



## Energy, Energy Conservation and the ICE Fund Tax

*Provincial Sales Tax Act*

Latest Revision: The revision bar ( | ) identifies changes to the previous version of this bulletin dated June 2014. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin provides information on:

- How PST applies to:
  - energy purchased in BC or brought, sent or delivered into BC
  - materials and equipment used to conserve energy
- Exemptions for certain uses of energy
- The 0.4% tax on energy products to raise revenue for the Innovative Clean Energy (ICE) Fund (ICE Fund tax)

**Note:** Fuels used to power an internal combustion engine and propane for any use are not subject to PST, but are taxed under the *Motor Fuel Tax Act*. For more information on motor fuel tax, see our [Motor Fuel Tax and Carbon Tax](#) page and Natural Gas below.

### Table of Contents

Overview .....	2
Definitions .....	2
Residential Energy Products .....	3
Qualifying Farmers .....	6
Exempt Fuels for Use as a Source of Energy .....	6
Goods Provided on a Continuous Basis Under	
Certain Contracts .....	6
Natural Gas .....	7
ICE Fund Tax .....	7
Energy Conservation Materials and Equipment .....	9
Parts and Services .....	11

## Overview

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PST applies to energy (including electricity, natural gas, kerosene, non-motor fuel oil, heating oil, steam and heat) purchased in BC. PST also applies to energy that is brought, sent or received in BC for use by BC residents. However, there are PST exemptions that apply to energy, including the exemption for residential energy products obtained solely for residential use in a residential dwelling. For more information on this exemption, see Residential Energy Products below.

## Definitions

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In this bulletin:

- **BC resident** is a person who resides, ordinarily resides or carries on business in BC, or a person who enters BC with the intention of residing or carrying on business in BC.
- A **residential dwelling** is:
  - A house, cottage or other detached dwelling
  - A duplex
  - An apartment, condominium or townhouse
  - An apartment building, condominium or townhouse complex used only for the purpose of single family dwellings
  - An assisted living residence as defined in the *Community Care and Assisted Living Act*
  - A long-term residential care facility (e.g. a nursing home or rest home)
  - A part of a multi-use building that is used for a residential use
  - Land attributable to a building or part of a building referred to above and that is used for a residential use

A residential dwelling does **not** include:

- A building or part of a building referred to above while under original construction
  - A part of a hotel, motel, lodge, resort, or other building or part of a building providing short-term accommodation (e.g. time shares that provide short-term accommodation)
  - A hospital or other institutional building
  - A bunk house or camp building for use in connection with a commercial or construction project
  - Parts of a building used for a non-residential use (e.g. business, commercial or industrial use)
- **Residential energy products** are:
    - Electricity
    - Natural gas
    - Heating oil that is coloured within the meaning of section 16.1 of the *Motor Fuel Tax Act* (see [Bulletin MFT-CT 003, Coloured Fuels](#))
    - Butane
    - Naphtha
    - Kerosene

- Methanol
  - Steam
- **Residential use** generally includes personal use or consumption of an energy product at a residence by the owner, tenant or other occupant of the residence. Residential use is not limited to energy used for heating a residence; it also includes energy for lighting, cooking and similar residential uses.

Residential use does not include use for a business, commercial or industrial purpose.

## **Residential Energy Products**

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### **Exempt Sales of Residential Energy Products**

Residential energy products are exempt from PST if **all** of the following criteria are met:

- The residential energy product is obtained solely for residential use in a residential dwelling
- The residential energy product is delivered or provided to a residential dwelling, a building that contains a residential dwelling, or a storage tank or facility that is located at and connected to a residential dwelling
- In the case of a delivery or provision of a residential energy product to a residential dwelling that is part of a multi-use building, the energy product is delivered or provided to a storage tank or facility, or through a meter, that services only the part of the building that is used only for residential use

PST applies when residential energy products are obtained for both residential and non-residential use, if:

- the residential use portion is not separately metered, or
- the product is not delivered to a residential dwelling or to a separate storage tank or facility located at and connected to the residential dwelling.

If the residential energy product is electricity sold to a qualifying farmer for residential and farm use, see [Electricity Sold to a Qualifying Farmer for Residential and Farm Use](#) below.

**Note:** Propane for any use is exempt from PST but is subject to motor fuel tax and, in some cases, the 0.4% ICE Fund Tax. Propane is exempt from motor fuel tax when purchased for residential use in a residential dwelling if certain criteria are met. For more information, see [Bulletin MFT 014, Propane Exemptions](#).

### **Refund of PST Paid on Residential Energy Products**

Purchasers may be eligible for a refund if they paid PST on a residential energy product used in a residential dwelling that is part of a multi-use building. The refund is calculated on the PST paid on the portion of the residential energy product that can reasonably be attributed to residential use in a residential dwelling.

#### **Example 1**

If you have a home-based business or operate a bed and breakfast from your home, you may be eligible for a refund of the PST paid on the portion of the residential energy product used for residential use. You will not be eligible for a refund of the PST paid on the portion of the energy product used for business use.

To calculate the amount of PST eligible for refund, use the following steps.

1. Determine the total area (e.g. square metres or square feet) of your home.
2. Determine the area that is used as a residential dwelling. Do not include any areas you use for business use (including any areas for which you claim income tax deductions).
3. Divide the area of the home used as a residential dwelling (Step 2) by the total area of your home (Step 1).
4. Multiply the amount calculated in Step 3 by the amount of PST you paid on all the residential energy products for which you are claiming a refund.

For example:

1. Total area of home: 2,000 square feet
2. Area used as a residential dwelling: 1,200 square feet
3.  $1,200 \text{ ft}^2 / 2,000 \text{ ft}^2 = 0.6$  (i.e. 60% of home is used as a residential dwelling)
4.  $0.6 \times (\$250 \text{ in PST paid on electricity and } \$400 \text{ in PST paid on natural gas over the past two years}) = 0.6 \times (\$250 + \$400) = \$390$

The amount of the refund claim is \$390.

### **Example 2**

A strata corporation of a multi-use building purchases natural gas to service the building. The multi-use building is comprised of residential condominium units and commercial units. The seller provides the natural gas by a continuous supply that services the entire building. The strata corporation may be eligible for a refund of the amount of PST paid that can reasonably be attributed to the portion of the natural gas used for residential use in a residential dwelling.

To calculate the amount of PST eligible for refund, use the following steps.

1. Determine the total floor area (e.g. square metres or square feet) of the multi-use building that is serviced by the incoming natural gas.
2. Calculate the floor area that is used for residential use in residential dwellings by subtracting from the total floor area any floor area that is used or leased out for non-residential use.
3. Divide the area of the building used for residential use in residential dwellings (Step 2) by the total floor area of the building serviced by the incoming natural gas (Step 1).
4. Multiply the amount calculated in Step 3 by the amount of PST the strata corporation paid on all the natural gas purchased for the multi-use building.

For example:

1. Total area of multi-use building: 20,000 square feet
2. Area used for commercial use: 5,000  $\text{ft}^2$
3. Area used for residential use:  $20,000 \text{ ft}^2 - 5,000 \text{ ft}^2 = 15,000 \text{ ft}^2$
4.  $15,000 \text{ ft}^2 / 20,000 \text{ ft}^2 = 0.75$  (i.e. 75% of the building is used for residential use in residential dwellings)
5.  $0.75 \times \$450 = \$337.50$

The amount of the strata corporation's refund claim is \$337.50.

To apply for a refund, you must provide us with a completed *Application for Refund – General (FIN 355)* and the supporting documentation listed in the instructions to the form.

Send your refund application and supporting documents to the address provided on the application form.

We must receive your refund claim within four years from the date you paid the tax.

**Note:** You are not eligible for a refund of the 0.4% ICE Fund tax paid because the PST exemption for residential energy products does not apply to the ICE Fund tax. If your supplier has combined the ICE Fund tax and the PST as a single line item on their invoice, you need to subtract the ICE Fund tax from the total amount of PST for which you are applying for a refund. .

For example:

Purchase price of the energy product:	\$100.00
PST and ICE Fund Tax (7.4%):	\$ 7.40
<u>Remove ICE Fund Tax (0.4%):</u>	<u>(\$ 0.40)</u>
Amount of refund:	\$ 7.00

For more information on the ICE Fund tax, see ICE Fund Tax below.

## **PST Phase out for Electricity**

Effective January 1, 2018, taxable purchases of electricity (e.g. electricity for business use) are subject to a lower PST rate of 3.5%. Electricity will be fully exempt from PST effective April 1, 2019.

Generally, the invoice date will determine the PST rate that applies to taxable purchases of electricity.

### **Example 1**

Electric Bike Corporation received a \$1,000 bill from BC Hydro for electricity provided between October 28, 2017 and December 28, 2017. The invoice date is December 28, 2017. The electricity is subject to PST at a rate of 7%.

### **Example 2**

Moka Pot Inc. received a \$500 bill from BC Hydro for electricity provided between November 3, 2017 and January 3, 2018. The invoice date is January 3, 2018. The electricity is subject to PST at a rate of 3.5%.

**Note:** Sellers of electricity cannot delay billing to reduce the amount of PST their customers must pay on purchases of electricity. For example, if an invoice for a business purchase of electricity was originally scheduled for December 28, 2017, for the purposes of the PST, the invoice date cannot be delayed until on or after January 1, 2018.

## Qualifying Farmers

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### Electricity Sold to a Qualifying Farmer for Residential and Farm Use

PST does not apply to electricity if:

- the electricity is purchased by a qualifying farmer for residential use in a residential dwelling and for a farm purpose and not for any other purpose, and
- the electricity is provided for residential use and for a farm purpose through the same meter.

If there are separate meters, one for farm use and one for residential use, the sales of electricity through each meter must meet the requirements of the specific exemptions.

Generally, a qualifying farmer is a person who owns or leases land classified as a farm under the *Assessment Act*. For more information on qualifying farmers, and on the requirements for providing exempt sales of electricity to farmers, see [Bulletin PST 101](#), *Farmers*.

### Electricity, Heat, Natural Gas and Fuel Oil Sold to a Qualifying Farmer for Farm Use

Qualifying farmers can purchase electricity, heat, natural gas and fuel oil exempt from PST if the electricity, heat, natural gas or fuel oil is purchased for use solely for a farm purpose. For more information, see [Bulletin PST 101](#), *Farmers*.

**Note:** Propane for any use is exempt from PST but is subject to the motor fuel tax and, in some cases, the 0.4% ICE Fund Tax. If propane is sold to a farmer or qualifying person (except an out-of-province farmer) for residential and farm use, the propane may be sold exempt from motor fuel tax if certain conditions are met. For more information, see [Bulletin MFT 014](#), *Propane Exemptions*.

## Exempt Fuels for Use as a Source of Energy

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The following are exempt from PST:

- Pelletized fuel, as defined in the [Solid Fuel Burning Domestic Appliance Regulation](#)
- Manufactured fire logs
- Barbecue briquettes
- Wood and charcoal, if obtained for use as a source of energy

These fuels are exempt from PST regardless of whether they will be used for residential, commercial or industrial purposes.

## Goods Provided on a Continuous Basis Under Certain Contracts

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Goods provided on a continuous basis by means of a wire, pipeline or other conduit (e.g. electricity or natural gas) under a contract for the right to use real property or moorage facilities are exempt from PST if **all** the following criteria are met:

- The main purpose of the contract is the right to use real property or moorage facilities, and not the purchase of the goods

- The goods are not delivered or provided to the purchaser through a separate meter
- The seller did not obtain the goods for the sole purpose of resale (e.g. the seller also uses part of the utilities for business or personal use)

For example, an RV campground provides electricity to its guests so they can hook up their RV's at the campsite. The guest is exempt from PST on that electricity provided that:

- the main purpose of the contract between the RV campground and guest is for the use of the campsite, not the purchase of the electricity,
- the electricity is not provided to the guest through a separate meter, and
- the RV campground did not obtain the electricity for the sole purpose of resale.

The seller is not required to receive any documentation from the purchaser to provide this exemption.

## Natural Gas

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PST applies to natural gas purchased in BC or brought, sent or delivered into BC, unless a specific exemption applies. Natural gas manufactured in BC for use by the manufacturer is also subject to PST on any royalties required to be paid on the gas by the manufacturer.

Natural gas for use in an internal combustion engine (e.g. a motor vehicle) is exempt from PST and the ICE Fund tax. To purchase the natural gas exempt, the purchaser must provide the seller with a completed *Certificate of Exemption – Natural Gas* ([FIN 449](#)).

If the natural gas is used in a **stationary** internal combustion engine, the purchaser must self-assess additional motor fuel tax if the motor fuel tax payable is greater than the PST paid. For more information, see [Bulletin MFT-CT 006](#), *Self-Assessing Motor Fuel and Carbon Tax*.

### If the Use is Unknown at the Time of Purchase

If it is not known at the time of purchase what the natural gas will be used for, or the completed *Certificate of Exemption – Natural Gas* ([FIN 449](#)) is not provided, the seller must collect PST and the ICE Fund tax.

If the natural gas is later used in an internal combustion engine (e.g. a motor vehicle), except a stationary internal combustion engine, the purchaser may apply for a refund by completing the *Application for Refund – General (PST)* ([FIN 355](#)).

If the natural gas is later used in a **stationary** internal combustion engine and the motor fuel tax payable is less than the PST paid, the purchaser may apply for a refund by completing the *Natural Gas Consumed by Internal Combustion Engines* form ([FIN 451](#)).

## ICE Fund Tax

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A 0.4% tax applies on the purchase price of energy products to raise revenue for the Innovative Clean Energy (ICE) Fund. The ICE Fund tax applies to the following energy products:

- Natural gas (excluding natural gas purchased in BC, or brought, sent or delivered into BC, for use in an internal combustion engine)
- Fuel oil, other than kerosene, used for the purposes of heating, cooling or raising steam

- Propane in a vapourized form delivered:
  - by a public utility, as defined in the *Utilities Commission Act*
  - by pipe
  - to purchasers at the place at which the propane will be used

The ICE Fund tax does not apply to electricity.

Sellers of natural gas, fuel oil and propane sold on a grid system must charge and collect the ICE Fund tax from all their customers (including residential, commercial and industrial customers) and remit the tax on their PST return for the reporting period that includes the sale of the energy product. The ICE Fund tax charged may be combined with the PST charged on invoices and does not need to be reported separately from PST collected on returns.

Businesses and BC residents who bring, send or receive the above energy products in BC must also pay the ICE Fund tax on the purchase price of the energy products. If the seller does not charge the tax, the purchaser must self-assess the tax due. If the purchaser has a PST number, they must self-assess the tax on their next PST return.

If the purchaser does not have a PST number, they must self-assess the tax using a *Casual Remittance Return (FIN 405)* on or before the last day of the month following the month the energy product was brought, sent or received into BC. For example, if the energy products were brought into BC in June, the return must be filed and the PST must be paid no later than July 31.

**Note:** The PST exemption for residential energy products does not apply to the ICE Fund tax. This means the ICE Fund tax also applies to residential customers.

## Exemptions from the ICE Fund Tax

### Energy Products Purchased for Resale

The ICE Fund tax does not apply if the above energy products are purchased for resale. To purchase these products exempt from the ICE Fund tax, the purchaser must give the energy supplier their PST number. If the purchaser does not have a PST number, they must give the supplier a completed *Certificate of Exemption – General (FIN 490)*.

### \$100,000 Annual Maximum Ice Fund Tax Payable

The maximum ICE Fund tax payable by a person over a one year period running from April 1 to March 31 is \$100,000. After a person has paid \$100,000 in ICE Fund tax during that period, that person is exempt from paying any additional ICE Fund tax for the remainder of that period, provided that:

- the person provides evidence to us that they have paid at least \$100,000 in ICE Fund tax during that period, and
- the person receives written confirmation from us that the person has paid at least \$100,000 in ICE Fund tax during that period.

The written confirmation from the ministry can be provided to energy suppliers to purchase energy products exempt from the ICE Fund tax for the remainder of the period.

**Note:** The \$100,000 amount is a total for all energy products. For example, if a person paid \$60,000 in ICE fund tax on fuel oil, and \$40,000 on natural gas, they would be exempt from paying any additional ICE Fund tax on all energy products for the remainder of the period.

Suppliers who have charged a customer more than \$100,000 in ICE Fund tax during a one-year period running from April 1 to March 31 can refund the additional ICE Fund tax paid by that customer once they receive a copy of the written confirmation we provided to that customer. Alternatively, the customer can claim a refund from us by completing an *Application for Refund – General* ([FIN 355](#)) and providing supporting documentation with their refund claim.

### **Sales to Exempt Customers**

The following customers are exempt from paying the ICE Fund tax if they meet all the criteria for the exemption (see the referenced bulletins for the qualifying criteria):

- First Nations individuals and bands (see [Bulletin PST 314](#), *Exemptions for First Nations*)
- Members of the diplomatic and consular corps (see [Bulletin CTB 007](#), *Exemption for Members of the Diplomatic and Consular Corps*)
- The Government of Canada (see [Bulletin CTB 002](#), *Sales and Leases to Governments*)

## **Energy Conservation Materials and Equipment**

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The materials and equipment listed in this section are only exempt if they are obtained for use to conserve energy (e.g. by preventing heat loss from a building).

### **Preventing Heat Loss from a Building**

The following materials and equipment are exempt from PST if obtained to prevent heat loss from a building.

- Thermal insulation material that is a batt, a blanket, a roll, a panel, loose fill or cellular plastic material, and that is designed primarily to prevent heat loss from a building, except for vapour barrier material or any other material incorporated into or attached to a building and serving a structural or decorative function.
- Polystyrene forming blocks designed for use initially as a form for concrete, and that remain permanently attached to the concrete to serve as the primary insulation for the completed building to prevent heat loss from that building.
- Fastening components specifically designed for use with exempt polystyrene forming blocks, even if purchased separately from the blocks.
- Chemicals obtained for use to make spray polyurethane foam insulation designed primarily to prevent heat loss from a building.
- Window insulating systems consisting of a transparent or translucent film, including frames or integral parts of the systems, installed in an existing window and designed primarily to retain heat in a building by absorbing solar heat or reducing drafts. Films that are mainly intended to reduce glare or reflect heat away do not qualify.
- Weather stripping and caulking materials designed to prevent heat loss from a building. Many types of caulking are multi-purpose. To qualify, the caulking must specify a use designed to prevent heat loss from a building (e.g. bathtub caulking would not qualify).

## Preventing Heat Transfer To or From Hot Water Tanks, Hot or Cold Water Pipes, or Ductwork

Insulation designed to prevent heat transfer to or from hot water tanks, hot or cold water pipes, or ductwork is exempt from PST. For example, insulation blankets for hot water tanks, preformed insulation sleeves for hot or cold water pipes, and insulation wrap for air ducts are exempt when used to prevent heat transfer. The exemption does not apply to tapes or sealants.

## Alternative Energy Sources

The following materials and equipment are exempt from PST.

- Wind-powered generating equipment specifically designed to produce mechanical or electrical energy, and generators, controllers, wiring, and devices that convert direct current into alternating current, if they are sold with, and as part of, that equipment.
- Equipment specifically designed to produce mechanical or electrical energy from ocean tides, currents or waves, and generators, wiring, controllers, monitors, pumps, tubing, floats, water fences, aids to navigation as defined in section 125 of the *Canada Shipping Act, 2001*, and devices that convert direct current into alternating current, if they are sold with, and as part of, that equipment.
- Solar photovoltaic collector panels, and wiring, controllers, and devices that convert direct current into alternating current, if they are sold with, and as part of, a system that includes solar photovoltaic collector panels.
- Solar thermal collector panels, and wiring, pumps, tubing, and heat exchangers, if they are sold with, and as part of, a system that includes solar thermal collector panels.
- Micro-hydro turbines and generators designed to produce up to 150 kilowatts of mechanical or electrical energy, and controllers, wiring, tubing, and devices that convert direct current into alternating current, if they are sold with, and as part of, that equipment.

**Note:** Pipes used to bring water from the source into the micro-hydro generator and turbine qualify for exemption if sold with, and as part of, the system. However, the pipes are subject to PST if purchased separately from the micro-hydro generator and turbine. The pipes are considered to be tubing.

Batteries are considered generic, and if purchased for the operation of ocean, wind, solar and micro-hydro power generating systems, do not qualify for the exemption.

**Note:** The additional components (such as wiring, controllers, devices, tubing etc.) listed in the exemptions above must be sold as complete units with the main equipment for the components to qualify for the exemption. If the components are sold separately, they are taxable, even if the complete unit is invoiced separately for shipping purposes.

## Electricity, Natural Gas and Propane Conversion Kits

Natural gas and propane conversion kits for internal combustion engines are exempt from PST. Kits to convert motor vehicles to operate solely on electricity are also exempt from PST.

The exemptions for kits do not apply if the kits have been factory or dealer-equipped in a motor vehicle prior to the sale of that vehicle.

## **Aerodynamic Devices**

The following devices are exempt from PST if designed to reduce wind-resistance and improve fuel efficiency:

- Aerodynamic bumpers
- Base flaps
- Boat tails
- Tank skirts
- Tractor roof fairings
- Trailer side skirts
- Tractor-trailer gap fairings

## **Parts and Services**

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### **Parts**

Parts specifically **designed for** and obtained for use to repair or recondition exempt energy conservation materials or equipment outlined in this bulletin may be purchased exempt from PST. However, the exemption does not apply to generic parts (such as nuts, bolts, washers, rivets etc.) that may also be used in the repair or reconditioning of other equipment.

### **Related Services**

Generally, if a good is taxable when purchased, services provided to that item are also taxable unless a specific exemption applies.

Services provided to exempt materials and equipment are exempt from PST. For example, services to install, repair or maintain an exempt conversion kit are exempt from PST.

However, PST applies to any other parts or services that may be provided at the same time as the conversion (e.g. brake repair). In this case, the exempt service charges should be stated separately from the services that are subject to PST on the sales invoice.

For more information see [Bulletin PST 301](#), *Related Services*.



## Need more info?

Online: [gov.bc.ca/PST](http://gov.bc.ca/PST)

Toll free in Canada: 1 877 388-4440

Email: [CTBTaxQuestions@gov.bc.ca](mailto:CTBTaxQuestions@gov.bc.ca)

Access our forms, publications, legislation and regulations online at [gov.bc.ca/PST](http://gov.bc.ca/PST) (go to [Forms](#) or [Publications](#)).

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

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### Latest Revision

November 2017

- Added information on the PST phase out for electricity
  - Other minor revisions
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References: *Provincial Sales Tax Act*, sections 1 “band”, “energy product”, “First Nation individual”, “fuel oil”, 29, 49, 92-97 and 145; *Provincial Sales Tax Exemption and Refund Regulation*, sections 1 “heating oil”, “obtain”, “qualifying farmer”, “residential dwelling”, “residential energy product”, “residential use”, 27-30, 46, 57, 73, 127 and Schedule 2; *Provincial Sales Tax Regulation*, section 31.1; *Consular Tax Exemption Regulation*.