

Bulk Agents - Coloured Fuels

Motor Fuel Tax Act

Update: Budget 2006

All motor vehicles not licensed to operate on a highway are now eligible to use coloured fuel.

Under the *Motor Fuel Tax Act*, fuels used for the specific purposes authorized under Section 15 of the Act are taxed at a lower rate. These lower-taxed fuels are distinguished from other fuels by colouring them with a dye.

This bulletin outlines the provisions of the *Motor Fuel Tax Act* with respect to fuel dyeing procedures and sales of coloured fuels by bulk agents.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Motor Fuel Tax Act* and Regulations can be found on the web at www.gov.bc.ca/sbr

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COLOURED FUEL

Authority to Dye Fuel

Under the *Motor Fuel Tax Act*, only those persons who have received written authorization from the Director of the *Motor Fuel Tax Act* are permitted to colour fuel in the province.

The mixing of the dye or of the pre-mixed dye solution with fuel is only permitted at a refinery located in the province, or on the premises of a bulk storage plant owned or leased by a person authorized to colour fuel, or on board a vessel owned or leased by the authorized person when specifically authorized by the Director. Dyeing fuel at any other location in the province may result in the suspension or cancellation of a person's authority to colour fuel.

The dyeing of fuels is an important control mechanism designed to protect fuel tax revenues by ensuring that lower-taxed, coloured fuels are used only for authorized purposes. For this reason the Consumer Taxation Branch conducts regular on-site inspections of bulk agencies and of fuel deliveries to ensure that dye is properly handled and that fuel is correctly dyed.

Inappropriate Dyeing and Use

Where fuel is not dyed in accordance with the procedures set out in the legislation, the Consumer Taxation Branch may suspend or cancel the authorization to colour fuel. In addition, under the *Motor Fuel Tax Act*, fines and/or imprisonment may be imposed for contravention of the provisions with respect to dye and dyed fuels.

It is an offence to use coloured fuel for purposes other than those authorized under Section 15 of the Act, or to sell fuel as "coloured fuel" unless it has been dyed in accordance with procedures set out in the legislation.

Ordering and Storing Dye

Fuel tax collectors or bulk agents are required to order the dye concentrate from the province in which they are located.

The dye required to colour fuel is provided by the Consumer Taxation Branch to persons who have

been authorized to colour fuel. If you are authorized to colour fuel and are located in British Columbia, you may order the dye by completing a *Requisition for Dye* form (FIN 452) and mailing the form to the Consumer Taxation Branch, or by faxing the form to (250) 387-1852. These forms are available from your local Consumer Taxation Branch office.

Dye and pre-mixed dye solution (pre-mix) must be kept within the confines of the bulk plant at all times. It is an offence against the Act to carry dye or pre-mixed dye solution in vehicles delivering fuel products. All pumps and containers used to store, supply, or transport coloured fuel must be clearly labelled as "marked".

The dye remains the property of the government until it has been mixed with fuel. Where an agent's authority to colour fuel is cancelled, the Consumer Taxation Branch will issue instructions regarding disposal of any dye on hand.

Mixing of Dye

In British Columbia, the dye that is currently used to colour fuel is Unisol Red Bk-50. Unisol Red Bk-50 is a liquid red dye.

Before being used to colour fuel, dye must be diluted by mixing it with any liquid petroleum product. Suitable storage for this pre-mix dye solution is a 203.5 litre drum mounted on its side with a tap attached. A spill tray is recommended under the tap to catch any spillage.

The "pre-mix" dye solution is made by mixing one container of dye with 200 litres of any liquid petroleum product. For best mixing results, the dye should be added when the container is one quarter full of liquid petroleum, and then adding the balance of the liquid petroleum to the container.

Fuel is dyed by adding one litre of pre-mix to 1250 litres of gasoline, or middle distillate fuel. It is important that pre-mix be added to the fuel in the correct quantities. Where automatic metering devices are not in use, adequate measuring jugs, calibrated in millilitres, must be used. Where small quantities of fuel are dyed, teaspoon and tablespoon measures will be required. Again, best mixing results are obtained by adding the pre-mix when the tank is partially filled then completing the filling so that the pre-mix is well agitated. A chart of fuel/dye ratios is provided at the end of this bulletin.

Dye and pre-mixed dye must be handled with the usual precautions for handling all fuels and

chemicals. Avoid contact with skin and clothing. Use of protective gloves and an impermeable apron is recommended. If contact is made with the skin, wash off immediately with water. If used indoors, ensure adequate ventilation.

Reporting Dye Used and on Hand

Persons authorized to colour fuel must complete a *Dye Stock Report* form (FIN 476) for each location where fuel was coloured and submit this report to the Director, *Motor Fuel Tax Act*, on or before the 15th day of the month following the month in which the fuel was coloured.

Sales of Coloured Fuel

A vendor or wholesaler is required to specify the following information on each invoice furnished by him for coloured fuel he has sold:

- the date of sale,
- the name and address of the person to whom the fuel is sold,
- the quantity of fuel sold, and
- the price per unit of sale, the rate of tax, and the total tax.

In addition, vendors and wholesale dealers are required to designate the coloured fuel in question as "Marked Fuel" on the invoice.

AUTHORIZED USES OF COLOURED FUEL

Eligible Equipment and Vehicles

Under the *Motor Fuel Tax Act*, a person may only use coloured fuel for the purposes of operating the following equipment.

- a) A ship.
- b) A tractor when used on other than a highway.
- c) Any of the following industrial machines when used on other than a highway: fork-lifts, front-end loaders, lumber carriers, bulldozers, shovels, backhoes and any machine equipped with caterpillar tracks, crushers, earth compactors, graders, grass mowers, rollers, and skidders.
- d) The following prescribed motor vehicles when used by the logging industry other than on a highway: trucks when used for

- hauling logs or lumber, crew crummies or buses used exclusively for the transportation of company employees, fire trucks when used as fire trucks, and ambulances when used as ambulances.
- e) The following prescribed motor vehicles when used by the mining industry other than on a highway in respect of a mineral mining operation: trucks when used to transport minerals, crew crummies or buses used exclusively for the transportation of company employees, fire trucks when used as fire trucks, and ambulances when used as ambulances.
 - f) A stationary engine or portable engine.
 - g) A road building machine within a highway project area.
 - h) A commercial motor vehicle when used on other than a highway for the transportation of
 - drilling rigs, drilling equipment and supplies;
 - fuel, water, well servicing equipment and supplies; and
 - geophysical and seismic equipment and supplies
 for persons engaged in exploring or drilling for petroleum products.
 - i) A tractor when used on a highway by or on behalf of a farmer for the purposes of the farmer's farm.
 - j) A family farm truck being used for the purposes of the family farm IF THE OPERATOR IS CARRYING A FAMILY FARM TRUCK EMBLEM ISSUED FOR THAT TRUCK.
 - k) A tractor, industrial machine, road building machine or unlicensed vehicle when proceeding to or returning from a location where the use of coloured fuel in the vehicle is otherwise authorized under paragraph b, c, g, or m.
 - l) A vehicle that is ordinarily used for a purpose authorized under paragraph d or e above and in respect of which a temporary operating permit has been issued under the *Commercial Transport Act*, may use coloured fuel to facilitate movement of over-size vehicles for repair, transfer, and other similar purposes.
 - m) A motor vehicle that is not licensed to operate on a highway.

UNAUTHORIZED USES OF COLOURED FUEL

Restrictions

The *Motor Fuel Tax Act* does not permit coloured fuel to be used for any purpose other than those noted on pages 2 and 3.

A person who purchases or uses coloured fuel for an unauthorized purpose is subject to a penalty equal to three times the clear fuel tax amount that would have been paid had the fuel not been coloured. This penalty is in addition to an assessment for the difference between the coloured fuel tax paid and the tax that would have been paid had the fuel not been coloured.

Motor Vehicle Supply Tanks

A person is not permitted to carry coloured fuel in the supply tank of a motor vehicle where another supply tank in the same vehicle contains fuel that is not coloured.

MARINE DIESEL, LOCOMOTIVE FUEL, AND COLOURED FUEL

Marine Diesel

Marine diesel is diesel fuel used in a ship as fuel for an internal combustion engine. Marine diesel fuel and coloured fuel are taxed under separate sections of the *Motor Fuel Tax Act* (sections 6 and 5 respectively). Consequently, marine diesel is no longer considered to be coloured fuel and it is not necessary that it be dyed. Sales of marine diesel that is not dyed should be invoiced as "marine diesel" and not as "coloured fuel" or "special marked" (SM).

Although marine diesel does not need to be dyed, the use of dyed fuel for ships is still authorized in the Act, so dealers have the option of selling "marked diesel" (dyed) or "marine diesel" (undyed). The tax rate is the same for both products.

Locomotive Fuel

Locomotive fuel is also taxed under a separate section of the Act (section 6). Locomotive fuel is defined as "fuel for use in an internal combustion engine in any rolling stock or other vehicle run on rails". The Act no longer authorizes the use of coloured fuel (marked diesel) for locomotives.

Therefore, locomotive fuel must be clear. Diesel fuel sold for locomotive fuel purposes should not be dyed and should be invoiced as "locomotive fuel".

RATIOS FOR DYEING FUEL

Mixing Ratios

The same ratio is used for diesel and gasoline. The ratios for dyeing fuel are one part pre-mix to 1,250 parts gasoline or middle distillate fuel. The following chart provides the ratios of pre-mix to be added to various quantities of gasoline and diesel.

Quantity of Fuel (litres)	Quantity of Pre-Mix to be added to Fuel (gasoline or diesel)
5	4.0 ml
10	8.0 ml
15	12.0 ml
20	16.0 ml
25	20.0 ml
50	40.0 ml
100	80.0 ml
200	160.0 ml
300	240.0 ml
400	320.0 ml
500	400.0 ml
600	480.0 ml
700	560.0 ml
800	640.0 ml
900	720.0 ml
1,000	800.0 ml
1,100	880.0 ml
1,200	960.0 ml
1,300	1.04 l
1,400	1.12
1,500	1.20

Quantity of Fuel (litres)	Quantity of Pre-Mix to be added to Fuel (gasoline or diesel)
1,600	1.28 l
1,700	1.36 l
1,800	1.44 l
1,900	1.52 l
2,000	1.60 l
2,200	1.76 l
2,400	1.92 l
2,600	2.08 l
2,800	2.24 l
3,000	2.40 l
4,000	3.20 l
5,000	4.00 l
6,000	4.80 l
7,000	5.60 l
8,000	6.40 l
9,000	7.20 l
10,000	8.00 l

Measurements:

1 litre (l)	=	1,000 millilitres (ml);
2½ ml	=	½ tsp;
5 ml	=	1 tsp;
7½ ml	=	½ tbsp;
15 ml	=	1 tbsp;
225 ml	=	1 cup

NEED MORE INFO?

This bulletin is provided for convenience and guidance.

If you have any questions, call us at 604 660-4524 in Vancouver or call toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.

References: *Motor Fuel Tax Act*, Sections 1, 14 and 15 and Regulations 1, 6, 7, 8, 9, 10, 11 and 12