

Ministry of Finance

Tax Notice



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

Notice to Biomethane Sellers

Carbon Tax Act

This notice explains how carbon tax and the biomethane credit apply to biomethane as a result of changes announced in Budget 2011.

Biomethane is a carbon-neutral renewable fuel produced from biomass (e.g. agricultural and other organic wastes) that is indistinguishable from natural gas when blended (e.g. in a gas pipeline).

Tax Application

Purchases of 100 per cent biomethane are not subject to carbon tax. The biomethane portion of a blend of biomethane and another fuel is not subject to carbon tax where the actual amount of biomethane in the blend is known. For example, if you blend 100 cubic metres of biomethane with 100 cubic metres of natural gas in a closed container system, carbon tax only applies to the 100 cubic metres of natural gas when you sell the total 200 cubic meters.

Effective February 16, 2011, biomethane in a blend of biomethane and another fuel where the actual amount of biomethane in the blend cannot be determined is subject to carbon tax at the rate of tax of the other fuel unless it qualifies for a biomethane credit.

Biomethane Credit

While biomethane in a blend where the actual amount of biomethane in the blend cannot be determined is subject to carbon tax, effective February 16, 2011, the province introduced a Biomethane Credit Program. This program provides a benefit to purchasers of biomethane blended with natural gas where the purchase occurs under a qualifying biomethane contract.

Effective February 16, 2011, you must provide a biomethane credit to your purchaser (a person who buys or receives delivery of fuel in British Columbia for their own use) if you:

- sell natural gas or a blend of natural gas and biomethane where you cannot determine the proportions of biomethane and natural gas; and
- sell the natural gas or blend under a biomethane contract.

A biomethane contract is a written contract that:

- is entered into on or after February 16, 2011;
- provides for the sale of natural gas or a blend of biomethane and natural gas;
- specifies a notional biomethane content for the fuel you sell under the contract;
- provides that a portion of the consideration payable under the contract is attributable to the purchase of the notional biomethane content specified in the contract (regardless of the actual amount of biomethane, if any, supplied); and
- does not provide that the portion of the consideration attributable to the purchase of the notional biomethane content will increase or decrease based on the actual amount of biomethane, if any, supplied.

The credit is equal to the carbon tax payable on the specified volume or percentage of biomethane. You must provide purchasers with the biomethane credit at the time of purchase on their natural gas bills. Your invoice must indicate:

- the date of the sale,
- the name and address of the seller,
- the name and address of the purchaser,
- the total amount of fuel sold,
- the applicable carbon tax rate, and
- the amount of the biomethane credit as a separate item.

To recover the amount of the biomethane credit, you may deduct the amount of the credit provided from the amount of tax you are required to remit using Line 7b (Tax Adjustments – Other) of your *Carbon Tax Return - Natural Gas Retail Dealers* (**FIN 106**). You are eligible for a credit equal to the sum of the biomethane credits you provide during the reporting period. However, regardless of the sum of the credits provided, you may only claim a credit to a maximum of the amount of biomethane you blend with natural gas in the reporting period multiplied by the tax rate for natural gas.

If you provide the credit, you must keep all records related to the credit including:

- copies of all your biomethane contracts,
- a record of the date each contract was entered into,
- a record of the name and address of each purchaser,
- records related to the amount of biomethane that you, in each reporting period, blended with natural gas for sale in British Columbia in respect of the biomethane contracts,

- records related to the total amount of biomethane that you, in each reporting period, blended with natural gas in British Columbia, and
- records related to each biomethane credit provided, including the amount of fuel sold and the amount of the biomethane credit provided.

Further Information

If you have any questions, please call us toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

You can also find information on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/consumer_taxes.htm

The information in this notice is for your convenience and guidance and is not a replacement for the legislation. The *Carbon Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm