

## Tax for Fuel Conservation

### About this Guide

The information in this *Guide* explains how the tax for fuel conservation applies to motor vehicles sold, leased or rented in Ontario or imported for use in Ontario. Please note that this Guide replaces the previous version dated June 2001. Revisions to previous content have been identified by a bar (|).

### What is Tax for Fuel Conservation (TFFC)?

TFFC is a flat tax that applies to certain fuel-inefficient vehicles.

### Taxable Vehicles

TFFC applies to new:

- passenger vehicles using 6.0 or more litres
- sport utility vehicles using 8.0 or more litres

of gasoline or diesel fuel per 100 kilometres of highway driving.

### Imported Vehicles

New vehicles purchased outside Ontario and brought into Ontario for personal use are subject to both the applicable TFFC and the 8 per cent RST. These two taxes must be paid at a Driver and Vehicle Licence Issuing Office when the vehicle is first registered in Ontario.

TFFC and RST are not payable if the vehicle is brought into Ontario as settler's effects (see ***RST Guide 202 - Goods Brought Into Ontario***).

### Exempt Vehicles

TFFC does not apply to:

- all-terrain vehicles and motorcycles
- any vehicle shipped by a seller to a point outside Ontario for permanent use outside the province
- any vehicle sold to a non-resident dealer who removes the vehicle from Ontario
- competition cars and reproduction antique cars
- passenger or sport utility vehicles brought into Ontario as settler's effects (see ***RST Guide 202 - Goods Brought Into Ontario***)
- new passenger or sport utility vehicles bought by Status Indians, Indian bands and band councils on a reserve regardless of the address to which these vehicles are registered
- new passenger or sport utility vehicles bought by Status Indians, Indian bands and band councils off-reserve and either registered to a reserve address or delivered to a reserve by the vendor. When vehicles are purchased off-reserve, Status Indians must present their "Certificate of Indian Status" card and the motor vehicle dealer must record the card number on the sales document (see ***RST Guide 808 - Status Indians, Indian Bands and Band Councils***)

### Exempt Vehicles (continued)

- new passenger or sport utility vehicles bought by foreign missions, embassies or foreign representatives and officials, who present an identity card issued by the Department of Foreign Affairs and International Trade Canada (DFAIT) indicating on the back of it that they are not required to pay sales tax (see **RST Guide 803 - Foreign States, Representatives and Officials**)
- trucks, vans, buses, or motor homes or
- used vehicles.

## How TFFC is Calculated

TFFC is calculated as follows:

Highway Fuel Use Ratings (Litres/100 Km.)		Tax on New Passenger Vehicles	Tax on New Sport Utility Vehicles
under	6.0	\$ 0	\$ 0
6.0	to 7.9	\$ 75	\$ 0
8.0	to 8.9	\$ 75	\$ 75
9.0	to 9.4	\$ 250	\$ 200
9.5	to 12.0	\$ 1,200	\$ 400
12.1	to 15.0	\$ 2,400	\$ 800
15.1	to 18.0	\$ 4,400	\$ 1,600
over	18.0	\$ 7,000	\$ 3,200

A list of vehicles by model year, showing the amount of TFFC payable or tax credit for fuel conservation on each vehicle, is available from the Ministry of Revenue's web site at [ontario.ca/revenue](http://ontario.ca/revenue).

TFFC becomes part of the taxable value of new vehicles bought or leased in Ontario, or imported for use in this province, before calculating the 8 per cent RST and the 5 per cent federal Goods and Services Tax (GST). TFFC is paid to the dealer at the time of purchase.

## Tax Credit for Fuel Conservation

A Tax Credit for Fuel Conservation (TCFFC) of up to \$100 is available to purchasers of new passenger cars that use less than 6.0 litres of gasoline or diesel fuel per 100 kilometres of highway driving. The tax credit is also available to those who buy, rent, lease, or import new passenger cars. This tax credit does not apply to sport utility vehicles.

Car dealers should deduct the TCFFC from the 8 per cent RST charged to a customer. If the 8 per cent RST is less than \$100, the tax credit equals the total RST charged.

Purchasers who import qualifying vehicles into Ontario must apply for the TCFFC from the Ministry of Revenue. Refund application forms are available at any Ontario Ministry of Revenue Tax Office or through our website at [ontario.ca/revenue](http://ontario.ca/revenue).

## Leases And Rentals

The TCFFC applies to new passenger cars that are rented or leased.

**Tax Credit for Fuel Conservation**

Effective May 17, 2007, the full amount of the tax credit, up to \$100, should be provided to the lessee at the time the vehicle is acquired. The lessor should provide the tax credit amount to the lessee by deducting it from the RST payable.

**Tax For Fuel Conservation**

The TFFC applies to new passenger vehicles and sport utility vehicles that are rented or leased.

**Short-Term Leases**

For short-term leases or rentals (less than one year), lessors have two options to account for TFFC:

- (a) pay an amount equal to the TFFC when a taxable vehicle is bought; or
- (b) collect and remit a portion of the total amount of TFFC that represents each customer's use of the vehicle during its first 180 days of rental.

For lessors who choose to collect and remit a portion of the TFFC equally (option b), the following daily charges may be used for passenger vehicles:

<u>Tax For Fuel Conservation</u>	<u>Daily Charge</u>
\$ 75	\$ 0.40
\$ 250	\$ 1.30

For TFFC rates above \$250, lessors may pay an amount equal to the TFFC at the time of purchase. The rental industry may arrange for a formula to collect and remit a portion of the \$1,200 to \$7,000 rates on passenger vehicles, subject to approval of the Ministry of Revenue.

For short-term leases of sport utility vehicles, lessors may also pay an amount equal to the TFFC or arrange for a Ministry of Revenue approved formula to collect and remit a portion of the tax from each customer.

After choosing an approved method to account for the TFFC, lessors must use the same method every time.

**Long-Term Leases**

For long-term leases (one year or more), lessors must add the TFFC to the charges of the first customer who leases the vehicle. The TFFC must be collected in full on the date of the first lease payment.

**NOTE:**

Tax-included pricing cannot be used for the 8 per cent RST on either short-term or long-term leases.

**Vehicles Converted to Alternative Fuels**

Purchasers may convert new vehicles to use an alternative fuel such as propane or natural gas. If the purchaser qualifies for a refund of the 8 per cent RST (maximum \$750 for propane and \$2,000 for all other alternative fuels), and the vehicle was converted to run only on an alternative fuel, a full refund of the TFFC may also be obtained.

A refund of TFFC is not available if the new vehicle, when converted, can operate on:

- either an alternative fuel, gasoline or diesel fuel; or
- a mixture of an alternative fuel and gasoline or diesel fuel.

(see *RST Guide 702 - Vehicles Powered by Alternative Fuels*)

## Vendor Responsibilities


Under the *Retail Sales Tax Act*, vendors who sell or rent/lease new vehicles must:


- show the TFFC separately on sales invoices or rental/lease documents
- maintain separate records of the TFFC and 8 per cent RST for audit purposes
- report the TFFC, combined with the 8 per cent RST, on line 2 of their Ontario RST returns and remit the total of these taxes to the Ministry.


Vendors must also account for the TFFC on vehicles taken from inventory for business or personal use by staff, family or others.

Vendors may refund the TFFC paid on new vehicles if the original sale price is fully refunded to the customer on the return of the vehicle. The TFFC is a flat tax that does not change even if the sale price is reduced. For this reason, no adjustment is available if there is only a partial refund of the selling price.

## More Information

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1 866 ONT-TAXS (1 866 668-8297)  
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 Online:  
To obtain the most current version of this publication visit our website at [ontario.ca/revenue](http://ontario.ca/revenue)

 Written Interpretation:  
To obtain a written interpretation on a specific situation not addressed in this publication, please send your request in writing to:

Ministry of Revenue  
Tax Advisory Services Branch  
Retail Sales Tax Section  
33 King Street West, 3rd Floor  
Oshawa ON L1H 8H5

## Disclaimer and References

The information contained in this publication is provided only as a guideline and is not intended to replace the legislation.

Legislative References:

- *Retail Sales Tax Act*, Sections 4 and 4.1

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*Vous pouvez obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297).*

