

Fuel Charge Reporting: Counter-Intuitive Unexpectedly Complicated?



With the new Canadian fuel charge provided for in the [Greenhouse Gas Pollution Pricing Act](#) (the “GGPPA”), many Canadian and non-resident oil and gas companies doing business in Canada with fossil fuel products have now successfully registered.

Now comes the unexpectedly difficult part: monthly reporting.

General Reporting Requirement

In general, the GGPPA imposes timely reporting requirements including monthly returns for most businesses that are not “road carriers”. Most returns are due the last day of the calendar month (1) following a registrant’s reporting period **OR** (2) following the reporting period in which a charge became payable for non-registrants.

But these are just the general rules, and other specialized reporting requirements exist – which are essentially traps for the unwary, as highlighted in a recent edition of the Canada Revenue Agency’s (the “CRA”) [GST/HST News](#).

CRA Excise News – Specialized Reporting

Requirements

Among the more complicated rules in the GGPPA are a series of specialized reporting requirements for distributors of certain types of fuel, including coal and [coke](#) – a distinct type of coal.

Specifically, there are requirements to report less than actual trade volumes (!). This perhaps counter-intuitive requirement was recently highlighted by the CRA.

Essentially, if the distributor is distributing any of the following types of “mixed” fuel, special reporting quantities must be determined using specific formulas in the GGPPA and the [Fuel Charge Regulations](#):

- Gasoline with proportion of biogasoline exceeding 10%;
- Light fuel oil with proportion of biodiesel exceeding 5%;
- Natural gas that contains biomethane;
- Natural gas that contains hydrogen;
- Natural gas that contains a combination of biomethane and hydrogen; and
- Aviation fuel with proportion of bio-aviation fuel.

The specific formulas appear to allow for a straight-up removal of the non-fossil component of these mixed fuels or a combination of the removal and a gross-up of same, further complicating things.

While this may seem inconsequential, especially where the “Carbon Tax” is not payable (because it is effectively passed on to another registered distributor), failure to meet reporting requirements can result in significant penalties. For example, penalties for incorrect reporting can be 5% of the discrepancy between the correct amount and the reported amount under [subsection 73\(2\)](#) of the GGPPA.

Takeaways

Many oil and gas companies registered under the GGPPA are generally NOT paying “Carbon Tax” because they can effectively pass on the embedded fuel charges to their customers, who are often other already registered distributors. However, these transactions need to be reported, and therein lies the rub. Reporting can be complicated and counter-intuitive, and getting the reporting requirements wrong, will cost money.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

Authors: [Robert Kreklewetz, Tommy Pham](#)

Millar Kreklewetz LLP