

Ministry of Finance

Tax Bulletin



ISSUED: May 2011 REVISED: April 2018

Bulletin MFT-CT 006

[Subscribe](#)

gov.bc.ca/salestaxes

COVID-19 Update: See [Notice 2020-002](#), *COVID-19 Sales Tax Changes*, for temporary changes that impact the information in this bulletin. This bulletin has **not** been revised.

Self-Assessing Motor Fuel and Carbon Tax

Motor Fuel Tax Act and Carbon Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated June 2017. For a summary of the changes, see *Latest Revision at the end of this document*.

This bulletin explains when and how individuals and businesses self-assess (pay directly to us) motor fuel tax or carbon tax (or both) on fuel, tires, or peat when combusted to produce heat or energy in BC.

This bulletin does not apply to registered consumers, registered air services or registered marine services for the types of fuels indicated on their certificates. This bulletin also does not apply to commercial airlines, commercial marine services or to International Fuel Tax Agreement (IFTA) commercial motor vehicles. For information on these types of businesses, see:

- [Bulletin MFT-CT 004](#), *Registered Consumers*
- [Bulletin CT 005](#), *Commercial Air or Marine Services*
- [Bulletin MFT-CT 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*

Table of Contents

Overview.....	2
Definitions.....	2
Requirement to Self-Assess	3
Reporting and Paying Tax	6

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, 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, such as peat and tires, when used to produce heat or energy.

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.

Note: Motor fuel tax and carbon tax apply to propane in all cases, unless a specific exemption applies. PST does not apply to sales of propane; however the ICE Fund tax may still apply.

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

If a fuel is used to generate power in an internal combustion engine, motor fuel tax and carbon tax apply to the fuel, unless a specific exemption applies. Individuals or businesses that buy or receive fuel for their own use in BC generally pay motor fuel tax and carbon tax at the time of purchase. However, if an individual or business does not pay the full amount of motor fuel tax or carbon tax at the time of purchase, they must self-assess the difference.

In addition, individuals or businesses that manufacture fuel in, or bring fuel into, BC for their own use, may be required to self-assess motor fuel and carbon tax on that fuel. This includes fuel brought into the province in a motor vehicle or in bulk.

Note: Retail dealers of natural gas do not charge motor fuel tax on natural gas purchased for use in an internal combustion engine. Instead, purchasers must self-assess any motor fuel tax owing.

Definitions

A **vendor** is a person who sells fuel in BC for the first time after it is manufactured in, or imported into, BC (manufacture includes the production, refining, recycling or compounding of fuel). Vendors must apply to be appointed as a **collector** for each type of fuel they sell and must be appointed a collector prior to the first sale of the fuel. For more information, see [Bulletin MFT-CT 001](#), *Fuel Sellers*.

A **purchaser** is a person who buys or receives delivery of fuel in BC for their own use.

Note: Registered consumers, registered air services and registered marine services are purchasers. However, they are authorized to purchase the types of fuels indicated on specific certificates issued by us without paying taxes. If they use this fuel for a taxable purpose, they must report and pay the taxes due using a registered consumer, registered air service or registered marine carbon tax return.

Requirement to Self-Assess

Motor Fuel Tax

You must self-assess motor fuel tax if you:

- Manufacture fuel in BC and use it in an internal combustion engine.
- Import fuel into BC and use it in an internal combustion engine. This includes fuel you bring into the province in a tidy tank or storage tank on a truck or trailer.
- Bring more than 182 litres into BC in the supply tank, or supplemental supply tank, of a motor vehicle for use in that vehicle.

Note: If the motor vehicle is an IFTA commercial vehicle, motor fuel tax applies to the entire volume of fuel brought into BC in the supply tank, or supplemental supply tank, of the IFTA commercial vehicle for use in that vehicle. For more information, see [Bulletin MFT-CT 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*.

- Purchase fuel in BC and are not charged, or are undercharged, the amount of motor fuel tax due at the time you purchase the fuel.
- Use coloured fuel for an unauthorized purpose.
- Use a type of fuel for a higher-taxed purpose (e.g. locomotive fuel or marine diesel to operate a vehicle on-highway).
- Purchase a substance for a non-taxable purpose (e.g. non-motor fuel oil or coloured heating oil) and instead use it in an internal combustion engine.
- Purchase natural gas in BC exempt for use in a motor vehicle and instead use it in a locomotive or stationary combustion engine.

Note: If you paid PST on natural gas at the time of purchase and later use it in a stationary combustion engine, you must self-assess additional motor fuel tax if the motor fuel tax payable is greater than the PST paid. You may be eligible for a refund if the motor fuel tax payable is less than the PST paid. To claim a refund, you complete the *Natural Gas Consumed by Stationary Internal Combustion Engines* form ([FIN 451](#)). For information on how PST applies to natural gas, see [Bulletin PST 203](#), *Energy, Energy Conservation and the ICE Fund Tax*.

Exceptions to the above are:

- Fuel imported into BC in the supply tank, or supplemental supply tank, of an aircraft or ship, for use in the operation of the aircraft or ship.
- Fuel imported into BC or manufactured in BC and used for a non-taxable purpose (not in an internal combustion engine). Examples include gasoline used as a solvent and diesel fuel used in protective coatings.
- Fuel with at least 85% methanol used to propel motor vehicles on a highway.
- Natural gas used to propel motor vehicles.
- Propane purchased or imported into BC:
 - in containers or cylinders designed to hold 28 litres (approximately 30 lbs) of propane or less,
 - for use in a residential dwelling unit for heating purposes,
 - for use by a qualifying farmer for farm purposes, or
 - for the purpose of being processed, fabricated or manufactured into, attached to or incorporated into tangible personal property (goods) for retail sale or lease.
- Coloured fuel used by a qualifying farmer for a farm use.
- Marine gas oil used in a marine gas turbine engine that propels a commercial passenger or cargo ship.
- Hydrogen used in fuel-cell vehicles, except hydrogen that is produced by electrolysis using coal generated electricity, unless the carbon dioxide emitted, as the result of using coal to generate the electricity, is captured and stored, or captured and sequestered.
- Fuel used by visiting forces and members of the diplomatic and consular corps.

Carbon Tax

You must self-assess carbon tax if you:

- Manufacture fuel in BC and use it in BC for any purpose.
- Import fuel into BC and use it in BC for any purpose. This includes fuel you bring into the province in a tidy tank or storage tank on a truck or trailer.

Note: Examples of use include flaring and incinerating fuel, using fuel in an internal combustion engine, or using fuel in a furnace, boiler or open flame burner.

You must also self-assess carbon tax if you:

- Bring more than 182 litres into BC in the supply tank, or supplemental supply tank, of a motor vehicle for use in that vehicle.

Note: If the motor vehicle is an IFTA commercial vehicle, carbon tax applies to the entire volume of fuel brought into BC in the supply tank, or supplemental supply

tank, of the IFTA commercial vehicle for use in that vehicle. For more information, see [Bulletin MFT-CT 008](#), *International Fuel Tax Agreement and Motive Fuel User Permits*.

- Burn combustibles, such as tires (shredded or whole) or peat.
- Purchase fuel in BC and are not charged, or are undercharged, the amount of carbon tax due at the time you purchase the fuel.
- Purchase coloured fuel for a farm purpose as a farmer and instead use it for an unauthorized use (e.g. coloured fuel is used in the operation of another business).

Exceptions to the above are:

- Fuel brought into BC in the supply tank, or supplemental supply tank, of a non-commercial aircraft or ship that is used in the operation of the aircraft or ship.
- Coloured fuel used by a qualifying farmer for a farm purpose.
- Fuel used by visiting forces and members of the diplomatic and consular corps.
- Fuel that is not combusted when used as a raw material (feedstock) in an industrial process to:
 - produce or upgrade another fuel, or
 - manufacture another substance.
- Fuel that is not combusted when used in the following specific circumstances:
 - as raw material to manufacture anodes for use in an electrolytic process for smelting aluminum,
 - as a reagent to separate out coal or ores of metal in an industrial floatation process,
 - in pipeline pigging,
 - as antifreeze in a natural gas pipeline,
 - in down-hole operations at a well site,
 - to remove natural gas liquids or impurities in the processing of natural gas, or
 - as a refrigerant in a closed system in the processing of natural gas.
- Coke, high heat coal or petroleum coke, or a combination of them used as a reductant in the production of lead or zinc. The maximum amount of fuel that is exempt as a reductant is set out in a table in the regulations to the *Carbon Tax Act*. The amount varies depending on the type of fuel combusted as a reductant and the type of metal (i.e. lead or zinc) produced.

Fuel Entering BC by Ship

If you purchase more than 5 million litres of a liquid fuel, 30 million litres of a gaseous fuel, or 25,000 tonnes of a solid fuel for use in the following circumstances, you must self-assess motor fuel and carbon tax based on the purchase of that fuel in BC if:

- the fuel entered BC by ship from outside Canada in compliance with the federal *Customs Act* and regulations, and
- you purchase the fuel:
 - before it is released by Canada Customs, or
 - after it has been released by Canada Customs but before or at the time the fuel is removed from the ship on which it entered BC.

Reporting and Paying Tax

You do not have to register with us to self-assess tax. Self-assess taxes due using the self-assessor tax return appropriate for the tax type:

- Motor Fuel Tax
 - For fuels subject to motor fuel tax (except natural gas), use the motor fuel self-assessor return.
 - For natural gas, use the natural gas consumed by stationary internal combustion engines return.
- Carbon Tax
 - For fuels subject to the carbon tax, use the carbon tax self-assessor return.

You can report your fuel use and pay your taxes:

- Online using [eTaxBC](#)
- By mail or courier using the following forms available on our website:
 - *Motor Fuel Tax Return - Self Assessors* ([FIN 135](#))
 - *Natural Gas Consumed by Stationary Internal Combustion Engines* ([FIN 451](#))
 - *Carbon Tax Return - Self Assessors* ([FIN 112](#))

If you are a collector or natural gas retail dealer, you cannot self-assess on fuel use using your collector or natural gas retail dealer tax return. Instead, you must report your fuel use by submitting motor fuel tax or carbon tax self-assessor returns. If you have included fuel you used on your collector or natural gas retail dealer tax return, you must submit an amended return.

Reporting Periods

When we receive your first self-assessor tax return, we will contact you to determine if you should be assigned a scheduled reporting period for submitting future returns. Your scheduled reporting period may be quarterly or monthly, depending on the annual amount of tax you are expected to self-assess for each tax type.

The following chart shows how we generally determine scheduled reporting periods:

Amount of Tax Self-Assessed Per Year	Scheduled Reporting Period
Less than \$120,000	Quarterly (Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec)
\$120,000 or more	Monthly

If you must self-assess both motor fuel and carbon tax, and the amounts of tax result in a different reporting period for each tax type, we will adjust your reporting periods so they are consistent.

Once your reporting 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.

Credit Transfers

If you have a credit balance on your motor fuel or carbon tax account and want to transfer this credit to another reporting period or to another of your motor fuel or carbon tax accounts, where there is an amount owing, you must provide us with written instructions that include:

- The credit amount you want to transfer
- The account the credit is being transferred from
- The account the credit is being transferred to (include the reporting period if applicable)

You can send us these instructions:

- Online using eTaxBC - log on to your eTaxBC account and click on Contact the Ministry to send us a message
- By mail - attach a note or letter to your return
- By email to FuelTax@gov.bc.ca

Do not enter the credit amount as a tax adjustment on your return or your return may be processed incorrectly.

Your transfer request must be received on or before the tax return due date (see Due Dates below) to avoid penalty and interest charges. Penalty and interest may also apply to any unpaid amount if we find that the amount of credit available at the time of transfer was incorrect.

Due Dates

If you are self-assessing taxes due for the first time or if you have not been assigned a scheduled reporting period, your return due dates are:

Tax	Fuel Types	Due Date
Motor Fuel Tax	All fuel types except Natural Gas	15th day of the month following the month in which you used the fuel
	Natural Gas	The last day of the month following the month in which you used the natural gas
Carbon Tax	All fuel types	28 th day of the month following the month in which you used the fuel

If you are assigned a scheduled reporting period, your return due dates are:

Tax	Fuel Types	Due Date
Motor Fuel Tax	All fuel types except Natural Gas	15th day of the month following the reporting period in which you used the fuel
	Natural Gas	The last day of the month following the reporting period in which you used the natural gas
Carbon Tax	All fuel types	28th day of the month following the reporting period in which you used the fuel

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 report and pay online using [eTaxBC](#), 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 you send in your tax return and payment by mail, they are 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 tax 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, they must be received by us by the close of business (4:30 pm) on the due date to be considered on time.

Your payment 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 have a scheduled reporting period, but no payment is due because no tax is due, you must still submit a **nil** tax return on time. If you do not submit the nil tax return using eTaxBC, you may fax it but we must receive it by 11:59 pm on the due date.

If your tax 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.

Record Keeping

The *Motor Fuel Tax Act* and *Carbon Tax Act* require that you keep all your records and documents in BC for **five** years.

Need more info?

Online: gov.bc.ca/salestaxes

Toll free: 1 877 388-4440

Email: CTBTaxQuestions@gov.bc.ca

Subscribe to our [What's New](#) page to receive email updates when information changes.

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

Latest Revision

April 2018

- Removed annual filing as a possible reporting period. Available reporting periods are now monthly or quarterly, depending on the amount of motor fuel or carbon tax you are expected to self-assess. The change in reporting period may be reviewed at a later date, subject to the regulations being amended to establish a reporting period from April 1 to March 31.
-