

The New Fuel Charge – Registration, Obligations and Solutions

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Online Tax Strategies

Many countries and Canadian provinces have adopted greenhouse gas duties to reduce gas missions that are contributing to climate change. The Canadian government has also taken steps in this direction.

THE CANADIAN PERSPECTIVE

The Canadian government has introduced a federal carbon pollution pricing system. Among others, this new tax applies to fossil fuels.

The new system applies in provinces and territories that do not have a carbon pricing mechanism in place. The Canada Revenue Agency has responsibility for administering and implementing the fuel charge for the **listed provinces**. The new tax is applicable as of April 1, 2019 in Manitoba, New Brunswick, Ontario and Saskatchewan and as of July 1, 2019 for Nunavut and Yukon. In addition, the federal fuel levy will apply in Alberta as of January 1, 2020.

The *Greenhouse Gas Pollution Pricing Act* (the Act) provides for twelve types of registrations, including road carriers, importers and users. Depending on its commercial activities, a person may be required to register.

ROAD CARRIERS

A person is required to register as a road carrier in respect of a type of fuel that is a “qualifying motive fuel” if the person uses fuel of that type in a “specified commercial vehicle” in a listed province.¹

Specified commercial vehicle

A specified commercial vehicle is a vehicle that meets the three following criteria:

1. A vehicle that is used to provide commercial transportation of individuals or goods by road between provinces or between a place in Canada and a place outside Canada.

2. The vehicle has two axles and a gross vehicle weight exceeding 11,797 kg, three axles, regardless of weight or a gross vehicle weight exceeding 11,797 kg when combined with a trailer.
3. It is not a recreational vehicle, including a motor home, bus or pickup truck with attached camper, if used solely for a particular individual's personal use or enjoyment or the personal use or enjoyment of any other individual at the particular individual's expense.

Listed provinces carriers

A person who is required to register as a road carrier with respect to a type of fuel must apply for registration and be registered before April 1, 2019 or July 1, 2019 depending on the province or territory.

A registered road carrier must report and pay the charge for fuel used in a listed province and claim a rebate for fuel purchased in a listed province that is used outside that province.

Additionally, a registered road carrier who is also a registered importer must report and pay a fuel charge with respect to bulk fuel at the time of importation.

Quebec carriers

A Quebec business is required to register as a road carrier if it uses its trucks to deliver goods in a listed province (e.g. Ontario). The business must pay the charge for fuel used in that province. This obligation also applies for the transportation of its own goods in a listed province.

IMPORTERS

Persons that import fuel from a place outside Canada or transfer fuel from a place in Canada to a place in a listed province may be required to register.

¹ Qualifying motive fuel: Fuel that is gasoline, light fuel oil, marketable natural gas, propane or a prescribed type of fuel.

A person that is required to be registered as an importer must apply for registration within the same deadlines as road carriers.

A registered importer must pay a charge when it imports fuel at a location in a listed province or brings that fuel into a listed province from another place in Canada. A registered importer must also pay a charge when it produces fuel in a listed province.

DISTRIBUTORS

A person is required to register as a distributor when it produces, imports, delivers, or otherwise distributes marketable natural gas or non-marketable natural gas in a listed province.

A person that sells, delivers or distributes fuel other than natural gas may apply to register as a distributor when it delivers fuel to persons subject to the Act.

FUEL USERS

A person that is not registered as a propane gas distributor and that is not required to register may apply for registration as a user when it uses fuel in connection with an unlisted activity in a listed province.

PAYMENT EXEMPTIONS

The Act provides for some exemptions. A target person, for example, a farmer, may provide an exemption certificate that will allow a supplier not to apply the fuel charge when the following conditions are satisfied:

- The exemption certificate must be completed in the prescribed manner;
- The certificate includes a declaration from the person stating that the person is an eligible person;
- The certificate is sent to the supplier who keeps a copy on file.

Diversion

Should exempt fuel be sold to a third party or used for a purpose other than what is provided on the certificate, the person must ensure that taxes on the diverted litres are remitted.

PLANNING AND CAUTION

In order to reduce the cost of administering the fuel charges payable, it may be relevant to analyze the preferred location to purchase fuel used.

The relevance of using the voluntary registration right should also be analyzed when the person paid a fuel charge where the fuel was used in a non-listed province. This would make it possible for the person to recover the charge paid in the listed province.

Additionally, any person who is required to register and fails to do so within the stated deadlines and in the manner provided could be liable for a \$2,000 penalty.

Your Raymond Chabot Grant Thornton advisor can help you determine which measures apply to your business and undertake the necessary steps to use them. Do not hesitate to contact us.

For more information, visit our Web site: rcgt.com