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Natural Gas and Biomethane Sellers

Carbon Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated June 2014. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin explains for natural gas and biomethane sellers their obligation to charge, collect and remit carbon tax. Sellers of natural gas and biomethane 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 sellers of natural gas and biomethane 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*.

Persons that use, flare or incinerate natural gas they import into BC or extract from the ground, 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 the use of combustibles, such as peat and tires, when used 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 BC to someone other than a purchaser (e.g. another wholesale dealer or a retail dealer). To purchase natural gas in BC 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 BC. To purchase natural gas in BC 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 BC 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.

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 the ministry. 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 the ministry approves your registration, you may be required to enter into an agreement with the ministry 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, the ministry 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 the ministry. The ministry 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, the ministry 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 BC.

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 BC.

Non-Taxable Sales

You are not required to collect carbon tax on natural gas you sell:

- if you export the natural gas from BC and then sell it outside of BC,
- to a purchaser if you export the natural gas from BC for the purchaser's use outside of BC,
- to a purchaser if the purchaser, at the time of sale, has entered into a contract with a common carrier to remove the natural gas from BC,
- to a business if they provide 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*),

- to a wholesale dealer of natural gas if they provide you with a signed *Certificate of Exemption as a Natural Gas Wholesale Dealer* ([FIN 187](#)) indicating they are purchasing the fuel for resale,
- to a retail dealer of natural gas if they provide you with either a copy of their natural gas retail dealer certificate, or the certificate number,
- in sealed, pre-packaged containers of four litres or less,
- on reserve to eligible First Nation purchasers (see [Bulletin MFT-CT 002](#), *Sales to First Nations, and the Exempt Fuel Retailer Program*), and
- to visiting military forces, and members of the diplomatic and consular corps (see [Bulletin CTB 007](#), *Exemption for Members of the Diplomatic and Consular Corps*).

You must report these 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. This may include 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:

- 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. 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 BC for the biomethane contracts,
- records related to the total amount of biomethane that you, in each reporting period, blended with natural gas in BC, and

- 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

Filing Returns and Making Payments

You must report your sales and remit the carbon tax due to the ministry by the **15th day** of the month following the reporting period in which you sold natural gas to a purchaser in BC.

Tax Returns

You use the *Carbon Tax Return - Natural Gas Retail Dealer (FIN 106)* to report your sales and remit the carbon tax due.

How to File and Pay

You can file your tax returns and remit the carbon tax due:

- online using [eTaxBC](#), or
- by mail or courier using the paper form [FIN 106](#) available on our website.

Reporting Periods

Reporting periods are monthly, quarterly or annually, and are established when you are registered as a natural gas retail dealer. Your reporting period is based on the annual amount of carbon tax you must remit as follows:

- less than \$12,000 – annual reporting (July 1 – June 30),
- \$12,000 to less than \$120,000 – quarterly reporting (January 1 – March 31, April 1 – June 30, July 1 – September 30, October 1 - December 31), or
- \$120,000 or more – monthly reporting.

Once your filing period is assigned, you will receive a reminder in the mail prior to each remittance due date. If you have an [eTaxBC](#) account, you will receive your reminder by email.

Due Dates

If the due date for the tax return and payment falls on a weekend or a BC statutory holiday, the due date is the next business day.

If you file and pay online using [eTaxBC](#), your tax return and payment will be considered on time if they are posted to eTaxBC by 11:59 pm (Pacific Time) on the due date.

If you send in your tax return and 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 return and payment on or near the due date, ask Canada Post to postmark the envelope immediately.

If you send your tax return and payment by courier, it must be received by the ministry 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 you are filing a nil tax return, you may fax it but it must be received by the ministry by 11:59 pm on the due date.

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.

Please 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 the ministry 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, or
- to a customer that requests an invoice.

If you are required to issue an invoice to your customer, it must include:

- 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, and
- 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 the ministry 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 the ministry within four years of the date that 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/salestaxes

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Email: CTBTaxQuestions@gov.bc.ca

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

Latest Revision

December 2015

- Clarified that carbon tax:
 - applies to the purchase or use of fuels unless a specific exemption applies, and
 - the use of fuels includes all uses, even if the fuel is not combusted.
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