

Ministry of Finance

Tax Bulletin



ISSUED: July 2010 Revised: November 2017

Bulletin MFT-CT 003

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Coloured Fuels

Motor Fuel Tax Act and Carbon Tax Act

Latest Revision: *The revision bar (|) identifies changes to the previous version of this bulletin dated October 2016. For a summary of the changes, see Latest Revision at the end of this document.*

This bulletin provides information to help sellers and purchasers of coloured fuel (including coloured marine diesel and coloured locomotive fuel), heating oil and coloured non-motor fuel oil understand how the *Motor Fuel Tax Act* and *Carbon Tax Act* apply to their operations.

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Overview

Motor Fuel Tax

Coloured fuel (also called dyed or marked fuel) is generally gasoline or diesel that is mixed with a specific dye to distinguish it from clear fuel. Coloured fuel is taxed at a lower motor fuel tax rate than clear fuel if certain conditions are met (see Certification from Purchasers of Coloured Fuel below) and may only be used for authorized purposes, (see Authorized Uses of Coloured Fuel below).

While motor fuel tax does not apply to heating oil or non-motor fuel oil, the special rules regarding the colouring, labelling, purchasing, selling and use of these substances are set out under the *Motor Fuel Tax Act* and are discussed in this bulletin.

To colour fuel, heating oil or non-motor fuel oil you must receive authorization from us and follow the requirements for storing dye, colouring fuel and reporting. You must also receive authorization from us to sell coloured fuel.

Note: You may lose your authority to colour fuel and sell coloured fuel if you do not follow the procedures outlined in this bulletin. The unauthorized use of coloured fuel may result in fines and penalties.

To report the unauthorized use or sale of coloured fuel, please call 1 877 977-0858.

Carbon Tax

Carbon tax rates are based on the type of fuel (e.g. gasoline or diesel) and the tax rates do not change if the fuel is clear or coloured (e.g. clear diesel and coloured diesel are taxed at the same rate).

For more information, see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*.

Definitions

A **commercial motor vehicle** is a vehicle with a permanently attached truck or delivery body, or a combination of vehicles, such as a tractor-trailer unit. There are certain requirements for commercial motor vehicles used inter-provincially or internationally. For more information, see [Bulletin MFT-CT 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*.

Coloured fuel includes coloured gasoline, coloured diesel, coloured marine diesel and coloured locomotive fuel. It also includes methanol based fuel of which at least 85% is methanol and ethanol based fuel of which at least 85% is ethanol—when used for a purpose for which coloured fuel is authorized to be used.

A **farmer** is a person who operates a farm on land classified as a farm under the *Assessment Act* of BC.

Heating oil is a coloured light fuel oil (diesel fuel) marketed or sold for use in a furnace, boiler or open flame burner.

A **highway** is any public road, street, lane or right of way (road allowance) intended for or used by the general public for the passage of vehicles in BC, but does not include industrial roads (e.g. logging access roads on Crown land).

A **highway project area** is a work area that is under construction as a highway or a highway under reconstruction or repair by any government, including federal, provincial or municipal governments, or that is designated for these purposes in a call for tender or contract. It does not include ongoing maintenance activities, such as grading, snow ploughing or other maintenance work done on a highway outside a highway project area.

A **licensed motor vehicle** is a vehicle registered for use on a public road. Generally, licensing includes a licence plate for the vehicle, a validation decal on the plate, the Owner's Certificate of Insurance, and a vehicle licence or temporary operating permit. A motor vehicle is considered unlicensed if it does not meet any of the above requirements.

Note: An Off-Road Vehicle (ORV) with an ORV number plate is considered to be a licensed motor vehicle if it has a validation decal on the plate.

Locomotive fuel is fuel (except propane and, effective January 1, 2018, natural gas) for use in an internal combustion engine in any rolling stock or other vehicle when run on rails. Locomotive fuel used only in a locomotive can be clear or coloured fuel. Locomotive fuel used in a vehicle when run on rails must be clear. For information on the sale of clear locomotive fuel, see [Bulletin MFT-CT 001](#), Fuel Sellers.

Marine diesel fuel is diesel fuel used in a ship as fuel for an internal combustion engine. Marine diesel fuel can be clear or coloured fuel. For information on the sale of clear marine diesel fuel, see [Bulletin MFT-CT 001](#), Fuel Sellers.

Minerals are metal ore and natural substances that can be mined and that:

- occur in fragments or particles lying on, above or next to its bedrock source (commonly described as talus),
- are in the place or position where they were originally formed or deposited, or
- are loose, fragmentary or broken rock or float that, through decomposition or erosion of rock, are found in wash, loose earth, gravel or sand.

Note: For motor fuel tax purposes, building and construction stone, marble, shale, clay, sand and gravel are **not** minerals.

Non-motor fuel oil is a clear or coloured light fuel oil (diesel fuel) marketed or sold for a use other than for use in an internal combustion engine, furnace, boiler or open flame burner. Examples of non-motor fuel oil include light fuel oil sold for use as solvents, protective coatings or explosives.

A **purchaser** is a person who buys or receives delivery of coloured fuel in BC for their own use. For clarity, this bulletin will refer to purchasers as **end purchasers**.

A **retail dealer** is a person who sells coloured fuel to a purchaser in BC.

Sellers

Authorization to Colour Fuel

You must receive authorization from us to colour fuel. Your authorization to colour fuel is specific to fuel that you own and also allows you to colour heating oil and non-motor fuel oil for use other than in internal combustion engines.

You apply for authorization by contacting us either by fax or email at:

Motor Fuel and Carbon Tax Section

Fax: 250 387-5882

Email: FuelTax@gov.bc.ca

If you have received authorization from us to colour fuel, you may only colour fuel:

- at a refinery in BC,
- at a bulk storage plant (includes cardlocks and terminals) owned or leased by you,
- by using a dye injector mounted on a truck, or
- onboard an authorized vessel owned or leased by you.

If you are not approved to colour fuel, we will send you a letter explaining why your application was refused and how to appeal the decision if you disagree. If your application is refused, you must not colour fuel. However, you may still receive authorization to sell coloured fuel in BC. For more information, see Authorization to Sell Coloured Fuel below.

We conduct regular on-site inspections. If you are not properly handling and colouring the fuel, or appropriately storing the dye or dye concentrate, we may suspend or cancel your authorization to colour fuel. This may result in fines and penalties.

Responsibilities of Businesses Authorized to Colour Fuel

Ordering and Storing Dye Concentrate

If you are a business authorized to colour fuel in BC, you order dye from us by completing and submitting a *Requisition for Dye (FIN 452)*. This form is available by contacting us either by fax or email at:

Motor Fuel and Carbon Tax Section

Fax: 250 387-5882

Email: FuelTax@gov.bc.ca

You need to keep dye and pre-mixed dye solution securely stored at your authorized location at all times. All pumps or containers you use to store, colour, transport or dispense coloured fuel must be clearly labelled as **marked** or **coloured fuel**.

If you transport fuel for sale or delivery, you cannot also transport or carry dye or pre-mixed solution unless it is in an authorized vessel you own or lease, or in a truck-mounted dye injector.

Colouring the Fuel

Coloured fuel is dyed at a concentration of 14 parts per million (i.e. 14 parts of dye per million parts of fuel). If you are colouring fuel, you must create a pre-mix solution of the specific dye provided to you by us and a liquid petroleum product **before** the dye can be used to colour fuel. You can make this solution by mixing 3.5 kg of dye with 200 litres of a liquid petroleum product.

For best results:

1. mix the fuel in a 203.5 litre drum mounted on its side with a tap attached,
2. fill the drum one quarter full of liquid petroleum,
3. add the dye, then
4. add more liquid petroleum until the drum is full. This method ensures the dye is well-mixed.

When you mix clear fuel with a pre-mix dye solution, you must ensure you mix them in the correct quantities. To colour gas or diesel fuel, the ratio is one part pre-mix dye solution to 1,250 parts of fuel. To determine the quantity of pre-mix in millilitres to add to the clear fuel, multiply the number of litres by 0.8. For example, if you have 500 litres of clear fuel, you multiply the litres by 0.8, which equals 400 ml of pre-mix dye (500 x 0.8 = 400).

If automatic measuring devices are not available, you need to use measuring cups accurately calibrated in millilitres. For best results, add the pre-mix dye solution to a partially filled mixing tank. This method ensures the dye is well-mixed.

Reporting Dye Used and on Hand

If you are authorized to colour fuel, you use the *Dye Stock Report* to indicate the amount of dye in storage and the amount of fuel coloured during the reporting month. You can complete and submit this report online using [eTaxBC](#) or by mail, courier or in person using the *Dye Stock Report* ([FIN 476](#)) available on our website. The report must be received by us on or before the 15th day of the month following the period you are reporting.

Authorization to Sell Coloured Fuel

You must apply to, and receive authorization from us to sell coloured fuel, coloured heating oil and coloured non-motor fuel in BC. An authorization to sell coloured fuel also allows you to sell coloured heating oil and coloured non-motor fuel oil for use other than in internal combustion engines.

If you sell heating oil, it must be coloured before you sell it. If you sell marine diesel, locomotive fuel, or non-motor fuel oil, you are not required to colour it before you sell it. However, at or before the time you sell non-motor fuel oil (whether coloured or not) to a person for the person's own use, you must obtain from the purchaser a *Certificate of Exemption – Substances Not Sold for Use in Internal Combustion Engine* ([FIN 480](#)). You must keep this completed certificate in your records.

To apply for authorization to sell coloured fuel, you must complete and submit an *Application for Authorization to Sell Coloured Fuel* ([FIN 461](#)), including a signed copy of the agreement that is attached to the application and contains the terms and conditions of your authorization to sell coloured fuel.

You must apply for authorization for each physical location (e.g. a cardlock, gas station or marina fuel dock) and you cannot delegate or transfer authorizations to a new location. You must complete a new application prior to selling coloured fuel from any new physical location.

If your application is approved, the director or delegate will sign the agreement and send you a copy, along with labels to be affixed to all pumps that dispense coloured fuel.

If you are not approved as a coloured fuel seller, we will send you a letter explaining why your application was refused and how to appeal the decision if you disagree. If your application is refused, you must not sell coloured fuel in BC.

Note: Wilfully colouring fuel or selling coloured fuel without authorization is an offence under the *Motor Fuel Tax Act* and conviction may result in a fine of up to \$10,000 and imprisonment for up to two years.

Responsibilities for Authorized Coloured Fuel Sellers

As a coloured fuel seller, you need to follow the conditions outlined below.

You may not sell coloured fuel to another business for resale purposes, unless that business is also authorized to sell coloured fuel. A current listing of all businesses authorized to sell coloured fuel is available on our [website](#).

You must not re-label and sell heating oil or non-motor fuel oil as diesel for use in an internal combustion engine (i.e. re-label as a fuel).

You may re-label and sell a substance purchased as non-motor fuel oil as heating oil if:

- the substance was coloured when you purchased it, or
- you are authorized to colour non-motor fuel oil and the substance is coloured before it is sold as heating oil.

If you purchased a substance as heating oil, you must sell it as heating oil. You may not re-label heating oil as a fuel or a non-motor fuel oil.

You must attach our coloured fuel labels that outline authorized coloured fuel uses in a clearly visible location on all coloured fuel pumps. Examples of pump labels are on our [website](#).

Certification Required from Purchasers of Coloured Fuel

You must obtain a completed and signed copy of the *Coloured Fuel Certification* ([FIN 430](#)) before you sell coloured fuel to a purchaser for their own use:

- through a cardlock, including at a terminal rack or bulk plant, or
- in an amount greater than 45 litres.

The certification must be completed by the purchaser to certify that they will use the coloured fuel only for an authorized use.

You do not need to obtain this certification if you:

- transfer the fuel directly into the supply tank of a ship or a boat that is on or in the water,
- sell the fuel to a farmer who has provided you a completed and signed *Certificate of Exemption – Farmer* ([FIN 458](#)), or a copy of their valid Farmer Identity Card issued by the BC Agricultural Council, or

- sell the fuel to a customer for resale purposes. However, that customer must also be an authorized coloured fuel seller.

If a certification is required, you must obtain the certification from your customer before you sell them coloured fuel. You must keep the completed certification on file. You may make additional sales of the fuel to your customer based on this certification if:

- the information on the certification is current, and
- you can link each sale to the certification (e.g. by an account or reference number).

If You Do Not Obtain the Certification

If a certification is required and you have not obtained one from your customer, you must collect motor fuel tax on the sale of coloured fuel at the clear motor fuel tax rate (i.e. the same rate as clear gasoline or clear diesel), not at 3¢ per litre. For more information on motor fuel tax rates, see [Bulletin MFT-CT 005](#), *Tax Rates on Fuels*.

If the tax you collect is greater than the security you paid on the fuel, you must remit the additional tax using the *Motor Fuel Tax Return Self Assessors* ([FIN 135](#)).

If you sell coloured fuel without obtaining the required documentation and you do not collect and remit motor fuel tax at the clear motor fuel rate, you may be subject to a penalty equal to the difference between the tax you collected and the tax you were required to collect, as well as additional penalties and interest.

Reporting Tax on Sales Invoices

You must 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,
- to an end purchaser who is purchasing more than 45 litres of coloured fuel, 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 type of fuel or substance sold (e.g. gasoline, diesel, locomotive fuel, non-motor fuel oil etc.),

- the quantity of each type of fuel sold,
- the rates for motor fuel tax and carbon tax, for each type of fuel sold, as separate lines or columns on the invoice, and
- if the fuel is coloured indicate as “marked” or “dyed”, and the price of the coloured fuel per unit of sale.

Suspension and Cancellations of Authorizations

Your authorizations to colour fuel or sell coloured fuel or both may be suspended or cancelled for not complying with the *Motor Fuel Tax Act*, *Carbon Tax Act* or their respective regulations, or if you do not meet the terms and conditions set out in your authorizations. You may appeal the suspension or cancellation if you disagree with our decision.

Coloured Fuel Exemptions – Motor Fuel Tax and Carbon Tax

As a coloured fuel seller, you **are not** required to collect motor fuel tax or carbon tax on sales in BC to the following specific types of end purchasers.

First Nations

You are not required to collect motor fuel tax or carbon tax on sales to eligible First Nations purchasers if title to the fuel passes on First Nations land. For more information, see [Bulletin MFT-CT 002, Sales to First Nations and the Fuel Tax Exemption Program](#).

Farmers

You are not required to collect motor fuel tax or carbon tax on sales of coloured gasoline and coloured diesel to persons who qualify as farmers in certain situations. You may make tax exempt sales (point-of-sale exemptions) of coloured gasoline and coloured diesel to farmers if the fuel is:

- delivered to a storage tank on the farmer’s farm,
- sold from a bulk agent on the farmer’s account (i.e. not a cash, credit card or debit card sale), or
- sold through a cardlock system on the farmer’s account.

To make tax-exempt sales to farmers you must also obtain, and keep as part of your records, a copy of a signed current *BC Farmer Identity Card* or a completed and signed *Certificate of Exemption – Farmer* ([FIN 458](#)).

You may not make tax-exempt sales of coloured gasoline and diesel fuel to farmers from a retail gas station. However, you may sell coloured gasoline or diesel fuel to farmers from a retail gas station (does not include cardlocks) at the applicable motor

fuel and carbon tax rate, if you obtain, and keep as part of your records, one of the following:

- a copy of a signed current *BC Farmer's Identity Card*,
- a completed and signed *Certificate of Exemption – Farmer* ([FIN 458](#)), or
- a completed and signed *Coloured Fuel Certification* ([FIN 430](#)).

The farmer may apply to us for a refund of the motor fuel tax and carbon tax they paid on the coloured fuel by completing the *Application for Refund of Motor Fuel Tax - Purchaser of Fuel* ([FIN 147](#)) and the *Application for Refund of Carbon Tax – Purchaser of Fuel* ([FIN 108](#)).

Refunds for Businesses Authorized to Colour and Sell Coloured Fuel

If you pay security on fuel and you sell that fuel at a lower rate of security or tax (e.g. you purchase clear fuel, then colour and sell coloured fuel) or pay security on coloured fuel and sell the fuel exempt of tax (e.g. to an eligible First Nations purchaser or farmer), you may apply for a refund of the difference.

Note: You may not be eligible for a refund if you purchase clear fuel, then colour and sell coloured fuel at the coloured fuel rate, without obtaining the required certification from your customer. See *Certification Required from Purchasers of Coloured Fuel* above.

If you are a collector, you may claim a refund on your regular motor fuel tax return or carbon tax return or both by deducting the refund amount from the amount of the security due on the return for the same reporting period.

If you are operating only as a deputy collector or retail dealer, you may apply for a refund using an:

- *Application for Refund of Carbon Tax – Deputy Collector or Retail Dealer* ([FIN 143](#)), or
- *Application for Refund of Motor Fuel Tax – Deputy Collector or Retail Dealer* ([FIN 152](#)).

You must include a schedule of sales supported by copies of the sales invoices that include the date, name and address of the customer and seller, and the volume and type of fuel sold.

For more information, see [Bulletin MFT-CT 007](#), *Refunds for Deputy Collectors and Retail Dealers*.

End Purchasers

Authorized Uses of Coloured Fuel

General Use

You may use coloured fuel in:

- ships and boats,
- locomotives,
- tractors when used off-highway,
- tractors when used on-highway by, or on behalf of, a farmer for the purposes of the farmer's farm, and
- unlicensed motor vehicles (see licensed motor vehicle in the Definitions section above).

Industrial Machines

You may use coloured fuel in industrial machines when the equipment is:

- used off-highway (use on private roads is permitted), or
- travelling to or from a location where the use of coloured fuel in the vehicle is authorized.

Industrial machines include bulldozers, backhoes, front-end loaders, shovels, graders, earth compactors, rollers, grass mowers, crushers, lumber carriers, skidders, forklifts and any machine equipped with caterpillar tracks. Locomotives are not considered industrial machines.

Farmers

You may use coloured gasoline and coloured diesel exempt of motor fuel tax and carbon tax for the following authorized uses:

- operating a ship,
- operating a tractor when used on other than a highway,
- operating an industrial machine when used on other than a highway,
- operating a stationary engine or portable engine,
- operating a tractor when used on a highway by or on behalf of a farmer for the purposes of the farmer's farm,
- operating a farm truck being used by a farmer or other person in the operation of the farm,
- operating a motor vehicle that is not licensed to operate on a highway when used on other than a highway, and

- operating a tractor, an industrial machine or road building machine, or a motor vehicle not licensed to operate on a highway, when proceeding to or returning from a location where the use of the fuel in the tractor, machine or motor vehicle is otherwise authorized.

Farm Vehicles

You may use coloured gasoline and coloured diesel exempt of motor fuel tax and carbon tax in farm trucks licensed as farm vehicles under the *Commercial Transport Act* (i.e. vehicles with a farm licence plate, also known as an A or G plate) when the vehicle is used:

- in the operation of a farm, or
- for limited personal use that can be reasonably linked to the operation of the farm. For example, driving your children to school, picking up groceries, or driving to the bank, post office or hardware store.

You cannot use coloured gasoline or coloured diesel in farm vehicles for any purpose that cannot be reasonably linked to the operation of the farm. For example, you cannot use coloured gasoline or coloured diesel in farm vehicles when the vehicle is used in the operation of another business, to drive yourself to school or another place of employment, or for recreational purposes.

The states of Washington, Idaho and Montana do not allow farmers to use coloured fuel in licensed vehicles on public roads. However, if you use clear fuel in a farm truck while operating internationally for a farm purpose, (e.g. travel to the United States to deliver your farm product to a customer), you may apply for a refund of the motor fuel tax and carbon tax paid on the clear fuel purchased in BC by submitting an *Application for Refund of Motor Fuel Tax – Purchaser of Fuel* ([FIN 147](#)) and an *Application for Refund of Carbon Tax – Purchaser of Fuel* ([FIN 108](#)). For more information see [Bulletin MFT 002](#), *Motor Fuel Tax Refunds for Purchasers* and [Bulletin CT 002](#), *Carbon Tax Refunds for Purchasers*.

Stationary Engines

You may use coloured fuel in stationary or portable engines, such as generators and chainsaws. You may also use coloured fuel to operate a stationary engine on a motor vehicle if it is separate from the engine used to power a motor vehicle and each engine has its own fuel tank (e.g. refrigeration units on trucks).

Where there is a single fuel tank for fuel used to operate the motor vehicle while in motion and when stationary, you must use clear fuel in the tank. However, you may be eligible for a refund of the difference between the clear and coloured fuel tax rates, see [Bulletin MFT 002](#), *Motor Fuel Tax Refunds for Purchasers*.

Road-building Machines

Road-building machines are equipment primarily designed for earth moving, grading, paving and constructing highways.

You may use coloured fuel in road-building machines when the vehicle is used:

- at a highway project area by any government,
- by or for the provincial government in construction or repair of roads maintained by the provincial government and not part of a highway project area, such as logging, mining, or petroleum and natural gas access roads on Crown land, or
- for travel to and from locations where the use of coloured fuel is authorized.

You must use clear fuel in road-building machines when used on a highway outside a highway project area for grading, clearing, snow ploughing or other maintenance activities.

Road-building machines include:

- bulldozers, compactors, loaders, self-propelled compressors, paving machines, rollers, cranes, scrapers, dumptors, tractors, machines equipped with shovels, articulated rock trucks, and
- trucks, such as Euclids that, because of their size, are not permitted to travel on-highway without a permit.

Road-building machines do not include vehicles that were originally designed for the transportation of persons or property and later have machinery attached to them. Road-building machines also do not include dump trucks designed to comply with the size and weight restrictions under the *Commercial Transport Act*. For example, road-building machines do not include mobile cranes, dump trucks, flushers, street sweepers, vans and buses.

Oil and Gas Exploration Activities

You may use coloured fuel when operating a commercial vehicle (other than a pickup truck) off-highway, that is actively engaged in exploring or drilling for petroleum or natural gas, to deliver the following supplies and equipment:

- drilling equipment,
- drilling rigs,
- drilling supplies,
- fuel and water,
- geophysical equipment and supplies,

- seismic equipment and supplies, and
- well servicing equipment and supplies.

Note: The authorized use of coloured fuel used in commercial vehicles described above does not extend to persons delivering supplies and equipment for a company that is involved in the production (pumping etc.) or transportation of the petroleum or natural gas (e.g. by pipeline, motor vehicle, vessel etc.).

For example, a delivery company or a geophysical surveying contractor using a commercial motor vehicle off-highway may use coloured fuel to transport seismic equipment, or water to be consumed in the drilling process, to an oil or gas exploration site, if the commercial vehicle is operated 100% off-highway.

The delivery company must not use coloured fuel to deliver supplies and equipment after exploration ends. Therefore, coloured fuel **must not be used** to deliver equipment and supplies for casing and cementing, perforation, acidizing and fracturing, ongoing maintenance of a productive well, or any other activity that occurs after completion of the well, including the delivery of water consumed in well servicing equipment used on a producing well.

If you deliver qualifying supplies and equipment in a commercial vehicle to a person who is actively engaged in oil and gas exploration, and any portion of the trip is on a highway, you must use clear fuel. However, you may apply for a refund of the difference between the tax paid on clear fuel and the coloured fuel tax rate, for the portion of the fuel consumed off-highway. For more information, see [Bulletin MFT 002, Motor Fuel Tax Refunds for Purchasers](#).

You may not use coloured fuel to deliver any other supplies, such as road-building materials, administrative supplies, food or water for a drilling crew.

Note: Pickup trucks used by persons actively engaged in exploring or drilling for petroleum or natural gas are not authorized to use coloured fuel, unless they are unlicensed and used on private roads. A pickup truck is a vehicle that meets the criteria as a pickup (PU) by the Insurance Corporation of British Columbia (ICBC).

Logging and Mining Industry Activities

You may use coloured fuel in off-highway vehicles used in the logging and mining industry, including:

- trucks when used for hauling logs or lumber, or to transport minerals,
- fire trucks when used as fire trucks,
- ambulances when used as ambulances, and

- crew crummies or buses used for the transportation of your employees, contractors or agents of your company, or employees of the contractors and agents. Crew crummies are trucks, buses or vans with a seating capacity of six or more persons.

You may also use coloured fuel in the vehicles described above in limited circumstances (e.g. to take the vehicle for repairs) if operating on a highway under a temporary operating permit issued under the *Commercial Transport Act* (for more information on permits, contact your local Autoplan broker or ICBC at 1 800 663-3051).

If any portion of the trip by these vehicles is on a highway, other than operating under a temporary operating permit, you must use clear fuel. However, you may apply for a refund of the difference between the tax paid on clear fuel and the coloured fuel tax rate **for the portion of the fuel consumed off-highway**. For more information, see [Bulletin MFT 002](#), *Motor Fuel Tax Refunds for Purchasers*.

Note: Multi-tank vehicles must not carry coloured fuel in the supply tank of a motor vehicle where another supply tank attached to the same engine in the same vehicle contains fuel that is not coloured.

Heating Oil and Non-Motor Fuel Oil

In addition to the uses of coloured fuel described above, fuel may be coloured and sold for use other than in an internal combustion engine as heating oil or as coloured non-motor fuel oil.

Although coloured diesel, coloured heating oil and coloured non-motor fuel 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 of 3¢ per litre, unless a specific exemption applies.

Coloured heating oil and non-motor fuel oil is not subject to motor fuel tax, but is subject to carbon tax, PST and in some cases the ICE Fund tax. Coloured heating oil is not subject to the PST if it is sold for residential heating purposes. For more information on PST exempt sales of residential energy products, see [Bulletin PST 203](#), *Energy, Energy Conservation and the ICE Fund Tax*.

You must not use:

- heating oil or non-motor fuel oil in an internal combustion engine,
- non-motor fuel oil in a furnace, boiler or open flame burner, or
- heating oil in a furnace, boiler or open flame burner unless the heating oil is coloured.

If you use heating oil or non-motor fuel oil for an unauthorized purpose, you are required to pay to the government, on or before the 15th day of the month following the month in which the substance is used, tax at the rate of 15¢ per litre. You may also be subject to an additional penalty.

Penalties

If you purchase or use coloured fuel for an unauthorized purpose, you may be assessed a penalty equal to the greater of:

- **three** times the clear fuel tax that should have been paid, or
- an amount of up to \$1,000 for each vehicle per day

In addition, you may be assessed the difference between the coloured fuel tax and the clear fuel tax that should have been paid on that fuel.

You may be assessed penalties for all unauthorized purchases or uses during the previous four years.

Coloured Fuel Certification

As an end purchaser, you must provide a completed *Coloured Fuel Certification* ([FIN 430](#)) to your fuel supplier at or before the time you purchase coloured fuel:

- through a cardlock, including at a terminal rack or bulk plant, or
- in an amount greater than 45 litres.

You must complete the *Coloured Fuel Certification* ([FIN 430](#)) to certify that you will use the coloured fuel for an authorized use. If you do not provide your fuel supplier with the completed certification, you must pay motor fuel tax at the clear fuel tax rate.

A certification is not required for sales of coloured fuel transferred directly into the supply tank of a ship or boat that is on or in the water.

Refunds of Motor Fuel and Carbon Tax on Coloured Fuel

Taxes Paid in Error

You may apply for a refund if you are an eligible First Nations purchaser and were incorrectly charged motor fuel tax or carbon tax or both on your purchase of coloured fuel on First Nations land.

You may apply for a refund if you are an eligible farmer and were incorrectly charged motor fuel tax or carbon tax or both on your purchase of coloured gasoline or coloured diesel.

If you purchase coloured fuel and pay motor fuel tax at the clear fuel rate, you may be eligible for a refund of the difference between the tax you paid and the coloured fuel tax rate if you used the coloured fuel for an authorized use.

You apply for a refund of motor fuel tax or carbon tax or both for any of the situations described above, using an:

- *Application for Refund of Carbon Tax – Purchaser of Fuel (FIN 108)*, and/or
- *Application for Refund of Motor Fuel Tax – Purchaser of Fuel (FIN 147)*.

For more information, see [Bulletin MFT 002](#), *Motor Fuel Tax Refunds for Purchasers* and [Bulletin CT 002](#), *Carbon Tax Refunds for Purchasers*.

Specific Motor Fuel Tax Refunds and Carbon Tax Refunds where Clear Fuel is used for a Coloured Purpose

There are specific tax refund provisions of motor fuel tax and carbon tax where clear fuel is used for a coloured fuel purpose. For more information, see [Bulletin MFT 002](#), *Motor Fuel Tax Refunds for Purchasers* and [Bulletin CT 002](#), *Carbon Tax Refunds for Purchasers*.

If you use clear fuel where you are authorized to use coloured fuel (except in the specific uses outlined in [Bulletin MFT 002](#), *Motor Fuel Tax Refunds for Purchasers*), you cannot claim a refund of the difference between the clear and coloured fuel tax rates. For example, if you use clear fuel in a lawnmower and you are authorized to use coloured fuel in that same lawnmower, you cannot claim a refund of the difference between the clear and coloured fuel tax rates.

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

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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

November 2017

- As a result of the September 2017 Budget changes to the *Motor Fuel Tax Act*, the definition of locomotive fuel is amended to exclude natural gas. Effective January 1, 2018, natural gas purchased for use in a locomotive is exempt from motor fuel tax.
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