

## Consumer Taxes

**CAR. 11/R3**                      **Coloured Fuel Oil Used by Railroad Corporations to Heat Railroad Cars**  
**Date of publication:**        **June 27, 2014**

Reference(s):                      *Fuel Tax Act* (CQLR, c. T-1), sections 2, 9 and 51  
    *Tax Administration Act* (CQLR, c. A-6.002), section 21

*This version of bulletin CAR. 11 supersedes the version of June 29, 2007. However, the position set out in the bulletin remains the same. Only some style changes were made.*

This bulletin explains how the *Fuel Tax Act* (FTA) applies in respect of coloured fuel oil used by railroad corporations to heat railroad cars.

### LEGISLATIVE PROVISIONS

1. Under subparagraph (b) of the first paragraph of section 2 of the FTA, every person that acquires fuel oil in Québec for purposes other than resale must pay to the Minister of Revenue, on each litre of that fuel, the fuel tax at the rate set out in that subparagraph.
2. However, a tax equal to \$0.03 per litre is applicable to coloured fuel oil acquired to supply railroad locomotive engines, in accordance with the fourth paragraph of section 2 of the FTA.
3. According to paragraph (d) of section 9 of the FTA, coloured fuel oil is exempt from the tax provided for in section 2 of the FTA where it is used only for a purpose other than that of supplying a propulsion engine not covered by paragraphs (a) and (c) to (f) of section 19 of the FTA.

### APPLICATION OF THE ACT

4. Coloured fuel oil used for a purpose other than that of supplying a propulsion engine (for example, to supply a stationary engine or a heating system) is exempt from the fuel tax under paragraph (d) of section 9 of the FTA.
5. Railroad corporations use locomotives, some of which are equipped with a coloured fuel oil tank that supplies both the engine of the locomotive and the railroad car heating system.
6. Unless a railroad corporation has entered into an agreement with the Minister under section 51 of the FTA, it must pay the fuel tax in respect of the coloured fuel oil it acquires in Québec, since the coloured fuel oil is intended primarily to supply the engines of the locomotives it uses.

7. Railroad corporations may be exempted from paying the fuel tax under paragraph (d) of section 9 of the FTA, provided the coloured fuel oil is used to heat railroad cars. To be exempted, such corporations must file a refund application with the Minister within four years following the date on which the tax was paid, in accordance with section 21 of the *Tax Administration Act*.

8. Railroad corporations that have entered into an agreement with the Minister are not required to pay the fuel tax when they acquire coloured fuel oil. However, every month they are required to pay to the Minister the fuel tax in respect of the coloured fuel oil that was used the previous month to supply railroad locomotive engines used in Québec. Such corporations are thus exempted from paying the fuel tax at the time they acquire coloured fuel oil, provided it is used to heat railroad cars or for any other purpose giving entitlement to the exemption provided for under paragraph (d) of section 9 of the FTA.

9. Railroad corporations must have control measures and keep documentation enabling Revenu Québec to determine to its satisfaction the quantity of coloured fuel oil that was used for purposes giving entitlement to the exemption from the fuel tax, regardless of whether or not those corporations have entered into an agreement.