to allow them to purchase fuel exempt of security to sell on reserve to eligible First Nations customers. When the carbon tax came into effect on July 1, 2008, First Nations Retailers were automatically appointed collectors of carbon tax for a transitional period. Effective December 31, 2008, these collector appointments will be cancelled for both taxes.

**If you are currently a First Nations Retailer, you need to apply to the ministry for a new permit to become an exempt fuel retailer. You will not be able to purchase fuel exempt of security after December 31, 2008, unless you have an *Exempt Fuel Retailer Permit*. Please apply as soon as possible so that the ministry can process your application before December 31, 2008.** For information on how to apply, please see the section below, New Exempt Fuel Retailer Program.

## New Exempt Fuel Retailer Program

### Qualifying as an Exempt Fuel Retailer

You may apply to the ministry for registration as an exempt fuel retailer if you meet all of the following requirements.

- You operate a retail outlet located on reserve land. This includes both manned and unmanned locations, such as cardlocks.
- You sell fuel to eligible First Nations customers. An eligible First Nations customer is a purchaser who qualifies as an Indian or Indian band under the *Indian Act* (Canada).
- You do not qualify to be appointed as a collector for motor fuel tax and/or carbon tax purposes. To qualify for appointment as a collector for motor fuel tax or carbon tax purposes, you must sell fuel for the first time in British Columbia after its manufacture or import into the province.

The Exempt Fuel Retailer Program applies only to clear and coloured gasoline, and clear and coloured diesel. If you sell other products to eligible First Nations customers, you are required to pay security on the fuel you purchase in British Columbia, and you can apply to the ministry for a refund of security on the portion of fuel that you sell exempt of tax. For more information on refunds, please see our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/consumer\\_taxes.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm)

### How to Apply

To apply for registration as an exempt fuel retailer, you need to complete and send in an *Application for Registration as an Exempt Sale Retail Dealer (ESRD) and/or Exempt Fuel Retailer (EFR)* form (**FIN 262**). This form is available from the ministry or any Service BC Centre. You will also find it on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/Motor\\_Fuel\\_Tax/forms.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Motor_Fuel_Tax/forms.htm)

You are required to send in a separate application for each location where you sell fuel on reserve land. This includes a separate application for each unmanned cardlock that you operate on reserve land.

**Please note:** For the ministry to consider your application, you are required to apply to purchase a percentage of at least one type of fuel exempt of security.

You are required to enter into an agreement with the ministry before being registered as an exempt fuel retailer. If your application is approved, the ministry will send you

two copies of an agreement that sets out the duties and conditions of your registration. If you agree with the duties and conditions, sign and return both copies to the ministry. Once the ministry receives the signed agreement, the ministry will send you:

- a copy of the agreement signed by you and the ministry,
- the forms and information you need to report and remit tax, and
- an *Exempt Fuel Retailer Permit*, which will include your name, address and permit number, as well as the type of fuel and specified percentage that you can purchase exempt.

If your application is not approved, 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 will be required to pay security on the fuel you purchase in British Columbia. You can apply to the ministry for a refund of security on the portion of fuel you sell exempt of tax to eligible First Nations customers. For more information on refunds, please see our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/consumer\\_taxes.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm)

### **Transitional Period**

If you are currently a First Nations Retailer, and your new application for registration as an exempt fuel retailer is approved, the ministry will send you a temporary *Exempt Fuel Retailer Permit* **before you enter into an agreement with the ministry**. Your temporary permit authorizes you to purchase fuel exempt of security until the ministry issues a permanent permit to you (no later than June 30, 2009). This transitional period will help existing First Nations Retailers to be registered for the new program on time.

Before the end of the transitional period, the ministry will send you an agreement that you are required to sign and return as described in the section above, How to Apply.

## **Responsibilities of Exempt Fuel Retailers**

### **Purchasing Fuel**

To purchase the specified percentage of each fuel type listed on your *Exempt Fuel Retailer Permit* without paying security at the time of purchase, give the supplier a copy of your *Exempt Fuel Retailer Permit* or your exempt fuel retailer number, fuel type and specified percentage. The ministry may issue permits with one exempt percentage for clear and coloured gasoline and a different exempt percentage for clear and coloured diesel.

## Display of Permits

You are required to prominently display your *Exempt Fuel Retailer Permit* at each location where you sell fuel.

## Tax Returns and Payments

You are required to complete and send in a *Tax Return – Exempt Fuel Retailer* form (FIN 412) no later than the 15<sup>th</sup> day of the month following the month in which you sold fuel to eligible First Nations customers. You are also required to document exempt sales using a *Schedule of Sales of Tax Exempt Fuels to Registered Indians or Indian Bands* form (FIN 412/2). The ministry is currently revising these forms and will send them to exempt fuel retailers as soon as they are available. **You are required to use these forms for sales made on, or after, January 1, 2009.**

If the actual percentage of fuel that you sold exempt of tax is greater than the percentage of fuel that you purchased exempt of security, you are eligible for a refund of security on the difference in sales volumes. If the actual percentage of fuel that you sold exempt of tax is less than the percentage of fuel that you purchased exempt of security, you are required to remit tax to the ministry on the difference in sales volumes.

For example, an exempt fuel retailer is authorized to purchase 100% of clear gasoline exempt of security. The retailer purchases 100,000 litres of clear gasoline in January. The retailer sells 90,000 litres of clear gasoline to eligible customers exempt of tax and 10,000 litres to taxable customers during the month. The retailer is required to remit both carbon tax and motor fuel tax on the 10,000 litres of gasoline sold to taxable customers.

## Tax Returns and Payments – Due Date

Your first tax return and payment are due February 15, 2009, for fuel that you sold in January 2009.

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 deliver your tax return in any other manner, such as by hand or by courier, it must be received by the ministry by 4:30 pm on the due date to be considered on time. If tax returns and payments are not received on time, penalties and interest may be applied.

If the due date falls on a weekend or statutory holiday in British Columbia, your return and payment are due by 4:30 pm on the first business day after the due date.

## **Suspension and Cancellation of Exempt Fuel Retailer Permits**

Your *Exempt Fuel Retailer Permit* may be suspended (for up to 60 days) or cancelled for non-compliance with the *Motor Fuel Tax Act* or *Carbon Tax Act*, or Regulations, or for failure to meet the duties and conditions set out in your agreement. If your permit is suspended or cancelled, you will not be able to purchase fuel exempt of security. If your permit is suspended, you must continue to file monthly returns during the suspension period. If your permit is cancelled, you may request a refund of security on fuel that you sell exempt of tax to eligible First Nations customers.

## **Responsibilities of Collectors and Deputy Collectors**

### **Sales to Exempt Fuel Retailers**

When you sell fuel to exempt fuel retailers on, or after, January 1, 2009, you do not collect security on the specified percentage of each fuel type that a retailer is authorized to purchase exempt. You need to obtain a copy of the retailer's *Exempt Fuel Retailer Permit* or permit number, fuel type and specified percentage to support the exempt sale.

The ministry is developing a webpage to allow you to monitor the status of your customers' exempt fuel retailer permits. This webpage is expected to be available on the ministry's website by January 1, 2009. To make sure you are notified as soon as the webpage is available, please subscribe to our What's New page at [www.sbr.gov.bc.ca/msbr/whats\\_new/consumer\\_taxes/whatsnew.htm](http://www.sbr.gov.bc.ca/msbr/whats_new/consumer_taxes/whatsnew.htm)

You need to check the ministry's website on the first business day of each month to verify the status of your customers' exempt fuel retailer permits. If the website shows that a customer's permit is not active, you must collect security on the full amount of fuel that you sell to the customer. If the website shows a change in a customer's exempt percentage, you must collect security on the non-exempt percentage of fuel that you sell to the customer. If the website shows a change in the type of fuel to which a customer's permit applies, you must collect security on the full amount of the fuel type that the customer can no longer purchase exempt.

**Please note:** If the webpage is not available by January 1, 2009, and you want to verify that the information on a customer's permit is current, you can contact the ministry. Also, until the webpage is available, if an exempt fuel retailer provides the ministry with the name of a specific supplier, the ministry will notify that supplier of the retailer's fuel types and exempt percentages, as well as any changes, or permit suspensions or cancellations.

If you are a **collector**, you are not required to pay security on the exempt percentage of fuel that you sell to exempt fuel retailers. If you are a **deputy collector**, you may apply for a refund of security for these exempt sales. For more information on refunds, please see our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/consumer\\_taxes.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm)

### **Sales to Exempt First Nations Customers**

If you:

- operate a retail outlet on reserve land,
- qualify to be a collector for motor fuel and carbon tax purposes after December 31, 2008, and
- sell fuel to eligible First Nations customers,

you are not required to obtain an *Exempt Fuel Retailer Permit*; however, you are required to document exempt sales using a *Schedule of Sales of Tax Exempt Fuels to Registered Indians or Indian Bands* form (FIN 412/2). This form is available from the ministry.

### **Further Information**

If you have any questions, please call us at 604 660-4524 in Vancouver, or toll-free at 1 877 388-4440, or e-mail your questions to [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

You can also find information on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/consumer\\_taxes.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm) Related bulletins on sales to First Nations customers will be updated soon.

The information in this notice is for your convenience and guidance and is not a replacement for the legislation. The *Carbon Tax Act* and *Motor Fuel Tax Act*, and Regulations are on our website at [www.sbr.gov.bc.ca/business/Consumer\\_Taxes/consumer\\_taxes.htm](http://www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm)