

Fuel Used by the Logging and Mining Industries

Motor Fuel Tax Act

Do you use coloured fuel in off-highway logging trucks?

Do you know if you are eligible for a fuel tax refund?

This bulletin provides specific tax information to help businesses in the logging and mining industries understand how the motor fuel tax applies to their operations.

Overview

Fuel, such as gasoline and diesel, used in an internal combustion engine is taxable under the *Motor Fuel Tax Act*. Fuels used in internal combustion engines are taxed at different rates depending on where you purchase the fuel and how it is used.

Generally, all fuel consumed on-highway must be clear. Coloured fuel (also called dyed or marked fuel) use is limited to specific off-highway uses and when used in certain types of vehicles.

If you bring motor fuel into the province, either in your commercial motor vehicle or in bulk, you are generally required to pay motor fuel tax on that fuel.

Definitions

A **highway** is any public road, street, lane or right of way (road allowance) in British Columbia.

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; and the Owner's Certificate of Insurance and Vehicle Licence, or a

Temporary Operating Permit. A motor vehicle is considered unlicensed if it does not meet any of the above requirements.

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 interprovincially or internationally. Please see [Bulletin MFT 008](#), *Inter-jurisdictional Motor Carriers: Fuel Used and/or Purchased in British Columbia* for details.

Minerals are metal ore and every natural substance 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.

Please note: Under the *Motor Fuel Tax Act*, building and construction stone, marble, shale, clay, sand and gravel are not minerals.

Sellers of Coloured Fuel

If you sell coloured fuel in British Columbia, you need authorization under the *Motor Fuel Tax Act*. An application form is available at www.sbr.gov.bc.ca/ctb/ColouredFuel.htm

Uses of Coloured Fuel

You may use coloured gasoline or coloured diesel fuel only for the purposes authorized under the *Motor Fuel Tax Act*. Coloured fuel is fuel taxed at a lower rate. The fine or penalty for the unauthorized purchase or use of coloured fuel is equal to three times the tax that would have been payable if the fuel had not been coloured.

Generally, coloured fuel use is limited to specific off-highway uses and certain types of vehicles. Logging, drilling or mine sites, and private roads built or maintained by industry, such as designated logging roads, are considered off-highway.

You may not carry coloured fuel in the supply tank of a motor vehicle where another supply tank in the same vehicle, and attached to the same engine, contains fuel that is not coloured.

General Uses of Coloured Fuel

You may use coloured fuel in:

- ships and boats,
- stationary or portable engines, such as generators and chainsaws,
- industrial machines when used off-highway, such as bulldozers, backhoes and front-end loaders,
- specific types of equipment, such as tractors and forklifts,
- road building machines, and
- unlicensed vehicles when used off-highway, such as all-terrain vehicles, snowmobiles, unlicensed trucks etc.

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 shovels, graders, earth compactors, rollers, crushers, lumber carriers, skidders, forklifts and any machine equipped with “caterpillar” tracks.

Road-building machines

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

- used at a highway project area, or
- used, by or for, the government in construction or repair of roads maintained by the government.

You cannot use coloured fuel in road-building machines when:

- the vehicle is used on a highway outside a highway project area for grading, clearing, maintenance etc., or
- the vehicle is not used, by or for, the government in construction or repair of roads maintained by the government.

Road-building machines are equipment specifically designed for grading, paving, and constructing roads.

Road-building machines include:

- bulldozers, gradalls, compactors, loaders, self-propelled compressors, paving machines, rollers, cranes, scrapers, dumptors, tractors, shovels,
- trucks, such as Euclids that, because of their size, are not permitted to move along a highway without a special temporary operations permit, and
- articulated rock trucks (similar to Euclids).

Road-building machines *do not* include:

- vehicles designed for the transportation of persons or property to which machinery has been attached, or dump trucks designed to comply with the size and weight provisions of the regulations under the *Commercial Transport Act*.

For example, typical machines that are not considered to be road-building machines include: mobile cranes, dump trucks, flushers, street sweepers, and trucks designed to transport persons (e.g. crew crummies) or property, or trucks to which machinery or equipment have been added.

Specific Uses of Coloured Fuel

In addition to the general uses of coloured fuel described above, some further uses are authorized for use by the logging and mining industries when used off-highway. Also, there are refunds available for the difference between the tax paid on clear fuel and coloured fuel when used for specified purposes (see the section below, Refund Provisions).

You may use coloured fuel in:

- 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 exclusively for the transportation of company employees; crew crummies are trucks, buses or vans with a seating capacity of six or more persons.

Please note: In order to use coloured fuel, these vehicles must be operated 100% off-highway.

Refund Provisions

You may apply for a refund of the difference between the clear and coloured fuel tax rates in the following two situations.

1. You operated one of the following vehicles, and because a portion of the trip was on a highway, you used clear fuel.
 - Trucks when used for hauling logs or lumber, or to transport minerals.
 - Fire trucks when used as fire trucks.
 - Ambulances when used as ambulances.
 - Crew crummies or buses used exclusively for the transportation of company employees.

2. You used clear fuel while the vehicle was stationary and the engine was being operated for one of the following purposes.
 - Rotating the drum on a ready-mixed concrete truck and pumping ready-mixed concrete.
 - Pumping or dispensing liquids or other materials to or from a commercial motor vehicle. (This does not include the use of a hydraulic cylinder or arm unless it is on a logging truck.) Examples of liquids and materials include water, fertilizers and fuel.
 - Operating a drilling unit that is operated by a power take-off unit.
 - Operating temperature control equipment to preserve goods in an insulated cargo box on a commercial motor vehicle. To qualify for this refund, the vehicle engine must be used to operate the temperature control equipment for a significant period of time, such as when parking overnight.
 - Operating a mobile crane.
 - Operating a hydraulic arm mounted on a logging truck.

You must apply for your refund within six years from the date the tax was paid on the clear fuel.

If you choose to use clear fuel where coloured fuel use is allowed, you may not claim a refund for the difference between the clear and coloured tax rates, except as noted above.

Fuel That Does Not Qualify for a Refund

The following fuel purchases do not qualify for a refund:

- coloured fuel,
- out-of-province fuel purchases,
- fuel purchased and used during periods of no log or lumber hauling or mineral transporting, such as the off-season,
- fuel purchased for non-qualifying vehicles, such as pick-up trucks, and
- purchases of less than 100 litres, unless the use is fully explained (otherwise they are deemed to be for a non-qualifying use).

How to Apply for a Refund

To claim a refund for the difference between the clear and coloured fuel tax rates, you need to complete an *Application for Refund of Fuel Tax* form (**FIN 440**) and an *Off-Highway Worksheet* (**FIN 140**). Information on completing both forms is outlined below.

Application For Refund of Fuel Tax (FIN 440)

You must submit a detailed listing by fuel type with your application or submit a separate application for each type of fuel used because of the different tax rates for gasoline and diesel fuels.

Your refund application form must include a list of all the clear and coloured fuel purchases showing British Columbia taxes have been paid during the period of your claim, including:

- the purchase date,
- the name and city of the fuel seller,
- the invoice number, and
- the number of litres purchased (summary totals may be used).

Submit copies of the invoices for all purchases listed with your claim. You may submit either your original copies or photocopies of your invoices. Original invoices will be returned to you.

It is important that you complete and sign the “Claimant Declaration” section at the bottom of the form. Only you, as the person who paid the tax, can sign the application form. If you are a corporation, the declaration must be signed by an authorized officer.

You must include a letter of authorization with your claim if the refund application has been prepared by a third-party, such as an accountant.

The Off-Highway Worksheet (FIN 140)

The *Off-Highway Worksheet* is used to calculate the amount of fuel eligible for a refund.

On the front of the form, you need to provide details of the on- and off-highway distances travelled by each eligible logging or mining vehicle (round-trip distances should be used, where applicable).

Log haulers also need to provide details of the use of a hydraulic arm (if applicable) and the distances travelled for each timber mark (round trip distances should be used, where applicable).

This information must be supported by your earnings statements or load slips, and include the following:

Logging	Mining
<ul style="list-style-type: none">▪ log hauler's name▪ mill or contractor's name▪ mill location▪ hauling dates▪ number of loads▪ timber marks▪ number of self-loads using the hydraulic arm (if applicable)	<ul style="list-style-type: none">▪ mineral hauler's name▪ mine site▪ mine location▪ hauling dates▪ number of loads

Please note: To have your refund application processed more efficiently, organize your earnings statements and load slips in the same order in which they appear on the *Off-Highway Worksheet*.

On Line 6 of the *Off-Highway Worksheet*, include any distances travelled for purposes other than log, lumber or mineral hauling, such as for servicing, traveling to and from home, general transportation, and hauling items other than logs, lumber or minerals. Please provide an explanation for other distances travelled and how you calculated them.

The remainder of the information required to complete the calculation is obtained from the total of the fuel and distances from the front of the worksheet.

The final calculation on Line 11 identifies the total amount of fuel eligible for a refund of the difference between the clear and coloured fuel tax rates. Enter the total fuel eligible for a refund amount from line 11 on the *Application for Refund of Fuel Tax* form. The ministry will then calculate the amount of the refund due.

Please note: Only the person who purchases the fuel and does the hauling may apply for a refund of the tax. If you sub-contract a portion of the hauling, you can only claim the fuel for the portion of the hauling that you do yourself. The remainder must be claimed by the sub-contractor, if they paid the tax on the clear fuel.

Crew Crummies, Ambulances and Fire Trucks

If you are operating crew crummies, ambulances or fire trucks, you will need to submit additional documentation in order to support your claim.

In addition to the documentation required on the *Application for Refund of Fuel Tax* form you need to include:

- a signed statement certifying that the crew crummies were used exclusively off-highway to transport company employees, the ambulances were used as ambulances and the fire trucks were used as fire trucks, and
- your vehicle odometer readings for the start and end of each off-highway use.

You can calculate the fuel consumption for crew crummies, ambulances and fire trucks based on the following table.

Vehicle Type:	Guideline Fuel Consumption Rate:
Trucks – Vehicles that seat 6 or more passengers Vans – Vehicles that seat 6 or more passengers Small Buses – Small buses seat 15 or fewer passengers Ambulances – When used as an ambulance Fire Trucks – When used as a fire truck	5.0 kilometres per litre (kpl)
Large Buses – Large buses seat 16 or more passengers	3.5 kilometres per litre (kpl)

If you want to use different fuel consumption rates, you need to contact the Ministry of Small Business and Revenue, Refund Section before submitting your claim. You may be asked to submit additional information and a fuel consumption test to support your rates.

Send the completed forms and the supporting documentation to the ministry at the address indicated on the application form.

Record Keeping Requirements

The *Motor Fuel Tax Act* requires that you keep all your records and documents in British Columbia for seven years.

Need more info?

Logging Industry website: www.sbr.gov.bc.ca/ctb/Logging.htm

Mining Industry website: www.sbr.gov.bc.ca/ctb/Mining.htm

Telephone (Vancouver): 604 660-4524

Toll free in Canada: 1 877 388-4440

E-mail: CTBTaxQuestions@gov.bc.ca

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Motor Fuel Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/ctb

Acknowledgments

This bulletin has been prepared in consultation with industry representatives. We wish to acknowledge and thank the *Association for Mineral Exploration British Columbia*, *Central Interior Logging Association*, *Council of Forest Industries*, *Mining Association of British Columbia* and the *Truck Loggers Association* for their input. By working with us, they help us better serve their members and work towards making British Columbia the best place to do business.

References: *Motor Fuel Tax Act*, Sections 1, 4, 5, 14, 15, 15.1, 28, 34, 43 and 49, and Regulations 1, 4, 15.1 and 15.2