

Ministry of Finance

Tax Bulletin



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Tax Rates on Fuels

Motor Fuel Tax Act and Carbon Tax Act

Do you sell or purchase fuel in British Columbia?

Do you need to know the motor fuel and carbon tax rates on various types of fuel?

This bulletin provides information on the current motor fuel and carbon tax rates that apply to the various types of fuels used in internal combustion engines (i.e. motor fuels). This bulletin also provides information on the carbon tax rates that apply to other fuels and combustibles.

Please note: The carbon tax rates set out in this bulletin are in effect from July 1, 2010 to June 30, 2011 and are scheduled to change on July 1st of each year until 2012. For more information, please see [Carbon Tax Rates by Fuel Type – From January 1, 2010](#).

Table of Contents

Overview.....	1
Clear Gasoline and Clear Diesel	2
Other Motor Fuels	6
Alternative Motor Fuels	8
Natural Gas Used in Compressors and Pumps	9
Fuels Not Sold for Use in Internal Combustion Engines.....	11
Reporting Tax on Sales Invoices	12
Calculating Multiple Taxes on the Same Fuel Purchase	13

Overview

Carbon tax is a broad based tax that applies to the purchase or use of fuels, such as gasoline, diesel, natural gas, heating oil, propane and coal, and the use of combustibles,

such as peat and tires, when used to produce heat or energy. Carbon tax applies to fuels at different rates depending on their anticipated carbon emissions, and the rate for each fuel type is applied consistently throughout British Columbia.

Motor fuel tax applies to fuels sold for use, or used, in internal combustion engines. Internal combustion engines are used in most automobiles, aircraft, ships and motor boats. They are also used in industrial equipment, such as bulldozers, skidders, chain saws and generators. Motor fuel tax applies to fuels at different rates depending on where in British Columbia you purchase the fuel and how it is used.

If a fuel is used to generate power in internal combustion engines, the fuel is subject to the motor fuel tax and carbon tax. Effective July 1, 2010, sales of these fuels are also subject to the harmonized sales tax (HST), but most are eligible for a point-of-sale rebate for the 7% provincial portion of the HST. The only fuels not eligible for the point-of-sale rebate are bunker fuel, M85+, natural gas and propane. These fuels, except for natural gas used in certain compressors on a pipeline, have a zero tax rate under the *Motor Fuel Tax Act*. For more information on point-of-sale rebates for the 7% provincial portion of the HST, please see our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Harmonized_Sales_Tax/hst.html

If a fuel is used for any purpose other than in an internal combustion engine, such as heating oil and kerosene, and combustibles, such as peat and tires, when used to produce energy or heat, it is subject to the carbon tax and HST. However, if heating oil, propane, natural gas or kerosene is purchased for residential energy use, it is eligible for a residential energy credit or rebate for the 7% provincial portion of the HST. For more information on the Residential Energy Credit and Rebate Program, please see our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Residential_Energy/residential_energy.htm

For clarity, a reference to tax in the following information also applies to security (i.e. an amount equal to the tax).

Clear Gasoline and Clear Diesel

Dedicated and Provincial Motor Fuel Tax

Motor fuel tax on clear gasoline and clear diesel fuel is made up of provincial and dedicated taxes. The provincial tax rate varies by region and the proceeds from this tax go to general revenue. Dedicated taxes, which apply in certain regions in the province, go to three organizations: the South Coast British Columbia Transportation Authority (TransLink), the British Columbia Transit Authority and the British Columbia Transportation Financing Authority (BCTFA).

South Coast British Columbia Transportation Authority (TransLink)

The dedicated tax on clear gasoline and clear diesel fuel sold inside the South Coast British Columbia transportation service region (SCTA) is 15¢ per litre. (TransLink increased the rate from 12¢ to 15¢ per litre effective January 1, 2010.)

The South Coast British Columbia transportation service region includes:

- north to and including Lion's Bay,
- west to and including Bowen Island,
- south to the international border, and
- east to and including the municipalities of Langley, Maple Ridge and Pitt Meadows.

For a map of the South Coast British Columbia transportation service region, please see TransLink's website at www.translink.ca/en/Be-Part-of-the-Plan/Projects/Roads-and-Bridges.aspx and under the heading Related Documents on the right side, click on Major Road Network Map.

British Columbia Transit Authority (Victoria)

The dedicated tax on clear gasoline and clear diesel fuel sold inside the Victoria regional transit service area (VRTA) is 3.5¢ per litre.

The Victoria regional transit service area includes all incorporated areas of the Capital Regional District and unincorporated areas of the Capital Regional District that are part of the Juan de Fuca Electoral Area, excluding the Malahat and Renfrew Land Districts. The islands within these areas, including Salt Spring Island and the Outer Gulf Islands, are **not included** in the Victoria regional transit service area.

For a map of the Victoria regional transit service area, please see BC Transit's website at www.bctransit.com/regions/vic/schedules/vic_taxation_area.cfm

Determining Whether the Dedicated Taxes for SCTA and VRTA Apply

A sale is considered to take place **inside** the SCTA or VRTA, and these dedicated taxes apply, if title to the clear gasoline or clear diesel, including the rights and responsibilities of ownership, transfers within the SCTA or VRTA.

The following scenarios outline how these dedicated taxes apply.

*Fuel purchased **inside** the SCTA or VRTA*

- If you purchase clear gasoline or clear diesel **inside** the SCTA or VRTA, where these dedicated taxes apply, you are required to pay the applicable dedicated tax to your supplier. If you resell the fuel **inside** the SCTA or VRTA, the dedicated taxes still

apply, and you are required to collect the applicable dedicated tax from your customer to reimburse yourself for the dedicated tax you paid to your supplier.

- If you purchase clear gasoline or clear diesel **inside** the SCTA or VRTA, and you use the fuel **outside** the SCTA or VRTA (e.g. you consume the fuel in the operation of your business), the dedicated taxes still apply, since ownership of the fuel transferred to you **inside** the SCTA or VRTA.
- If you purchase clear gasoline or clear diesel **inside** the SCTA or VRTA, and you resell the fuel **outside** the SCTA or VRTA where the dedicated taxes do **not** apply, you may apply for a refund of the dedicated taxes you pay when you purchase the fuel.

For more information on refunds, please see our website at

www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm#web

*Fuel purchased **outside** the SCTA or VRTA*

- If you purchase clear gasoline or clear diesel **outside** the SCTA or VRTA, where these dedicated taxes do not apply, and you resell the fuel **inside** the SCTA or VRTA, where the dedicated taxes apply, you are required to collect the applicable dedicated tax from your customer and remit the dedicated tax to the ministry. You use the following forms to report your sales and pay the dedicated tax due:
 - *South Coast British Columbia Transportation Tax Return form (FIN 427)*, for fuel sold within SCTA, and
 - *British Columbia Transit Tax Return (Victoria) form (FIN 450)*, for fuel sold within VRTA.
- If you purchase clear gasoline or clear diesel **outside** the SCTA or VRTA, and you use the fuel **inside** the SCTA or VRTA (e.g. you consume the fuel in the operation of your business), the dedicated taxes do **not** apply, since ownership of the fuel transferred to you **outside** the SCTA or VRTA.

British Columbia Transportation Financing Authority (BCTFA)

The dedicated tax for the British Columbia Transportation Financing Authority on clear gasoline and clear diesel fuel sold anywhere in the province is 6.75¢ per litre.

Carbon Tax

Carbon tax is a separate tax on fuel in addition to the motor fuel tax. The carbon tax rate for a type of fuel is the same throughout the province, regardless of where you purchase the fuel or how it is used.

The following table shows the dedicated and provincial motor fuel tax rates on clear gasoline by area, together with the carbon tax rate and the combined, or total, tax rate effective July 1, 2010.

Clear Gasoline Tax Rates per Litre			
Type of Tax	South Coast British Columbia Transportation Service Region	Victoria Regional Transit Service Area	Remainder of the Province
Dedicated Motor Fuel Tax – TransLink	15.00¢	N/A	N/A
Dedicated Motor Fuel Tax – BC Transit (Victoria)	N/A	3.50¢	N/A
Dedicated Motor Fuel Tax - BCTFA	6.75¢	6.75¢	6.75¢
Provincial Motor Fuel Tax (general revenue)	1.75¢	7.75¢	7.75¢
Total Motor Fuel Tax	23.50¢	18.00¢	14.50¢
Carbon Tax	4.45¢	4.45¢	4.45¢
Total Provincial Tax	27.95¢	22.45¢	18.95¢

The following table shows the dedicated and provincial motor fuel tax rates on clear diesel by area, together with the carbon tax rate and the combined, or total, tax rate effective July 1, 2010.

Clear Diesel (Motive Fuel/Light Fuel Oil) Tax Rates per Litre			
Type of Tax	South Coast British Columbia Transportation Service Region	Victoria Regional Transit Service Area	Remainder of the Province
Dedicated Motor Fuel Tax – TransLink	15.00¢	N/A	N/A
Dedicated Motor Fuel Tax – BC Transit (Victoria)	N/A	3.50¢	N/A
Dedicated Motor Fuel Tax - BCTFA	6.75¢	6.75¢	6.75¢
Provincial Motor Fuel Tax (general revenue)	2.25¢	8.25¢	8.25¢
Total Motor Fuel Tax	24.00¢	18.50¢	15.00¢
Carbon Tax	5.11¢	5.11¢	5.11¢
Total Provincial Tax	29.11¢	23.61¢	20.11¢

Other Motor Fuels

Motor fuel and carbon taxes apply not only to clear gasoline and clear diesel, but also to other motor fuels for use in internal combustion engines.

The motor fuel tax rates for these fuels are the same throughout the province, as dedicated taxes apply only to clear gasoline and clear diesel. As noted earlier, the carbon tax rate for each type of fuel is the same throughout the province, regardless of where you purchase the fuel.

The following table lists the other taxable motor fuels for use in internal combustion engines (**excluding** natural gas used in compressors and pumps), the corresponding fuel category for carbon tax purposes and the province-wide motor fuel and carbon tax rates, effective July 1, 2010.

Province-Wide Motor Fuel and Carbon Tax Rates per Litre (excluding clear gasoline, clear diesel, and natural gas used in compressors and pumps)								
Applicable Act and Tax Rates	Type and/or Use of Fuel under the <i>Motor Fuel Tax Act</i> (MFTA) and Applicable Fuel Category under the <i>Carbon Tax Act</i> (CTA)							
MFTA	Marked (coloured) gasoline*	Marked (coloured) diesel*	Locomotive Fuel	Marine Diesel Fuel	Marine Gas Oil**	Marine Bunker Fuel	Aviation Fuel	Jet Fuel
CTA	Gasoline	Light Fuel Oil - Diesel	Light Fuel Oil - Locomotive Diesel	Light Fuel Oil - Diesel	Light Fuel Oil - Diesel	Heavy Fuel Oil	Aviation Fuel (non-jet)	Jet Fuel
Motor Fuel Tax Rate	3.00¢	3.00¢	3.00¢	3.00¢	Exempt**	Exempt	2.00¢	2.00¢
Carbon Tax Rate	4.45¢	5.11¢	5.11¢	5.11¢	5.11¢	6.30¢	4.92¢	5.22¢
Total Provincial Tax	7.45¢	8.11¢	8.11¢	8.11¢	5.11¢	6.30¢	6.92¢	7.22¢

*Coloured gasoline and coloured diesel must not be purchased, or used, except for a purpose authorized under section 15 of the *Motor Fuel Tax Act*.

**See section below, Marine Gas Oil.

Please note: Although coloured diesel and coloured heating oil can be chemically identical, their authorized uses and tax rates are different. Coloured diesel fuel is intended for use in internal combustion engines and is subject to motor fuel tax. Coloured heating oil is intended only for heating purposes and while not subject to motor fuel tax, it is subject to carbon tax and HST. Substituting either fuel is unauthorized and may result in fines and other penalties.

Coloured heating oil may be eligible for a provincial credit or rebate of the provincial portion of the HST if it is sold for residential heating purposes. For more information, please visit the Residential Energy Credit and Rebate Program website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Residential_Energy/residential_energy.htm

For more information on the authorized uses of coloured fuel, please see [Bulletin MFT-CT 003](#), *Coloured Fuels*.

Marine Gas Oil

Marine gas oil is exempt from motor fuel tax only if purchased for, and used in, a marine gas turbine engine that propels a commercial passenger or cargo ship. If you sell marine gas oil without charging tax, you must keep records to show why you did not charge tax. These records must include the purchaser's name, the quantity purchased and the name of the ship in which the marine gas oil is to be used.

Alternative Motor Fuels

The following table lists the province-wide motor fuel and carbon tax rates on alternative motor fuels effective July 1, 2010.

Province-wide Motor Fuel and Carbon Tax Rates on Alternative Motor Fuels		
Fuel Type	Motor Fuel Tax	Carbon Tax
Hydrogen	Exempt when used in fuel-cell vehicles, except hydrogen that is produced by electrolysis using coal-generated electricity, unless carbon capture and storage or another process is used to contain the carbon dioxide emitted	Not taxable
Methanol Blend	Exempt when alcohol based blend of gasoline or diesel fuel contains at least 85% methanol	Taxable as follows: Methanol portion at 2.18¢ per litre Gasoline portion at 4.45¢ per litre Diesel portion at 5.11¢ per litre

Province-wide Motor Fuel and Carbon Tax Rates on Alternative Motor Fuels		
Fuel Type	Motor Fuel Tax	Carbon Tax
Propane	Effective July 1, 2010, propane is exempt from motor fuel tax	3.08¢ per litre
Natural Gas	Exempt when used in a motor vehicle	3.80¢ per cubic metre (m ³)

Please note: Effective July 1, 2010, propane is subject to the payment of security under the *Carbon Tax Act* when purchased for resale. For more information, please see [Notice 2010-004](#), *Notice to Propane Sellers – Carbon Tax*.

Natural Gas Used in Compressors and Pumps

You pay motor fuel tax when you use natural gas, or purchase it for use, in a stationary internal combustion engine. If a seller does not charge you motor fuel tax when you purchase the natural gas, you self-assess the tax due using the *Natural Gas Consumed by Internal Combustion Engines* form ([FIN 451](#)). You also use this form to report natural gas consumed that you did not purchase (e.g. you extracted the natural gas from the ground). The motor fuel tax rate depends on where the compressor or pump is located.

You pay carbon tax on all natural gas that is combusted. The carbon tax rate is the same for all natural gas regardless of how, or where, in the province the gas is used.

The following table lists the use of the natural gas for motor fuel tax purposes, and the province-wide motor fuel and carbon tax rates that apply effective July 1, 2010.

Motor Fuel and Carbon Tax Rates for Natural Gas Used in Compressors and Pumps			
Use	Location	Motor Fuel Tax Rate	Carbon Tax Rate
Natural gas used in stationary engines that compress natural gas	For compressors within the natural gas processing plant used to compress marketable gas	1.10¢ per 810.32 litres	3.80¢ per cubic metre

**Motor Fuel and Carbon Tax Rates for Natural Gas
Used in Compressors and Pumps**

Use	Location	Motor Fuel Tax Rate	Carbon Tax Rate
Natural gas used in stationary engines that compress natural gas cont'd	For compressors outside of the natural gas processing plant used to move marketable gas in, or out of, storage facilities, or from the gas processing plant to market	1.90¢ per 810.32 litres	3.80¢ per cubic metre
Natural gas used in stationary engines that pump fuel oil	For pumps located at the well head or within the oil processing plant	1.10¢ per 810.32 litres	3.80¢ per cubic metre
	For pumps located along pipelines that move oil from the well head to the oil processing plant, from the oil processing plant to market, or, in or out of, storage facilities	1.90¢ per 810.32 litres	3.80¢ per cubic metre
Natural Gas used in stationary engines	For compressors that are: <ul style="list-style-type: none"> ▪ used to transmit waste gas (composed primarily of hydrogen sulphide and carbon dioxide) within the gas processing plant or from the gas processing plant to a well, or ▪ located at the well head and used to inject waste gas into a depleted well for permanent disposal, or ▪ located at the well head, along the pipeline between the well head and the processing plant, or within the gas processing plant and are used to compress gas that is not marketable gas. 	Exempt	3.80¢ per cubic metre
Natural gas used in stationary engines for purposes other than described above	Self-produced	1.10¢ per 810.32 litres	3.80¢ per cubic metre
	Purchased	7% of purchase price	3.80¢ per cubic metre

Fuels Not Sold for Use in Internal Combustion Engines

Motor fuel tax does not apply if a fuel is sold for any use other than in an internal combustion engine (i.e. a non-motor fuel). Fuel sold as a non-motor fuel needs to be labelled and invoiced as such in order for the motor fuel tax not to apply to the sale. However, fuel labelled and invoiced as a non-motor fuel will not qualify for the point-of-sale rebate of the provincial portion of the HST.

If a non-motor fuel is subsequently used as a motor fuel, the purchaser must self-assess and remit the motor fuel tax due. Failure to self-assess the tax due may result in an assessment for tax due, interest and penalties.

Please note: If fuel is invoiced as a motor fuel (e.g. gasoline or diesel), the seller must charge motor fuel tax and carbon tax.

Carbon tax applies to fuels not used in internal combustion engines and to combustibles (tires and peat) used to produce energy or heat. Depending on the circumstances, some fuels are not subject to, or may be exempt from, carbon tax. In these cases, either carbon tax will not be charged, or, if charged, you may apply for a refund of the carbon tax paid.

The following table lists the carbon tax rates that apply for fuels not used in internal combustion engines, effective July 1, 2010.

Fuels Not Used in Internal Combustion Engines	Carbon Tax Rate
Light Fuel Oil – Heating Oil/Industrial Oil	5.11¢/litre
Kerosene	5.22¢/litre
Naptha	5.10¢/litre
Methanol	2.18¢/litre
Butane	3.52¢/litre
Ethane	1.96¢/litre
Natural Gas	3.80¢/cubic metre

Fuels Not Used in Internal Combustion Engines	Carbon Tax Rate
Propane	3.08¢/litre
Gas Liquids	3.30¢/litre
Pentanes Plus	3.52¢/litre
Refinery Gas	3.52¢/cubic metre
Coke Oven Gas	3.22¢/cubic metre
Low Heat Value Coal	\$35.54/tonne
High Heat Value Coal	\$41.54/tonne
Coke	\$49.74/tonne
Petroleum Coke	7.34¢/litre
Tires - Shredded	\$47.82/tonne
Tires - Whole	\$41.60/tonne
Peat	\$20.44/tonne

Reporting Tax on Sales Invoices

You are required to record certain information on your fuel sales invoices, if you sell fuel:

- from a bulk storage facility, cardlock or terminal rack,
- for resale to another fuel seller,
- to a registered consumer, registered air service or registered marine service, or
- to a customer who requests an invoice.

You must provide an invoice to your customer showing:

- the date of the sale,
- your name and address,
- the location of the sale if different than above, and, if applicable, where the fuel was delivered,
- the name and address of the person you sold the fuel to,

- the quantity of each type of fuel sold, and
- the rates for motor fuel tax and carbon tax, for each type of fuel sold, as separate lines or columns on the invoice.

Please note: There are additional invoice requirements if you are selling coloured fuel. For more information, please see [Bulletin MFT-CT 003, Coloured Fuel](#).

Calculating Multiple Taxes on the Same Fuel Purchase

Motor Fuel Tax, Carbon Tax and Harmonized Sales Tax (HST)

When calculating the tax on fuels sold for use, or used, in internal combustion engines (i.e. motor fuels):

- you calculate the motor fuel tax and carbon tax on the volume of the fuel, and
- you calculate HST as a percentage of the sale price (i.e. product price, plus motor fuel and/or carbon taxes). The HST rate is 5% as there is a point-of-sale rebate for the 7% provincial portion of the HST.

When calculating the tax on fuel sold for any use other than in an internal combustion engine (i.e. non-motor fuels):

- you calculate the carbon tax on the volume of the fuel, and
- you calculate HST as a percentage on the sale price of the fuel (i.e. product price, plus carbon tax). **Please note:** There is no point-of-sale rebate for non-motor fuels, therefore the HST rate is 12%.

Need more info?

Motor Fuel and Carbon Tax website: www.sbr.gov.bc.ca/business/Consumer_Taxes/MotorFuelTax_CarbonTax/mft_ct.htm

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