

Natural Gas and Biomethane Sellers

Carbon Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated April 2022. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin explains the obligation for natural gas and biomethane sellers to charge, collect and remit carbon tax. Natural gas and biomethane sellers are not required to collect motor fuel taxes on their sales.

Other fuel sellers should read [Bulletin MFT-CT 001](#), Fuel Sellers.

This bulletin does not apply to natural gas and biomethane sellers who may be required to collect provincial sales tax (PST) and the Innovative Clean Energy (ICE) Fund tax. For information, see [Bulletin PST 203](#), Energy, Energy Conservation and the ICE Fund Tax.

If you use, flare or incinerate natural gas you import into B.C. or extract from the ground, you are responsible for self-assessing any motor fuel or carbon tax due and should read [Bulletin MFT-CT 006](#), Self-Assessing Motor Fuel and Carbon Tax.

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Overview

Carbon tax is a broad based tax that applies to the purchase or use of fuels, such as gasoline, diesel, heating oil, natural gas, propane and coal, unless a specific exemption applies (for information on specific exemptions, see our [exemptions](#) page). The use of fuels includes all uses, even if the fuel is not combusted.

Carbon tax also applies to combustibles (specifically peat, tires, and asphalt shingles), when they are burned to produce heat or energy.

For a complete list of the fuels and combustibles subject to carbon tax, and their tax rates, see [Bulletin MFT-CT 005](#), Tax Rates on Fuels.

Definitions

You are a **wholesale dealer** if you sell natural gas in B.C. to someone other than a purchaser (e.g. another wholesale dealer or a retail dealer). To purchase natural gas in B.C. exempt of carbon tax for resale, give your supplier a completed Certificate of Exemption as a Natural Gas Wholesale Dealer ([FIN 187](#)).

You are a **retail dealer** if you sell natural gas to a purchaser in B.C. To purchase natural gas in B.C. exempt of carbon tax for resale, give your supplier either a copy of your natural gas retail dealer certificate, or the certificate number.

You are a **purchaser** if you buy or receive delivery of natural gas in B.C. for your own use. Purchasers must pay carbon tax to their supplier.

Natural Gas Retail Dealers

If you make retail sales of natural gas or biomethane to purchasers, you must be registered as a natural gas retail dealer under the Carbon Tax Act, prior to making sales of natural gas. If you are not registered as a natural gas retail dealer and you sell natural gas or biomethane to purchasers, you may be subject to a penalty equal to the difference between the tax you remitted, and the amount of tax you were required to collect, as well as additional penalties and interest. For more information see [Bulletin CTB 005](#), Penalties and Interest.

You must collect carbon tax on all sales of natural gas or biomethane at the time of sale to a purchaser, unless a specific exemption applies (see Non-Taxable Sales below). All carbon tax collected must be remitted to us. For more information, see Filing Returns and Making Payments below.

You are **not** required to register under the Motor Fuel Tax Act or collect motor fuel tax on any natural gas you sell. However, your customer may be required to self-assess motor fuel tax if they use the natural gas in an internal combustion engine. For more information, your customer should see [Bulletin MFT-CT 006](#), Self-Assessing Motor Fuel and Carbon Tax.

Applying to be a Natural Gas Retail Dealer

To apply for registration as a natural gas retail dealer, you must complete an Application for Registration as a Natural Gas Retail Dealer ([FIN 115](#)).

Before we approve your registration, you may be required to enter into an agreement with us that sets out the duties and conditions of your registration. You may also be required to provide an unconditional letter of credit from a recognized Canadian financial institution.

If an agreement is required, we will send you two copies of the agreement. If you agree with the duties and conditions outlined in the agreement, you must sign and return both copies to us. We will sign and return one copy to you along with a certificate authorizing you to sell natural gas. If an agreement is not required, you will simply receive a certificate.

If you are not approved for registration, we will send you a letter explaining why your application was denied and how to appeal the decision if you disagree. If your application is denied, you are not authorized to sell natural gas to purchasers in B.C.

If you have not been registered as a natural gas retail dealer, you must not sell natural gas to purchasers.

Suspension or Cancellation of Registration

Your registration as a natural gas retail dealer may be suspended or cancelled for not complying with the Carbon Tax Act or regulations, or for not meeting the duties and conditions set out in your agreement (if applicable). You may appeal the cancellation of your registration if you disagree with the decision. If your registration is suspended or cancelled, you are not authorized to sell natural gas to purchasers in B.C.

Non-Taxable Sales and Exempt Sales

Non-taxable sales

You are not required to collect carbon tax on natural gas you export from B.C. for sale outside B.C.

Fully exempt sales

Natural gas sold in B.C. is **fully** exempt from carbon tax if:

- The natural gas is intended for use outside B.C. and you, or a person acting on your behalf (i.e. not the purchaser), remove the natural gas from B.C.
- You sell the natural gas to a purchaser who, at the time of sale, has entered into a contract with a common carrier to remove the natural gas from B.C.
- You sell the natural gas to a registered natural gas consumer who provides you with either a copy of their Registered Consumer Certificate specifying they may buy natural gas exempt of carbon tax, or their registered consumer number and fuel type (see [Bulletin MFT-CT 004](#), Registered Consumers)
- You sell the natural gas to a wholesale dealer of natural gas who, at or before the time of sale, provides you with a signed Certificate of Exemption as a Natural Gas Wholesale Dealer ([FIN 187](#)) indicating they are purchasing the fuel for resale
- You sell the natural gas to a retail dealer of natural gas who, at or before the time of sale, provides you with either a copy of their natural gas retail dealer certificate, or the certificate number
- You sell the natural gas in sealed, pre-packaged containers of four litres or less
- You sell the natural gas on First Nations land to eligible First Nations purchasers (see [Bulletin MFT-CT 002](#), Sales to First Nations and the Fuel Tax Exemption Program)
- You sell the natural gas to visiting military forces
- You sell the natural gas to a member of a diplomatic and consular corps (see [Bulletin CTB 007](#), Exemption for Members of the Diplomatic and Consular Corps)

Partially exempt sales

Effective April 1, 2023, you can sell natural gas in B.C. **partially** exempt from carbon tax to a person who, at or before the time of the sale, provides you with a Certificate of Partial Exemption – Greenhouse Growers ([FIN 463](#)). This partial exemption equals 80% of the carbon tax in effect at the time of the sale. For more information, see our [partial exemption from carbon tax for greenhouse growers](#) page.

Supporting full and partial exemptions

You must report your exempt sales and provide a breakdown by exemption type on your carbon tax return. You also need to keep documentation in your records to show why you did not collect carbon tax. Documentation includes copies of carbon tax registration certificates, certificates of exemption, registered consumer and registered air or marine service certificates, or the name and registry number shown on a customer's Certificate of Indian Status card.

Biomethane

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).

Carbon tax does not apply to purchases of 100% biomethane or to the portion of biomethane in a blend of biomethane and another fuel if the actual amount of biomethane in the blend is known. If the actual amount of biomethane in the blend cannot be determined, carbon tax at the rate of tax of the other fuel applies to the blended fuel, unless it qualifies for a biomethane credit.

Biomethane Credit

The Biomethane Credit Program provides a benefit to purchasers of biomethane blended with natural gas if the purchase occurs under a qualifying biomethane contract.

You must provide a biomethane credit to your purchaser if you:

- sell natural gas or a blend of natural gas and biomethane if 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:

- 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 all of the following:

- 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
- 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) on your Carbon Natural Gas Tax Return through your CNG account in eTaxBC. 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 B.C. for the biomethane contracts

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

Reporting and Remitting Tax

Reporting Periods

Once you are registered as a natural gas dealer, we assign your reporting period based on the annual amount of carbon tax you must remit as follows:

- Less than \$120,000 – quarterly reporting (January 1 – March 31, April 1 – June 30, July 1 – September 30, October 1 - December 31)
- \$120,000 or more – monthly reporting

Once your reporting period is assigned, you will receive email reminders prior to each remittance due date

Filing and Paying Tax Returns On Time

To report your sales, you must file your Carbon Natural Gas Tax Return through your CNG account in [eTaxBC](#). Also, you can pay your carbon tax due or make any account payments using eTaxBC. If you do not have access to eTaxBC, find out [how to enrol](#).

You must file your return and remit the carbon tax due to us by the 15th day of the first month following the reporting period in which you sold natural gas to a purchaser in B.C. This includes nil returns (i.e. no sales or tax due).

Your tax return and payment are considered on time if they are posted to eTaxBC by 11:59 pm (Pacific Time) on the due date. If the due date for the tax return and payment falls on a weekend or a B.C. statutory holiday, the due date is the next business day.

Although you must file your tax return online using eTaxBC, if you choose to send payment by mail, it is considered on time if the envelope is postmarked by Canada Post (or national equivalent if outside Canada) on or before the due date. A business postage meter mark is not sufficient. If you mail your payment on or near the due date, ask Canada Post to postmark the envelope immediately.

If you courier your payment, it must be received by us by the close of business (4:30 pm) on the due date to be considered on time.

Your payments must be negotiable on or before the due date to be considered on time (e.g. if your payment is submitted on time but is post-dated after the due date, it will be considered late). If you are paying by cheque, it must be payable in Canadian funds to the Minister of Finance.

If your return and payment are not received on time, penalties and interest may be applied. Nil tax returns and amended tax returns are treated the same as other late tax returns in evaluating filing history.

Note:

- If you identify an error in a tax return from a previous reporting period, you must submit an amended return for that reporting period.
- If you are a natural gas retail dealer and sell natural gas through a third party and the third party does not provide the volume of natural gas delivered to your customers until after your return due date, you may report the sales and remit tax based on your billing cycle. You must obtain approval from us prior to reporting based on a billing cycle.

For example:

- Natural gas is delivered to your customer in June by a third-party common carrier (e.g. a pipeline company).
- You get a customer delivery statement from the pipeline company on July 17 and issue a July billing/sales invoice to your customer.
- Instead of reporting the June deliveries on your June return, which was due July 15, you report these billings on your July return, which is due August 15.

Additional Responsibilities for Natural Gas Sellers

Reporting Carbon Tax on Sales Invoices

You must report the amount of carbon tax charged on your sales invoices if you sell natural gas:

- From a bulk storage facility, cardlock or terminal rack
- For resale
- To a registered consumer, registered air service or registered marine service
- To a customer that requests an invoice

If you are required to issue an invoice to your customer, it must include all of the following information:

- The date of the sale
- Your name and address
- The location of the sale if different than above and, if applicable, where the natural gas was delivered
- The name and address of the person you sold the natural gas to
- The quantity of natural gas sold
- The rate of carbon tax for the natural gas sold as a separate line or column on the invoice

Refunds

You may apply for a refund using your carbon tax return if you have remitted carbon tax to us on your sales of natural gas or biomethane but have not collected the tax because credit was extended to a customer and the account, or portion of the account, later became uncollectable and was written off as bad debt. For more information, see [Bulletin CTB 001](#), Bad Debts.

If you purchase natural gas for your own use and you sell any of that natural gas to another wholesale dealer or retail dealer, you may apply for a refund of the carbon tax paid using an Application for Refund of Carbon Tax – Purchaser of Fuel ([FIN 108](#)).

Your refund claim must be received by us within four years of the date you paid the tax (i.e. the date you purchased the natural gas). Claims for amounts of less than \$10 are not eligible for a refund.

Need more info?

Online: gov.bc.ca/fuelandcarbontax

Toll free: 1-877-388-4440

Email: CTBTaxQuestions@gov.bc.ca

[Subscribe](#) to receive email notifications when B.C. tax information is updated.

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

Latest Revision

April 2023

- Revised the “Non-Taxable Sales” section and added information about the new partial exemption from carbon tax for greenhouse growers
 - Other minor revisions
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