

Ministry of Finance

Tax Bulletin



ISSUED: April 1997 REVISED: April 2010

Bulletin SST 111

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

Propane

Motor Fuel Tax Act and Social Service Tax Act

Propane purchased for use in operating a motor vehicle or operating a stationary engine is subject to tax under the *Motor Fuel Tax Act*. Propane purchased for commercial heating or cooking is subject to tax under the *Social Service Tax Act*. However, the tax rate and tax remittance requirements are the same, regardless of the purpose for which the propane is purchased.

This bulletin outlines the application of tax to propane acquired for various uses, and provides information for retailers and wholesalers on the collection and remittance of the tax.

For general social service tax, also called provincial sales tax (PST), information that applies to all businesses, such as who needs to register, when general exemptions apply, and how to charge and collect the PST, please read our [Small Business Guide to Provincial Sales Tax \(PST\)](#).

Table of Contents

Imposition of the Tax	1
Collecting and Remitting the Tax	3
Exemptions	4
Refunds	6

Imposition of the Tax

Tax Rate

Effective March 1, 2003, the tax rate on propane was increased from 2.1¢ per litre to 2.7¢ per litre. This tax rate applies to all purchases of propane. See the section below, Exemptions, for further information.

Equivalent Tax Rates

Where a retailer is unable to determine the amount of litres sold because they sell propane on a different unit basis, a tax rate equivalent to the per litre tax must be applied to the sale. These current rates are provided below.

<u>Unit of Measure</u>	<u>Equivalent Tax Rate</u>
Pound	2.4¢ per pound
Gigajoule	105.5¢ per gigajoule
CCF (100 cubic feet)	29.9¢ per CCF

Calculating the Tax

Unlike other fuels taxed under the *Motor Fuel Tax Act*, retailers may purchase propane for resale without paying a security to their supplier.

Therefore, the tax collectible on propane is not included in the price paid by retailers to their suppliers.

Retailers are required to collect the tax from their customers at the time of sale. Because the tax rate on propane is now a per unit tax, the federal goods and services tax (GST) must be calculated on the provincial tax-included sale price.

The following example illustrates the calculation of the tax on the purchase of 30 litres of propane, where the tax is not included in the pump price.

Pre-tax price per litre = 49.9¢	
Pre-tax purchase price (30 litres x 49.9¢)	\$14.97
Provincial tax on propane (30 litres x 2.7¢)	+) <u>\$0.81</u>
Tax-included sale price	\$15.78
Federal GST (\$15.78 x 5%)	+) <u>\$0.79</u>
Payment by customer	<u>\$16.57</u>

Alternatively, retailers may sell propane at a tax-included price at the pump. The following example shows how the tax-included price per litre should be calculated.

Pre-tax price per litre	49.90¢
Provincial tax on propane	+) <u>2.70¢</u>
Tax-included sale price	52.60¢
Federal GST (52.6¢ x 5%)	+) <u>2.63¢</u>
Tax-included price per litre	<u>55.23¢</u>

Sales for Commercial Heating or Cooking

Where propane is sold for commercial heating or cooking, tax at the rate specified is imposed only on the charge for propane. Tax does not apply to any charges that cover costs that do not depend on the amount of propane consumed (e.g. meter reading, pipe maintenance, billing).

Collecting and Remitting the Tax

Registration

Retailers of propane are required to register as vendors under the *Social Service Tax Act*.

Retailers can apply to register with the ministry in either of the following ways:

- **online** – through the OneStop Business Registry at www.bcbusinessregistry.ca or at one of the kiosks located throughout the province, or
- **paper form** – by completing an *Application for Registration as a Vendor* form (**FIN 418**). This form is available from the ministry, any **Service BC Centre** or on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/forms.htm

The paper application can be submitted by fax, mail or in person.

If the ministry approves the application, the retailer will be provided with:

- a letter indicating their PST registration number and tax return filing schedule (a *Certificate of Registration* will be attached to the bottom portion of the letter),
- bulletin publications specific to their business needs (if available), and
- the *Small Business Guide to Provincial Sales Tax (PST)* and *The Taxpayer Fairness and Service Code*.

Retailers will also receive **Bulletin SST 032**, *Completing the Social Service Tax Return* with their first tax return form. The tax return form will provide information on how to send in the PST they collect.

For more information on registration, please see **Bulletin SST 044**, *Registering to Collect Provincial Sales Tax (PST)*.

Retailers may purchase propane for resale without paying tax by quoting their registration number to their supplier.

Delivery at the Retailer's Premises

Tax on propane must be collected on all sales of propane where delivery takes place at the retailer's premises. This includes propane delivered into the receptacle of a motor

vehicle. The only exception is where fuel is pumped into tanks intended for residential use for heating or cooking (e.g. tanks for domestic or recreational barbeques).

Delivery at the retailer's premises means that the propane is pumped into the vehicle or other receptacle from a tank located on the retailer's premises.

Delivery to the Customer

Where the retailer delivers propane to the customer's premises, tax must be collected on the sale unless the customer qualifies for one of the exemptions outlined in this bulletin.

Remitting Tax Collected

The tax on propane must be collected at the time of sale and remitted with the vendor's regular *Social Service Tax Return* form ([FIN 400](#)).

When completing the social service tax return, retailers are not required to separate the tax collected on propane from the tax collected on sales of other items subject to PST.

However, a separate record of both taxable and exempt propane sales for each month must be kept for inspection by ministry staff.

Propane for Dealer's Own Use

Wholesalers and retailers must self-assess and remit tax on propane taken from their resale supply for their own use. Registered vendors should remit the tax with their regular tax return.

Unregistered wholesalers should remit the tax to the ministry using a *Casual Remittance Return For Provincial Sales Tax (PST) Due on Taxable Tangible Personal Property by a Purchaser Not Registered Under the Social Service Tax Act* form ([FIN 428P](#)). Blank forms are available from the ministry, any [Service BC Centre](#) or from our website. Dealers who fail to remit the tax are subject to an assessment for the tax due, plus penalty and interest.

Exemptions

Residential Purposes

Propane delivered to a residence to be used for residential heating or cooking is exempt from tax. Tax is not required to be collected on such sales provided the invoice shows delivery to a residence and the seller pumps the propane into a receptacle connected to the residence.

Heating or Cooking in Campers and Recreation Vehicles

Propane to be used for heating or cooking in campers and similar recreational vehicles is exempt from tax if the vehicle is used for non-commercial purposes. Tax is not required to be collected on such sales provided the seller pumps the propane into a separate tank used only for heating or cooking purposes.

If the vehicle is propelled by propane and does not contain a separate tank for heating or cooking, tax must be collected on the full purchase price for the propane. The customer may apply to the ministry for a refund of tax applicable to propane used for heating or cooking if the customer can substantiate the portion of propane used for heating or cooking.

Bona Fide Farmers

Effective February 21, 2007, farmers may purchase propane for use in farm machinery, equipment and vehicles exempt of tax. To qualify, the machinery, equipment and vehicles must be:

- operated on land classified as a farm under the *Assessment Act*, and
- operated by or on behalf of a farmer for the purposes of the farmer's farm.

Farmers may also purchase exempt propane for use in farm tractors and farm trucks when operated on-highway for farm purposes.

Propane sellers may sell exempt propane to farmers if the propane is:

- delivered by the seller to a storage tank or receptacle on the farmer's land and the land is classified as farm land, or
- purchased on the farmer's account (i.e. not a cash, debit or credit card sale) from a bulk agent or key/card lock facility.

Farmers need to provide propane sellers with proof they are a farmer by showing their British Columbia Agricultural Council Farmer Identity Card, or by providing a signed *Certificate of Exemption as a Farmer* ([FIN 465](#)).

Please note: Unless the propane is for a farm truck licensed as a farm vehicle, retailers need to charge fuel tax when they sell propane to farmers at a manned retail location, such as a self-service or full-service pump. Farmers may apply for a refund of the tax paid (see the section below, Refunds).

First Nations

First Nations customers who qualify as an Indian or Indian band under the *Indian Act* (Canada) are exempt from paying tax on propane, provided the propane is purchased from a retail outlet located on reserve land. Retail dealers located on reserve

or designated reserve land are not required to collect tax on propane sales to qualifying First Nations customers where delivery occurs at the retailer's on-reserve premises or at another location on reserve.

Where the retail dealer is located off reserve, the dealer must collect tax on sales to First Nations customers if delivery occurs at the retailer's premises or another location off reserve.

Retailers who are not located on reserve land may make exempt sales to qualifying First Nations customers only if delivery to a reserve location is a condition of sale, and the fuel is delivered by the retailer into a receptacle located on reserve land. This applies even if the off-reserve retail outlet is operated by a First Nations person.

When making exempt sales to qualifying First Nations customers, retailers must verify the purchaser's eligibility for exemption and document the sale as outlined in [Bulletin SST 046](#), *Exemption for Indians and Indian Bands*.

Refunds

Bona Fide Farmers

Tax on propane must be collected by the seller on propane delivered into the receptacle of a motor vehicle at the seller's premises (at the pump).

Bona fide farmers may apply for a refund of the tax paid on propane used in a vehicle for a farm purpose.

An *Application For Refund of Motor Fuel Tax - Purchaser of Fuel* form ([FIN 147](#)) can be obtained from the ministry, any [Service BC Centre](#) or from our website.

For information on how to apply for a refund, please see [Bulletin GEN 008](#), *Refunds of Overpayments of Tax*.

Interjurisdictional Carriers

Interjurisdictional carriers who operate multi-jurisdictional vehicles fuelled by propane may be eligible for a refund of the tax paid on the propane.

If registered under the International Fuel Tax Agreement (IFTA), the carrier's base jurisdiction will automatically provide the refund by an adjustment on the carrier's IFTA tax return. Carriers not registered under IFTA must apply to the ministry for a refund (please see [Bulletin MFT 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*, for procedures).

Rebate Program for Persons with Disabilities

Persons with certain disabilities or handicaps who meet the criteria for a fuel tax rebate under the *Motor Fuel Tax Act* are eligible for a refund of tax paid on propane acquired to propel a motor vehicle.

The maximum refund is \$400 per year. Starting in the calendar year 2004, the maximum allowable refund per year is increased to \$500 per year.

For further information about this refund, please see **Bulletin MFT 004**, *Fuel Tax Refund Program for Persons with Disabilities*.

Need more info?

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 *Social Service Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Provincial_Sales_Tax/legislation.htm

References: *Motor Fuel Tax Act*, Sections 10.1, 15(1), 15.1, 23, 24, 34, 35 and 71(2), and Regulations 2.1, 2.2, 51.3 and 51.4; *Social Service Tax Act*, Sections 6(5), 17.1, 73(b), 74 and 92, and Regulations 2.21, 3.4.1, 3.22 and 3.24