

Ministry of Finance

Tax Bulletin



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Propane Exemptions

Motor Fuel Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated April 2013. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information on the exemptions from motor fuel tax available to sellers and purchasers of propane. Propane includes liquefied petroleum gas (LPG) and may also be referred to as autogas.

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Overview

Propane Purchasers

Purchasers of propane must pay motor fuel tax (MFT) at a rate of 2.7¢ per litre, unless a specific exemption applies.

General Exemptions

The following three general exemptions apply to all purchasers. In these cases, MFT is not collected on the sale of propane. Sellers are eligible to apply to the ministry for a refund of the security paid to their supplier on the propane or, in some cases (as noted below), are exempt from security.

1. Propane Sold in Containers

Propane sold in the following containers is exempt from MFT:

- sealed, pre-packaged containers that hold not more than 4 litres
- pre-filled or refilled cylinders that are designed to hold not more than 28 litres

Collectors, deputy collectors or retail dealers are exempt from paying security on propane purchased in the containers listed above if they are filled and sealed at the time of purchase.

2. Propane Made Part of Tangible Personal Property

Propane purchased for the purpose of being processed, fabricated or manufactured into, attached to or incorporated into tangible personal property (goods) for retail sale or lease is exempt from MFT.

The exemption does not apply if:

- the propane is used to produce energy or is used as a source of energy,
- the propane is purchased by a “small seller” as defined under the *Provincial Sales Tax Act*, or
- the purchaser retains an interest in the propane after the retail sale or lease of the good that the propane is made part of.

3. Propane Purchased for Residential Use

Propane purchased solely for residential use in a residential dwelling is exempt from MFT if:

- the retail dealer delivers or provides the propane to:
 - a residential dwelling,
 - a building that contains a residential dwelling, or
 - a storage receptacle located at and connected to a residential dwelling, and
- in the case of a delivery or provision of propane to a residential dwelling that is part of a multi-use building, the retail dealer delivers the propane to a storage receptacle, or through a meter, that services only the part of the building that is used only for residential use.

If these delivery requirements are not met, MFT applies to the sale of the propane.

However, the purchaser may apply for a refund of the MFT paid on the propane that was for residential use in a residential dwelling. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax Purchaser of Fuel* ([FIN 147](#)).

If the propane is provided to a multi-use building for both residential and non-residential use, and the residential portion is not separately metered or delivered into a separate storage receptacle, MFT applies to the sale of the propane.

However, the purchaser may apply to the ministry for a refund of the MFT paid if the purchaser can reasonably attribute the portion of the propane used for residential use in a residential dwelling. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax Purchaser of Fuel* ([FIN 147](#)).

A **residential dwelling** is:

- a house, cottage or other detached dwelling
- a duplex
- an apartment, condominium or townhouse
- an apartment building, condominium or townhouse complex that is used only for the purpose of single family dwellings
- an assisted living residence as defined in the *Community Care and Assisted Living Act*
- a long-term residential care facility (e.g. a nursing home or rest home)
- a part of a multi-use building that is used for a residential use
- land attributable to a building or part of a building referred to above that is used for a residential use

A residential dwelling does **not** include:

- a building or part of a building referred to above while under original construction
- a part of a hotel, motel, lodge, resort, or other building or part of a building providing short-term accommodation
- a hospital or other institutional building
- a bunk house or camp building for use in connection with a commercial or construction project
- parts of a building used for a non-residential use (e.g. business, commercial or industrial)

Exemptions for Farmers With Farm Land

Farmers who own, lease or operate a farm on land classified as a farm under the *Assessment Act* may purchase propane exempt of MFT for the following purposes.

Propane for Farm Purpose Only

Farmers who **own, lease or operate a farm** on land classified as a farm are exempt from MFT when purchasing propane for use solely for a farm purpose, except in machinery or a motor vehicle (e.g. for use in a propane heater).

Propane for Machinery or Motor Vehicles

Farmers who **operate a farm** on land classified as a farm are exempt from MFT when purchasing propane for use:

- in machinery on a farm for a farm purpose,
- in a tractor when used off-highway,
- in a tractor when used on a highway if:
 - travelling to or from an off-highway location where use of the propane in the tractor is authorized, or
 - for the purposes of the farmer's farm,
- in a farm truck being used by the farmer or other person in the operation of the farm, or
- in a motor vehicle, except a farm truck, on the farm for a farm purpose.

Propane for Both Residential and Farm Purpose

Farmers who **own, lease or operate a farm** are exempt from MFT when purchasing propane for **both** residential and farm use when the propane is only for:

- residential use in a residential dwelling, and
- farm purposes (as outlined above).

This exemption applies only if the farm contains a residential dwelling, a building that contains a residential dwelling, or a storage receptacle located at and connected to a residential dwelling.

Purchase and Delivery Requirements

The following requirements must be met to qualify for the above exemptions:

- the retail dealer delivers the propane to a storage receptacle located on the farm,
- the farmer purchases the propane on account from a bulk agent, or
- the farmer purchases the propane through a cardlock system.

If the purchase or delivery requirements are not met, the farmer may apply to the ministry for a refund of the MFT paid. The farmer must be able to reasonably attribute the amount of propane used for an exempt purpose. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax - Purchaser of Fuel* ([FIN 147](#)).

Exemptions for Other Persons

Other Qualifying Farmers

Persons who do **not** own, lease or operate a farm on land classified as a farm under the *Assessment Act*, but undertake certain agricultural activities, may be eligible for certain propane exemptions as a qualifying farmer if they meet one of the three criteria below.

1. Beekeepers, or Mushroom, Egg, Hog, Poultry, Rabbit or Fur Farmers

- The person is an owner (as defined under the *Assessment Act*) or lessee of land who uses less than 0.8 hectares of that land for beekeeping, growing mushrooms, producing eggs, or for hog, poultry, rabbit or fur farming, and
- earned at least \$2,500 in gross income from those activities in the previous calendar year.

2. First Nations Farmers

- The person is a First Nation individual who is an Indian under the *Indian Act* (Canada) and whose property is exempt under section 87 of the *Indian Act* (Canada), or under a provision of a final agreement equivalent to section 87 of the *Indian Act* (Canada),
- The land on which the agricultural use occurs is on a First Nation reserve, or is former reserve land now part of treaty lands (see the definition of First Nation land in the Provincial Sales Tax Exemption and Refund Regulation), which the farmer uses for a qualifying agricultural use (e.g. raising livestock), as defined under the *Assessment Act*, and
- The person earned at least \$2,500 in gross income from the qualifying agricultural use of the land in the previous calendar year.

3. Out-of-Province Farmers

- The person uses land located outside of BC for a qualifying agricultural use, as defined under the *Assessment Act*, and
 - if the area of the land is less than 0.8 hectares, the person earned at least \$10,000 in gross income from the qualifying agricultural use of the land in the previous calendar year,
 - if the area of the land is 0.8 hectares or more but not more than 4 hectares, the person earned at least \$2,500 in gross income from the qualifying agricultural use of the land in the previous calendar year, or
 - if the area of the land is more than 4 hectares, the person earned gross income from the qualifying agricultural use of the land in the previous calendar year of at least the total of \$2,500 plus 5% of the assessed value of the area of land

in excess of 4 hectares, for the purpose of real property taxation, in the jurisdiction in which the land is located.

- Out-of province persons that meet the criteria outlined in the sections above—Beekeeper, or Mushroom, Egg, Hog, Poultry, Rabbit or Fur Farmers, or First Nations Farmers—also qualify for the propane exemptions.

Propane for Farm Purpose Only

Persons who meet the criteria above are exempt from MFT when purchasing propane solely for a farm purpose, except in a motor vehicle or machinery.

Propane for Both Residential and Farm Purpose

Persons who meet the criteria above, except out-of-province farmers, are exempt from MFT if purchasing propane for use only for:

- residential use in a residential dwelling, and
- a farm purpose, except operating a motor vehicle or machinery.

This exemption applies only if the qualifying land contains a residential dwelling, a building that contains a residential dwelling, or a storage receptacle located at and connected to a residential dwelling.

Purchase and Delivery Requirements

The following requirements must be met to qualify for the above exemptions:

- the retail dealer delivers the propane to a storage receptacle owned by the person,
- the person purchases the propane on account from a bulk agent, or
- the person purchases the propane through a cardlock system.

If the purchase or delivery requirements are not met, the person may apply to the ministry for a refund of the MFT paid. The person must be able to reasonably attribute the amount of propane used for an exempt purpose. To apply for a refund, complete the *Application for Refund of Motor Fuel Tax Purchaser of Fuel* ([FIN 147](#)).

Claiming Farmer Exemptions

To claim an exemption, the farmer or person must provide the seller with:

- a completed *Certificate of Exemption – Farmer* ([FIN 458](#)), or
- a valid BC Farmer Identity Card (see below).

If the farmer or person provides a *Certificate of Exemption – Farmer* ([FIN 458](#)), the seller keeps this certificate as part of their records. The seller can make future sales exempt of MFT based on the same certificate if the information on the certificate is still valid. If

the information on the certificate is no longer valid, the farmer or person must complete a new exemption certificate or pay MFT, as applicable, on any future purchases.

Farmers who own, lease or operate a farm on land classified as a farm under the *Assessment Act* may apply to the BC Agriculture Council for a BC Farmer Identity card. If the farmer provides a valid (has not expired) BC Farmer Identity Card as an alternative to the exemption certificate, the seller must either make a copy of the card or document the name, address, card number and expiry date shown on the card for their records.

If, at or before the time of purchase, the farmer does not provide a valid BC Farmer Identity Card, or the farmer or person does not provide a completed and signed exemption certificate, the seller must collect MFT.

Assessments, Penalties and Interest

The farmer or person is responsible for ensuring they meet all the requirements for the exemption. If the farmer claims an exemption with a BC Farmer Identity Card, or the farmer or person claims an exemption with an exemption certificate, and it is later found the farmer or person did not qualify for the exemption, the farmer or person is liable for any tax, interest and penalties associated with the purchase.

However, if the seller had reason to believe the farmer or person was not entitled to the exemption (e.g. farmer provided an exemption certificate stating the propane was being purchased for farm use but the seller knows the farm is no longer operating) and the seller provided the exemption, the seller may also be subject to an assessment.



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Email: CTBTaxQuestions@gov.bc.ca

Access our forms, publications, legislation and regulations online at gov.bc.ca/consumertaxes (go to **Motor Fuel Tax and Carbon Tax** and then **Forms** or **Publications**).

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

November 2014

- removed a reference to an obsolete notice
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