

## Fossil Fuel Carbon Charges Under the *Greenhouse Gas Pollution Pricing Act, 2019*

### Carbon Charge Exemption Declaration Certificate

The federal Fossil Fuel Carbon Charge begins in Ontario on April 1. An Eligible Farm-Use Exemption applies to fuel deliveries once the farmer presents the fuel supplier with an Exemption Declaration Certificate.

Where to download the Exemption Declaration Certificate:

- search the CRA Forms Page – <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms.html> – for “Form L402”,
- call your fuels supplier, they may have copies of the form available,
- call CRA: CRA Business and Self-Employed Individuals 1-800-959-5525,

The Exemption Certificate includes a declaration that the person is a [farmer](#); and

- a) the location to which the fuel is delivered is a farm,
- b) the fuel is for use exclusively in the operation of [eligible farming machinery](#) and eligible auxiliary component machinery; and
- c) substantially all the fuel is used for [eligible farming activities](#)

The Exemption Declaration Certificate does not have an expiry date and it covers later deliveries made by the same registered distributor, as long as conditions for the exemption are met. The fuel supplier needs to keep a copy of your certificate.

**Greenhouse operators** can provide an exemption certificate: CRA “Form L404” for an 80% partial relief when a registered distributor delivers propane or natural gas fuel to a commercial greenhouse operator for fuel used exclusively for heating or producing carbon dioxide for the operation of a greenhouse – <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/l404.html>.

### Fuel Charge Rates

The rates reflect a carbon pollution price of \$20 per tonne of CO<sub>2</sub>e in 2019, rising by \$10 per tonne annually to \$50 per tonne in 2022. Gasoline and light fuel oil (e.g. diesel) rates account for renewable content if fuels meet renewable content blend threshold.

#### Rates for Ontario Beginning April 1

Begins	2019	2020	2021	2022
Gasoline / litre	4.42¢	6.63 ¢	8.84 ¢	11.05 ¢
Light fuel oil* / litre	5.37 ¢	8.05¢	10.73 ¢	13.41 ¢
Natural Gas / m <sup>3</sup>	3.91 ¢	5.87 ¢	7.83 ¢	9.79 ¢
Propane / litre	3.1 ¢	4.64 ¢	6.19 ¢	7.74 ¢
Non-market NG / m <sup>3</sup>	5.17¢	7.76¢	10.34 ¢	12.93 ¢

\* Light fuel oil includes clear and coloured diesel

**Paying a Carbon Charge later** — non-farm use or ceasing to be a farmer

If carbon charge exempted fuel is supplier to your farm, and the fuel is later

- a) used by the person for non- eligible farming activities; or
- b) delivered to another person that is not eligible for the exemption, or
- c) if the farmer ceases to be a farmer, the fuel charge for any remaining fuel becomes payable to CRA at the later time, and the person is required to pay the carbon charge on fuel not used as per the declaration.

**Proposed Refinements to the Federal Carbon Pollution Pricing System**

On March 19, 2019, the government proposed to expand relief of the fuel charge for a farmer accessing fuel at a cardlock facility, subject to certain conditions.

**CRA Fuel Charge Exemption Declaration Forms**

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[L402, Fuel Charge Exemption Certificate for Farmers](#)

[L404, Fuel Charge Exemption Certificate for Greenhouse Operators](#)

CRA Technical Information – <https://www.canada.ca/en/revenue-agency/services/tax/technical-information/fuel-charge-forms.html>

*Greenhouse Gas Pollution Pricing Act, 2019* – <https://laws.justice.gc.ca/acts/G-11.55/>

**Definitions** – Section 3 of the *GHG Pollution Pricing Act*.

**Card Lock** – without the fuel charge applying, gasoline and light fuel oil (e.g., diesel) delivered to a farmer at a cardlock facility, subject to certain conditions.

**Delivery** of fuel includes making the fuel available.

**Distribution system** – pipe or system for the delivery or distribution of natural gas.

**Eligible farming activity** – operating eligible farming machinery on a farm for the purpose of farming and operating eligible farming machinery between farm locations.

**Eligible farming machinery** – property primarily used for farming that is a farm truck, a tractor, an unlicensed vehicle not operation on a public road, an industrial machine or a stationary or portable engine or property primarily used for farming. Eligible machinery does not include cars or property used to heat or cool a building or similar structure.

**Farmer** – a person that carries on a farming business with an expectation of profit.

**Farming** – tillage, livestock raising or exhibiting, keeping horses for racing, raising poultry, fur farming, dairy farming, fruit growing and keeping of bees, but not an office or employment under a person engaged in farming.

**Light fuel oil** – a distillate, residual of crude oil or a biodiesel; and is suitable for generating power by means of a diesel engine (**e.g. diesel fuel**).

**Person** – an individual, partnership, corporation, estate or succession, trust, joint venture, union, club, association, commission or other organization of any kind.

**Qualifying farm fuel** – gasoline fuel or light fuel oil (e.g. diesel).

**Supply tank** means tank where fuel is held for use in the vehicle; a vehicle auxiliary component; or auxiliary component of another vehicle which is attached to the vehicle.

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## FAQs: Fossil Fuel Carbon Charges Under the *GHG Pollution Pricing Act 2019*

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### **Where do I get the exemption form?**

Download the Exemption Declaration Certificate:

- search the CRA Forms page for "Form L402",
- call your fuels supplier, they may also have the form available,
- call CRA: CRA Business and Self-Employed Individuals 1-800-959-5525.

### **Where do I send the form?**

Keep a copy for your records and give an original to the fuel supplier.

### **What is on the form?**

#### **Business Legal Name:**

Is your name if your farm is a sole proprietorship, or your farm business name for a farm corporation. The name is usually the same shown on your fuel supply invoice.

#### **Business Number (BN):**

The BN is a unique tax ID the CRA assigns to a business. For example, a GST/HST account BN looks like this: **123456789** RT 0001.

**DO NOT use your SIN or your FBR number.**

### **Do I give the fuel supplier a form for every delivery?**

No. The Exemption Declaration Certificate does not have an expiry date. It covers additional deliveries made by the same fuel supplier, if the conditions for the exemption continue to be met. The fuel supplier needs to keep a copy of your certificate.

### **What does 'LIGHT FUEL OIL' mean?**

It is diesel fuel, including both clear and coloured fuel.

### **Can I get an exemption on propane I use to dry my grain?**

No. Only Propane or Natural Gas used to heat a greenhouse or produce CO<sub>2</sub> for a greenhouse is eligible for an exemption.

### **Do I need an exemption for coloured diesel?**

Yes. Unless you give the fuel supplier a signed Exemption Declaration Certificate, you will have the carbon charge on your bill for both clear and coloured diesel fuel.

### **What happens if I used some exempted gas or diesel outside of farm use?**

If you used exempted fuel to pick up supplies at the co-op or run the kids to practice, for example, you will need to pay CRA the carbon charge on that fuel. If you stop farming, the fuel charge for any remaining fuel is also owed to CRA. You are required to pay the carbon charge on fuel not used, as per the declaration, for allowable farm activity.

**How do I pay a carbon charge later to CRA?**

For farm tax filing, keep records of fuel purchases with and without the carbon charged included, and keep mileage log records. That way you can calculate how much fuel expenses each year should have included a carbon charge. This will help if you are audited on the carbon charge exemption. CRA will advise when and how to pay later.

**How does the carbon charge work for fuel I get from my card lock?**

On March 19, the government proposed to allow farmers to complete the Exemption Declaration Certificate for card lock fuels. They have not announced a process to either exclude the charge at the card lock or to rebate the charge for exempted fuels. Until that time, we recommend you keep all fuel receipts and complete your log records.

This means it should not matter whether a distributor delivers the fuel to a farmer at a farm or at a cardlock facility. This relief is proposed to apply as of April 2019 in Ontario. This is not yet any indication that the government would include fuel delivered to the farmer at a retail service station.

**What about my Greenhouse?**

Greenhouse operators can complete a Greenhouse Fuel Exemption Declaration to get 80% of the carbon charge removed from propane or natural gas deliveries.

**Can I get an exemption if I have 1 natural gas line coming onto the farm that feeds both my farmhouse and my greenhouses?**

Only for the fuel going to the greenhouses and not if there is a single meter for both farming use and non-farming, such as heating your house. Propane tank or natural gas lines must go exclusively to greenhouses for fuel to be eligible for the exemption.

**What if I heat my greenhouse with a different fuel than natural gas or propane?**

Right now, only propane and natural gas are eligible for the carbon charge exemption.

**I get my farm fuels at a retail station. Can I get an exemption?**

No. The federal government has not included a way to include purchases from retail stations for the exemption. Keep all receipts and mileage logs in case that changes.