

Tax and Revenue Administration (TRA)

Fuel Tax Act

Information Circular LPG-1R1

Propane Distributors Overview

Last updated: February 9, 2017

NOTE: This information circular is intended to explain legislation and provide specific information. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this information circular and governing legislation, the legislation takes precedence.

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1. Right-click on the form link, or on the "Please wait" page, and select "Save Link As" or "Save As", and save the form to your computer.
2. Launch Adobe Reader.
3. Open the PDF from within Adobe Reader. You can now fill and save your form.
4. Note that forms cannot be emailed. Please print the form and then mail or fax it to TRA (see contact information below).

The Government of Alberta recognizes that many First Nations people and communities in the province prefer not to describe themselves as Indians/Indian bands. These terms have been used where necessary to reflect their legal meaning in the federal *Indian Act*.

This information circular provides an overview of the Alberta fuel tax on liquefied petroleum gas (LPG).

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- Website: tra.alberta.ca
- Phone: 780-427-3044
- Fax: 780-427-0348

Note: for toll-free service in Alberta, call 310-0000, then enter the number.



Overview of Fuel Taxation in Alberta

1. Alberta Treasury Board and Finance, Tax and Revenue Administration (TRA) administers Alberta's *Fuel Tax Act* (Act), which legislates a multi-stage direct tax. Each entity in the fuel distribution chain becomes a fuel taxpayer and recovers the tax paid from the next person in the distribution chain, with the end user (consumer) ultimately paying the fuel tax.
2. The first person in the distribution chain – the “direct remitter” – usually makes the payment of tax on LPG. LPG is a defined term that includes products such as propylene, butane, butylene and propane; however, in Alberta only one grade of propane (commonly called “spec propane”) is normally sold for use as a motive fuel. Spec propane is the product referred to as propane in this series of information circulars.
3. A propane distributor is a person who sells propane to another person for resale and, when registered with TRA, is an activity-based direct remitter. The term propane distributor includes a propane producer.

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Taxability of LPG

4. A propane distributor is required to pay tax to TRA at the time propane is sold to a retailer for subsequent sale to a consumer or placed into a dispensing system in Alberta that is used to dispense propane for use as a motive fuel.
5. Where a propane distributor delivers propane into a bulk storage tank no tax is payable. A bulk storage tank is one in which propane is stored and from which less than 50 per cent of the propane is sold directly to consumers.
6. No tax is payable when:
 - a propane distributor sells propane to another propane distributor,
 - propane is exported from Alberta,
 - propane is purchased from a dispensing system other than a dispensing system used to dispense propane for motive fuel, or
 - propane is purchased by a consumer who is an eligible tax-exempt purchaser.
7. Fuel tax must be paid by consumers on propane purchased in Alberta for use as a motive fuel regardless of how it is dispensed, and for other uses when it is dispensed from an automotive dispensing system. The only exception is if the consumer is a tax-exempt purchaser (see “[Tax-exempt Purchasers of Propane](#)”).

8. The consumer pays the fuel tax as part of the purchase price of the propane. Consumers are not required to pay fuel tax on portable propane cylinder fills, or on propane delivered to the consumer and used solely for farming or for non-motive purposes.
9. Retailers who sell propane for automotive use pay tax on the propane that is dispensed into the tank from which vehicles are filled. The tax is paid to the propane distributor who delivers the propane. Retailers who sell propane tax-out from the same storage tank can obtain refunds from TRA of the tax they paid on propane dispensed into portable cylinders. Propane delivered into a retailer's storage tank that is not capable of fueling vehicles can be purchased by the retailer tax-out.
10. If a propane distributor delivers propane to a consumer who does not use propane for motive purposes, but the tank into which it is delivered is capable of filling a vehicle, then the distributor must either charge the tax or obtain a certification from the purchaser that the propane will not be used for taxable purposes, in the following form:

"I hereby certify that the propane purchased will not be used for purposes that would make it subject to fuel tax in Alberta, as set out in the Fuel Tax Act. (Tax exempt uses of propane include farming, heating, lighting, and use in appliances.) The propane will not be used to fuel a licensed motor vehicle other than a farm truck."

Signature _____ Date _____

Name _____ Phone _____

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Tax-Exempt Purchasers of Propane

11. A few large consumers, such as mining companies, may pick up propane from a producer using their own propane trucks or a common carrier, and bring it to their job sites, where it is used solely for non-taxable purposes. Such consumers can apply to TRA to be registered as tax-exempt purchasers. Propane distributors can sell propane tax-out to registered tax-exempt purchasers. A listing of companies that are exempt from paying tax will be posted to the Alberta Treasury Board and Finance website.
12. Propane purchases by the Government of Canada (not by a government employee) can be sold tax-out by propane distributors. The Government of Canada includes all federal government departments and a number of federal agencies and Crown corporations. To ensure that the purchaser of the propane is included in the definition of the Government of Canada, the seller should obtain an exemption certificate in the following form:

"This is to certify that the propane ordered/purchased hereby is being purchased by _____ which is part of the Government of Canada or is a tax-free Government of Canada agency, and is therefore not subject to Alberta fuel tax."

Signature _____ Date _____

The certification should be obtained on the purchase order, contract or invoice relating to the propane sold. Tax must be included in the price of any propane sold to a purported government entity that did not produce an exemption certificate, if it can be used for motive purposes in Alberta.

13. Propane can be sold tax-out on Indian reserves to eligible Indians and Indian bands. For further details on the Alberta Indian Tax Exemption program, please refer to the [AITE series of Information Circulars](#).

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Registration Requirements

14. Propane distributors are required to register with TRA. Applications for registration forms are available from TRA's offices. Registration forms will be reviewed and the applicant notified when approved or provided the reasons a registration is refused.
15. Retailers of propane who wish to claim a refund of fuel tax are also required to register with TRA for each location where propane is sold tax-out. More information on propane retailers can be found in the [Propane \(PRO\) series of circulars](#).

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Refunds for Uncollected Tax

16. If a propane distributor sells propane tax-in on credit to a retailer and cannot collect the receivable from the retailer, then the propane distributor can claim a refund for the tax portion of the bad debt. Bad debt means a debt owing to the distributor that is established to have become uncollectible and that has been included in computing the distributor's income for the current or preceding taxation year. A debt is not uncollectible unless the propane distributor has exhausted all efforts that would be expected to be made by a creditor to collect the debt. Where a propane distributor continues to sell propane to a debtor after the propane distributor has established that the debt is uncollectible the propane distributor has not exhausted all efforts to collect the debt.

In the case of a bankruptcy or receivership of a debtor the propane distributor must have filed a claim with the trustee or receiver that includes the amount of the fuel tax owing.

- a. A refund claim must be submitted within 90 days of the date that the propane distributor became aware of the loss. If the retailer has declared bankruptcy or a receiver has been appointed, the propane distributor is deemed to have become aware of the loss on the date that the Notice of Bankruptcy or notification of receivership is received from the trustee or receiver. Otherwise, the collector is deemed to have become aware of the loss when the receivable is shown as a bad debt for income tax purposes.
 - b. Refund requests must be supported by:
 - copies of the propane distributor's sales invoices;
 - a copy of the receivable ledger;
 - where applicable, a copy of the Notice of Bankruptcy or notification of receivership; and
 - a brief description of action taken to try to collect the account.
 - c. For bankruptcy or receivership, the propane distributor should include the tax in the claim submitted to the trustee or receiver, and submit a copy of the claim to TRA.
 - d. Where the propane distributor receives full or partial payment of the receivable after having received a refund of the tax from TRA, then a proportional payment of tax is to be forwarded to TRA. The amount of the payment to be forwarded is the same percentage of the amount recovered as the fuel tax is of the original amount of the loss.
17. A propane distributor may also claim a refund of tax when tax was charged or remitted, or both, in error. A letter outlining the circumstances should be sent to TRA requesting a refund.

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Refunds to Propane Retailers for Tax-out Sales

18. Retailers purchase propane for use in automotive dispensing systems from the distributors or producers tax-in from the propane distributors. Propane distributors can sell propane tax-out only to retailers if their equipment cannot be used to fuel vehicles (i.e., can only fill portable cylinders). Retailers who buy their propane tax-in will be able to claim a refund of tax on portable cylinder sales directly from TRA. For further information on refunds to retailers, please refer to the [Propane \(PRO\) series of information circulars](#).

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Administrative Matters

19. Information Circular [FT-9, "Audits, Objections and Waivers of Penalties and Interest"](#) explains the audit, objection, appeal and waiver processes.

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Contact Information and Useful Links

Contact Tax and Revenue Administration (TRA):	Email: TRA.Revenue@gov.ab.ca
Visit our website:	tra.alberta.ca
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