

Ministry of Finance

Tax Bulletin



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Fuel Used by the Logging and Mining Industries

Motor Fuel Tax Act

Do you use coloured fuel in off-highway logging trucks?

Do you know if you are eligible for a fuel tax refund?

This bulletin provides specific tax information to help businesses in the logging and mining industries understand how the motor fuel tax applies to their operations.

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Overview

Fuel, such as gasoline and diesel, used in an internal combustion engine is taxable under the *Motor Fuel Tax Act*. Fuels used in internal combustion engines are taxed at different rates depending on where you purchase the fuel and how it is used. Generally, all fuel consumed on-highway must be clear. Coloured fuel (also called dyed or marked fuel) use is limited to specific off-highway uses and when used in certain types of vehicles.

If you bring motor fuel into the province, either in your commercial motor vehicle or in bulk, you are generally required to pay motor fuel tax on that fuel.

For information on the carbon tax, please see our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Carbon_Tax/carbon_tax.htm

Definitions

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

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; and the Owner's Certificate of Insurance and 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 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*.

Minerals are metal ore and every natural substance that can be mined and that:

- occur in fragments or particles lying on, above, or next to its bedrock source (commonly described as talus),
- are in the place or position where they were originally formed or deposited, or
- are loose, fragmentary or broken rock or float that, through decomposition or erosion of rock, are found in wash, loose earth, gravel or sand.

Please note: Under the *Motor Fuel Tax Act*, building and construction stone, marble, shale, clay, sand and gravel are not minerals.

Sellers of Coloured Fuel

If you sell coloured fuel in British Columbia, you need authorization under the *Motor Fuel Tax Act*. An application form is available at www.sbr.gov.bc.ca/business/Consumer_Taxes/Motor_Fuel_Tax/register/sell_colour_fuel.htm

Uses of Coloured Fuel

You may use coloured gasoline or coloured diesel fuel only for the purposes authorized under the *Motor Fuel Tax Act*. Coloured fuel is fuel taxed at a lower rate. The fine or penalty for the unauthorized purchase or use of coloured fuel is equal to three times the tax that would have been payable if the fuel had not been coloured.

Generally, coloured fuel use is limited to specific off-highway uses and certain types of vehicles. Logging, drilling or mine sites, and private roads built or maintained by industry, such as designated logging roads, are considered off-highway.

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

General Uses of Coloured Fuel

You may use coloured fuel in:

- ships and boats,
- stationary or portable engines, such as generators and chainsaws,
- industrial machines when used off-highway, such as bulldozers, backhoes and front-end loaders,
- specific types of equipment, such as tractors and forklifts,
- road building machines, and
- unlicensed vehicles when used off-highway, such as all-terrain vehicles, snowmobiles, unlicensed trucks, etc.

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 shovels, graders, earth compactors, rollers, crushers, lumber carriers, skidders, forklifts and any machine equipped with caterpillar tracks.

Road-building machines

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

- used at a highway project area, or
- used, by or for, the government in construction or repair of roads maintained by the government.

You cannot use coloured fuel in road-building machines when:

- the vehicle is used on a highway outside a highway project area for grading, clearing, maintenance etc., or
- the vehicle is not used, by or for, the government in construction or repair of roads maintained by the government.

Road-building machines are equipment specifically designed for grading, paving, and constructing roads.

Road-building machines include:

- bulldozers, gradalls, compactors, loaders, self-propelled compressors, paving machines, rollers, cranes, scrapers, dumptors, tractors, shovels,
- trucks, such as Euclids that, because of their size, are not permitted to move along a highway without a special temporary operations permit, and
- articulated rock trucks (similar to Euclids).

Road-building machines *do not* include:

- vehicles designed for the transportation of persons or property to which machinery has been attached, or dump trucks designed to comply with the size and weight provisions of the regulations under the *Commercial Transport Act*.

For example, typical machines that are not considered to be road-building machines include: mobile cranes, dump trucks, flushers, street sweepers, and trucks designed to transport persons (e.g. crew crummies) or property, or trucks to which machinery or equipment have been added.

Specific Uses of Coloured Fuel

In addition to the general uses of coloured fuel described above, some further uses are authorized for use by the logging and mining industries when used off-highway.

You may use coloured fuel in:

- trucks when used for hauling logs or lumber, or to transport minerals,
- fire trucks when used as fire trucks,
- ambulances when used as ambulances, and
- crew crummies or buses used for the transportation of your employees, contractors or agents of your company, or employees of the contractors and agents. Crew crummies are trucks, buses or vans with a seating capacity of six or more persons.

Please note: In order to use coloured fuel, these vehicles must be operated 100% off-highway.

Refunds

If you purchase clear fuel and use that fuel for a specific qualifying use, you may be eligible for a refund of the difference between the clear and coloured motor fuel tax rates. The sections below explain what specific uses qualify, and how to apply for a refund.

The ministry must receive your refund application within four years from the date you paid the motor fuel tax. The ministry will not issue a refund of less than \$10.

Off-Highway Refund

If a portion of your trip was on a highway, you used clear fuel and you operated one of the following vehicles, you may qualify for a refund.

- Truck when used for hauling logs or lumber, or to transport minerals.
- Fire trucks when used as a fire trucks.
- Ambulances when used as ambulances.
- Crew crummies or buses used for the transportation of your employees, contractors or agents of your company, or employees of the contractors and agents.

The refund amount is based on the difference between the tax you paid on the clear fuel and the coloured fuel tax rate for the portion of the trip that was off-highway.

To apply for a refund, you are required to complete an *Off-Highway Refund Application* form ([FIN 141](#)). For information on how to complete the application form, please see the instructions printed on page one of the form.

The application form outlines the specific supporting documents required for off-highway refund applications. Please read this section of the form carefully as the supporting documents that are required by the ministry may vary, depending on industry type and activity.

Stationary Engine Refund

You may qualify for the stationary engine refund if you used clear fuel while the vehicle was stationary and the engine operated equipment, such as:

- a mobile crane,
- a hydraulic arm mounted on a logging truck, and
- a drilling unit operated by a power take-off unit.

To apply for a refund, you are required to complete a *Stationary Engine Refund Application* form ([FIN 159](#)). For information on how to complete the application form and for a complete list of qualifying equipment, please see the instructions printed on page one of the form.

The application form outlines the specific supporting documents required for stationary engine refund applications. Please read this section of the form carefully as the supporting documents that are required by the ministry may vary, depending on industry type and activity.

Fuel That Does Not Qualify for a Refund

The following fuel purchases do not qualify for a refund:

- coloured fuel,
- out-of-province fuel purchases,
- fuel purchased and used during periods when no lumber or logs are hauled, or when no mineral is transported, such as in the off-season,
- fuel purchased for non-qualifying vehicles, such as pickup trucks, and
- purchases of less than 100 litres, unless the use is fully explained (otherwise they are deemed to be for a non-qualifying use).

Record Keeping Requirements

The *Motor Fuel Tax Act* requires that you keep all your records and documents in British Columbia for five years.

Need more info?

Logging Industry website: www.sbr.gov.bc.ca/industry_specific/logging/logging.htm

Mining Industry website: www.sbr.gov.bc.ca/industry_specific/mining/mining.htm

Telephone (Vancouver): 604 660-4524

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* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Motor_Fuel_Tax/legislation.htm

Acknowledgments

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References: *Motor Fuel Tax Act*, Sections 1, 4, 5, 10, 10.1, 14, 15, 20, 22, 25, and 26, and Regulations 1, 4, 15.1, 15.2, 51.1 and 51.2