

FT/GT 2-2000

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## Volume Corrected Measurement of Petroleum Products and the Computation of Ontario Fuel and Gasoline Taxes

### Ambient Temperature Allowance/Refund Provisions

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Please note that the following forms, referenced in Ontario Tax Bulletin FT/GT 2-2000,  
have been replaced as noted:

Previous Form Name (referenced in Bulletin)	Current Form Name(s)
Wholesaler's Ambient Allowance Application for refund FT 370W (pg.4)	TEU Summary, and TEU 5
Wholesaler's Ambient Allowance Application for refund GT 270W (pg.4)	TEU Summary, and TEU 4
Retailer's Ambient Sales Application for Refund FT 375R (pg. 5)	TEU Summary, and TEU 3
Retailer's Ambient Sales Application for Refund GT 275R (pg. 5)	TEU Summary, and TEU 2

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## Volume Corrected Measurement of Petroleum Products and the Computation of Ontario Fuel and Gasoline Taxes

### Ambient Temperature Allowance/Refund Provisions

This bulletin was revised June 2008 to incorporate formatting changes and changes in ministry name and contact information only.

- This bulletin rescinds and replaces Information Bulletin, November 1996, titled “Volume Collection of Ontario Fuel and Gasoline Taxes”.
- This bulletin provides general information. It is not exhaustive and should not be considered as a substitute for the *Fuel Tax Act* and *Gasoline Tax Act* and its regulations.

### Ambient Temperature Allowance/Refund Provisions

**Previous Bulletin Rescinded**

This tax bulletin outlines the statutory requirements under the *Fuel Tax Act* and the *Gasoline Tax Act* (“Acts”), for the calculation of, and accounting for, fuel and gasoline taxes, in light of volume corrected (temperature adjusted) measurement of petroleum products. It incorporates the rules for “eligible retailer” and “eligible wholesaler” supported by regulatory amendments filed December 3, 1999.

The bulletin also deals with the related issues of payments made or received as or on account of the tax payable under the Acts, and the means by which ambient temperature refunds and allowances may be obtained in specific circumstances.

**Who is the Audience?**

This bulletin will be of interest to designated collectors of fuel tax or gasoline tax, as well as wholesalers and retailers who use the ambient temperature method of measuring fuel or gasoline, or deal with customers who do.

### Highlights

Ontario fuel and gasoline taxes must be computed and accounted for using the same method of volume measurement (unadjusted temperature or volume corrected to a reference temperature of 15 ° Celsius) used to calculate product selling price.

Collectors and wholesalers may provide a reduction known as an ambient temperature allowance to their customers to offset the tax differential where a customer purchases product measured on a volume corrected basis but dispenses product only on an ambient (unadjusted) temperature basis.

Retailers that dispense product on an ambient temperature only basis may apply for a refund of tax differential where their supplier has collected tax on a volume corrected basis and no ambient temperature allowance has been provided by their supplier.

## Background

**Legislation Amended** In November, 1996, the Ministry of Revenue issued a bulletin outlining the requirements for tax calculation and accounting in view of increasing use of volume corrected measurement of petroleum products. The bulletin, effective December 1, 1996, also outlined a system of ambient temperature allowances and refunds available to fuel and gasoline wholesalers and retailers. The *Fuel Tax Act* (FTA) and *Gasoline Tax Act* (GTA) and regulations made thereunder were subsequently amended to provide legislative support for the program requirements and refund provisions. The amendments were also effective December 1, 1996.

## The Requirements

**One Method of Measurement to be Used to Calculate Tax and Product Price** Collectors must calculate and collect the taxes using the same litre measurement (volume corrected or ambient) the collector used to calculate the product selling price. The type of measurement used must be shown on the invoice.

Collectors must maintain the same method of measurement for tax calculation purposes for each customer consistently for at least one year. A one-time exception is permitted where a customer switches from ambient measure to volume corrected measure dispensing equipment.

Collectors who usually calculate product price based on volume corrected measurement must collect tax calculated on a volume corrected measurement when supplying fuel or gasoline to a reseller who, to the knowledge of the collector, dispenses product using equipment that is capable of volume corrected measurement.

**Customers who Re-sell on an Ambient Temperature Basis** Some customers re-sell fuel and gasoline on an ambient measure basis, but the collector may have calculated the tax collectable from such a customer on a volume corrected basis. In such cases, provided a collector has the required documentation (see below), the collector is authorized to provide a reduction known as an **ambient temperature allowance** from the tax otherwise collectable. The allowance is an amount equal to:

- 0.25% of the tax otherwise calculated at the rates under clause 2(1)(b), FTA, with respect to fuel (at present, the reduction will be 0.25% x 14.3 cents per litre, equal to 0.03575 of a cent per litre).
- 0.35% of the tax otherwise calculated at the rates under clause 2(1)(b), GTA, with respect to gasoline (at present, the reduction will be 0.35% x 14.7 cents per litre, equal to 0.05145 of a cent per litre).

**Documentation Required** The collector must have a written statement (Form FT/GT 706, Volume Corrected Purchases and Ambient Measurement Sales Certificate) from the customer. In the statement the customer must certify that (i) the customer consistently bills the resale of the product using only the ambient temperature basis, and (ii) the customer will immediately notify the collector and the Ministry of Revenue upon a change to volume corrected measurement in any part of its business.

The collector must not have received notice that the customer has started to use volume corrected measurement in any aspect of its business (subject to Special Cases described on [page 5](#)).

Invoices and Returns must Show Allowances, if any	The <b>ambient temperature allowance</b> , when granted, must be shown on the invoice provided by the collector.
Allowances Granted may be Deducted from Remittance	The total of the allowances given shall be shown in the collector's return for the relevant period. For gasoline tax, the allowances should be claimed on line 13, form GT 66. For fuel tax, the allowances should be shown on line 36, form FT 812, or where form FT 820 is used, line 22. If other adjustments are also claimed on these lines, please attach a schedule to identify the amounts and types of adjustments.
Who is Eligible?	<p>The collector is authorized to reduce the amount of tax to be remitted to the Minister with that return, by the amount of the allowances granted by the collector.</p> <p><b>Eligible retailer and Eligible Wholesaler</b></p> <p>Retailers and wholesalers who, in addition to meeting the other requirements mentioned, comply with the following rules, are considered “eligible” to obtain the ambient temperature allowance or refund:</p> <p><b>An eligible retailer</b> is a person who, throughout the period for which a refund of, or a deduction from tax is claimed,</p> <ol style="list-style-type: none"> <li>1. was a retailer, as defined in the applicable Act(s);</li> <li>2. complied with legislation requiring licensing with respect to the handling of fuel or gasoline;</li> <li>3. sold and dispensed to members of the general public with whom the person deals at arm’s length, at least 70% of the fuel sold and dispensed by the person in the period for which an ambient temperature allowance or refund is claimed. The same rule applies in the determination of an eligible retailer of gasoline.</li> </ol> <p><b>An eligible wholesaler</b> is a person who, throughout the period for which a refund of, or a deduction from tax is claimed,</p> <ol style="list-style-type: none"> <li>1. was a wholesaler, as defined in the applicable Act(s);</li> <li>2. complied with legislation requiring licensing with respect to the handling of fuel or gasoline, as applicable, sold by the person;</li> <li>3. sold and dispensed fuel or gasoline (other than propane), as applicable, to retailers.</li> </ol>
Regulations Amended	The above rules were codified in section 13 of Regulation 464 under the <i>Fuel Tax Act</i> as amended by O. Reg 556/99, and in section 9 of Regulation 534 under the <i>Gasoline Tax Act</i> as amended by O. Reg 557/99, both effective December 1, 1996.
Consumers Ineligible	As is apparent from the rules, consumers are not eligible for the ambient temperature allowance or refund. Consumers are subject to tax based on the number of litres the consumer purchased or received.

How to Obtain  
a Refund

### Wholesalers other than Designated Collectors

The requirements for designated collectors, stated on pages 2 and 3, also apply to **eligible wholesalers**, except for the rules regarding returns and remittances which do not apply to those wholesalers who are not also designated collectors.

Wholesalers must apply directly to the Ministry for a refund of tax where, as a result of having provided the 0.25% or 0.35% allowance to customers that dispense fuel or gasoline only on an ambient temperature basis, the tax which the wholesalers paid their supplier exceeds the tax they have recovered from such customers. Such refund applications may be filed as often as monthly. Refund claim forms may be obtained by calling or faxing the numbers set out at the end of this bulletin and requesting form FT 370W for fuel, or GT 270W for gasoline,

#### **Wholesaler's Ambient Allowance Application for Refund.**

Certain  
Wholesalers  
may apply to  
their Supplier  
for the  
Allowance

Where an eligible wholesaler has been invoiced for supply of product on a volume corrected basis and the wholesaler consistently bills the resale of the product using only the ambient temperature basis, the wholesaler may apply to the supplier for the ambient temperature allowance.

Can the  
Allowance be  
Obtained to  
Through the  
Supplier?

### Retailers

Retailers must calculate Ontario fuel and gasoline taxes on the same basis of volume measurement the retailer used to calculate product selling price. Where an **eligible retailer** has been invoiced on a volume corrected basis for supply of product and the retailer consistently dispenses the product customers using only the ambient temperature basis, the retailer may apply to the supplier for the ambient temperature allowance described above of 0.25% for fuel and 0.35% for gasoline.

Certification  
Required on  
Form FT/GT 706

The retailer must complete and provide to the supplier, the original of a Volume Corrected Purchases and Ambient Measurement Sales Certificate FT/GT 706 certifying that (i) the retailer consistently bills the resale of the product using only the ambient temperature basis, and (ii) the retailer will immediately notify the collector/wholesaler and the Ministry upon a change to volume corrected measurement in any part of its business.

Refunds may  
be Obtained  
Directly from  
the Ministry

If a retailer in the circumstances described above does not claim, or does not receive, an ambient temperature allowance from the supplier, the retailer may submit a refund claim directly to the Ministry (supporting documentation required). Refund claim forms may be obtained by calling or faxing the numbers set out at the end of this bulletin and requesting form GT 275R for gasoline, or FT 375R for fuel, **Retailer's Ambient Sales Application for Refund.**

Retailers may claim the refunds described in the above paragraph, once per year. There will be a yearly reconciliation in which the retailer's total tax payable to suppliers will be matched against the total tax collectable by the retailer from consumers. All refunds paid, allowances granted and any excess tax recovery by the retailer during the year will be factored in. To the extent tax collectable by the retailer exceeds tax payable to suppliers, the retailer will be required to pay over the excess to the Ministry.

### Special Cases of Allowance by Location

There will be some cases where a reseller of petroleum products has some locations which only use ambient temperature measurement and other locations which only use volume corrected measurement.

In these special cases, the reseller may request, and the supplier is authorized to provide, the ambient temperature allowance for product delivered to an ambient measurement location and subsequently dispensed on an ambient measure basis. The supplier's authority to provide the allowance in this type of situation is conditional upon the supplier's ability to accurately identify the quantities delivered to ambient locations.

The supplier must have received a properly completed certificate FT/GT 706 for each location at which product is dispensed on an ambient measurement basis

### Restrictions and Penalties

Ontario Taxes Only	This bulletin applies only to Ontario fuel and gasoline taxes. It has no bearing on federal Excise Tax or GST.
Allowance not Applicable to some Products	The ambient temperature allowance or refund is not applicable to: <ul style="list-style-type: none"> <li>i) aviation fuel,</li> <li>ii) kerosene,</li> <li>iii) propane, or</li> <li>iv) railway fuel, given the uses of these products.</li> </ul>
Refunds and Allowances are Subject to Audit	All refunds, allowances and set-off of allowances granted are subject to later audit. Appropriate records must be kept to support all claims. Refunds, allowances and set-offs which are erroneous or unsupported will be assessed, together with interest, and a penalty may be imposed.
Penalty for false statements	It is a serious offence to make a false statement in information furnished to claim a refund, allowance or set-off of allowances granted. Under the Acts, upon conviction for such an offence, a person is liable to a penalty of up to \$10,000 plus twice the amount of tax evaded, and/or imprisonment for up to two years.
Time Limit	Refunds and the set-off of ambient temperature allowances must be claimed within four years of the date the tax was paid.

### General

Payments made as or on account of tax	All payments made as or on account of tax to a person selling fuel or gasoline are required to be accounted for to the Minister. The following is an example of how this situation might arise: a retailer receives fuel or gasoline from a supplier who invoices the product and the tax based on ambient measurement. The retailer dispenses the product on a volume corrected basis and thus receives payments on account of tax from customers on a volume corrected basis. Generally, the amount of tax collected by the retailer in this situation will exceed the amount of tax the retailer paid to the supplier. The retailer is required to pay over to the Minister, the excess tax collected.
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**Other Refunds by Application** Where, despite the above noted provisions for allowances/refunds, a collector, wholesaler or retailer has remitted to the Minister an amount in excess of the tax collectable and payable by the person, an application for a refund of the excess can be made to the Ministry.

## Additional Information

If this bulletin does not completely address your particular situation, refer to the Act and related regulations, or contact the:

Ministry of Revenue  
Client Accounts and Services Branch  
33 King Street West  
Oshawa, ON L1H 8H9

Tel.: 1 866 ONT-TAXS (1 866 668-8297)  
Fax: 905 436-4511  
Teletypewriter (TTY): 1 800 263-7776

This bulletin and various other English and French tax materials published by the Ministry of Revenue may be obtained online at [ontario.ca/revenue](http://ontario.ca/revenue).

The *Fuel Tax Act* and *Gasoline Tax Act* and Ontario's other public statutes and regulations may be obtained online at [www.e-laws.gov.on.ca](http://www.e-laws.gov.on.ca).

***Ce bulletin est disponible en français.***

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