

# Ministry of Finance

## *Tax Information Notice*



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HST Notice #10

[www.fin.gov.bc.ca/rev.htm](http://www.fin.gov.bc.ca/rev.htm)

## Residential Energy Credit and Rebate Program

### Notice for Consumers

As announced in Budget Update 2009, the government is providing a provincially administered rebate of the British Columbia component of the harmonized sales tax (HST) on residential energy.

Under the HST general transitional rules, HST will generally apply to payments that become due, or are paid without having become due, on or after May 1, 2010, for goods and services delivered or performed on or after July 1, 2010. Therefore, effective May 1, 2010, purchasers of energy products purchased for residential use in a residential dwelling, and on which HST applies, will be eligible for a credit or rebate of the provincial component of the HST under the Residential Energy Credit and Rebate Program.

This notice provides general information on the Residential Energy Credit and Rebate Program for consumers, including homeowners, residential tenants, landlords, condominium corporations, and operators of long-term residential care facilities.

### Qualifying Energy Products

Energy products that qualify for the Residential Energy Credit and Rebate are:

- electricity,
- natural gas,
- propane,
- heating oil (including biodiesel or similar renewable fuel),
- kerosene,
- heat (including transferred energy that results in cooling), and
- steam.

In addition,

- wood when used as a source of energy, and
- pelletized fuel when used as a source of energy

qualify for the rebate only and not the credit provided by suppliers.

## **Residential Use**

Residential use will generally include personal use or consumption at a residence by the owner, tenant or other occupant of the residence. Residential use is not limited to energy used for heating a residence; it also includes energy for lighting, cooking and similar residential uses.

Residential use does not include a business, commercial or industrial use.

## **Residential Dwelling**

A residential dwelling is generally any place an individual resides or ordinarily resides including:

- a house, cottage or other detached dwelling;
- a duplex;
- an apartment, condominium or townhouse;
- an apartment building, or condominium or townhouse complex that is used only for the purpose of single family dwellings;
- an assisted-living residence, as defined in the *Community Care and Assisted Living Act*;
- a long term residential care facility (e.g. a nursing home or rest home);
- any portion of a multi-use building that is used for residential purposes.

A residential dwelling does NOT include:

- any of the above while under original construction;
- a hotel, motel, lodge, resort, or other building or part of a building providing overnight accommodation;
- a hospital or other institutional building;
- a bunk house or camp building for use in connection with a commercial or construction project; or
- those parts of a building used for a non-residential purpose.

## Residential Energy Credit

For most residential consumers, the credit will be provided directly by energy suppliers on their utility bills, similar to the current provincial sales tax (PST) exemption for residential energy.

If you would like to learn more about the Residential Energy Credit or you are an energy supplier, please see **HST Notice #5, Notice to Energy Suppliers – Residential Energy Credit Program for British Columbia Harmonized Sales Tax (HST)**.

**Please note:** Purchasers have an obligation to advise energy suppliers where they are not eligible for the Residential Energy Credit. If a credit is provided in error, the energy supplier may adjust the account of the purchaser accordingly or may commence legal proceedings against the purchaser to recover the credit paid in error.

## Residential Energy Rebate

Consumers, who purchase

- energy products for both residential and non-residential use that are not separately metered, or not delivered to a separate storage tank or facility;
- energy products that are not delivered by the energy supplier to the residence;
- wood or pelletized fuel to be used as a source of residential energy in a residential dwelling;
- energy products on which they are entitled to claim an input tax credit (ITC) under Part IX [*Goods and Services Tax*] of the *Excise Tax Act* (Canada); or
- energy products on which they are eligible to receive a rebate under section 259 of Part IX of the *Excise Tax Act* (Canada)<sup>1</sup>

are not eligible to receive the credit directly from an energy supplier, but may apply to the ministry for a rebate.

Persons NOT eligible for the Residential Energy Credit from Energy Suppliers, or for the Residential Energy Rebate, include the following:

- diplomats, members of the consular corps and members of visiting forces<sup>2</sup>; and

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<sup>1</sup> Purchasers that are public service bodies may be eligible to receive a rebate under section 259 of the *Excise Tax Act* (Canada). Public service bodies include municipalities and other eligible local government entities, eligible school authorities, universities, public colleges, and hospital authorities, and eligible registered charities and qualifying non-profit organizations. Additional information about the public service body rebates is available on the Canada Revenue Agency's website at [www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rbts/psb/menu-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rbts/psb/menu-eng.html)

<sup>2</sup>For additional information on rebates of HST for diplomats, members of the consular corps and members of visiting forces, contact the Canada Revenue Agency at 1 800 959-5525.

- British Columbia government entities (i.e. ministries, agencies, boards, commissions and Crown corporations)<sup>3</sup>, including
  - the British Columbia Housing Management Commission (BC Housing),
  - the Provincial Rental Housing Corporation, and
  - the Public Guardian and Trustee.

The above persons are entitled to claim a rebate from the Canada Revenue Agency for any HST paid.

## Rebate Amount

Purchasers of an energy product are entitled to a rebate upon application to the ministry if:

- the energy product was purchased in whole or in part for residential use in a residential dwelling;
- HST was paid in respect of the energy product; and
- no energy credit in respect of the energy product has been provided to the purchaser.

The rebate will be equal to the provincial component of the HST paid on the eligible consideration that is attributable only to the residential use of the energy product in a residential dwelling.

The amount of the rebate is determined by the following formula.

$$\text{Rebate Amount} = \text{eligible consideration} \times 7\% \text{ (BC portion of the HST)}$$

**Eligible consideration** is the amount payable for the purchase of an energy product for residential use in a residential dwelling, including the carbon tax payable on the energy product. Eligible consideration does not include the amount payable for the following charges:

- Service charges, including charges relating to
  - connection or disconnection of a service or equipment,
  - installations, inspection, testing, maintenance or repairs,
  - relocation or upgrades of a service or equipment,
  - analysis of the use of an energy product;
- Administrative charges, including charges relating to
  - activation or cancellation of an account,
  - late payments,

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<sup>3</sup>For additional information on rebates of HST for British Columbia government entities, see **HST Notice #6**, *HST Notice for Suppliers of Taxable Property and Services to the BC Government*.

- interest,
- returned or dishonoured payments,
- method of payment,
- account adjustments,
- account information,
- franchise fees;
- Equipment-related charges, including charges relating to equipment leased by the purchaser;
- The power levy established under section 28 of the *South Coast British Columbia Transportation Authority Act* (electricity only in the South Coast Transportation Service Region).

The rebate will **not** include the provincial component of the HST for which:

- the purchaser may claim an ITC under Part IX [*Goods and Services Tax*] of the *Excise Tax Act* (Canada), or
- the purchaser may be paid a rebate under section 259 of the *Excise Tax Act* (Canada).

A rebate will not be provided where an energy product is used for an unlawful activity.

## Claiming the Rebate

Consumers must submit a separate energy rebate application form for each residential dwelling where qualifying energy products were used for a residential purpose. To claim a rebate, complete the *Consumer Energy Rebate Application* form (**FIN 322**). This application form, which can be filled in online, printed and mailed to the ministry, is available from our website at [www.sbr.gov.bc.ca/individuals/Consumer\\_Taxes/Residential\\_Energy/residential\\_energy.htm](http://www.sbr.gov.bc.ca/individuals/Consumer_Taxes/Residential_Energy/residential_energy.htm)

A consumer can submit, for each residential dwelling where qualifying energy products were used:

- one application per calendar year, OR
- a maximum of three applications per calendar year where each application is for a rebate of at least \$100 of the provincial component of the HST paid on eligible consideration.

An application must be received by the ministry within two years from the date on which the HST was paid.

The amount of the rebate claimed per application must be at least \$10.

## Mixed Use Properties

Mixed use properties are properties used for a residential use and another use, for example, a farm or a home-based business. Where there is NOT a separate storage tank or facility or separate meter solely for the residential portion of the property, the purchaser must attribute the energy use between residential use and other use on the rebate application, as the rebate can only be provided for the provincial component of the HST paid on the eligible consideration attributable to the residential use.

The attribution must be fair and reasonable in the circumstances. The chosen method must be used consistently throughout a fiscal year or until it is no longer reasonable in the circumstances. If the purchaser claims an ITC, the attribution must be consistent with the attribution used to claim the ITC.

If the director determines that the attribution between residential and other use is not fair and reasonable in the circumstances, then the director may determine the amount of the energy product used for residential use in a residential dwelling.

## Adjustments

The adjustment rule applies when the consideration payable on a purchase of an energy product to an energy supplier is reduced (for example, there is a rate reduction for the energy product).

The purchaser entitled to claim the rebate must include information and records related to the adjustment when submitting the reduced claim for a rebate. If a purchaser has received the rebate and then there is a reduction in the consideration, the purchaser must repay that portion of the rebate to the government by the 23<sup>rd</sup> day after the last day of the month following the month in which the adjustment was made.

### For example:

The total consideration payable is \$100 and the eligible consideration is \$80 (after subtracting the service charges, administrative charges, and equipment-related charges).

If there is a reduction in the service charges, then there is no reduction in the rebate claim.

If there is a 10% reduction in the eligible consideration payable, then there is a 10% reduction in the rebate claim. If the adjustment was made, for example, in August, the purchaser must repay that portion of the rebate to the government by September 23<sup>rd</sup>.

## Change in Use

A purchaser who received an energy credit from an energy supplier or an energy rebate from the director, and subsequently uses ANY portion of that energy product or permits any portion of the energy product for a use that is not a residential use in a residential dwelling, the purchaser must repay that portion of the rebate to the government by the 23<sup>rd</sup> day after the last day of the month following the month in which the energy was used for a non-residential use.

### For example:

If an energy product was used for non-residential use in August, the purchaser must repay that portion of the credit or rebate to the government by September 23<sup>rd</sup>.

## Penalties

Consumers may be subject to the following penalties:

- a 10% penalty if a purchaser failed to pay to the government an amount as required (i.e. a repayment due to an adjustment or change in use),
- a 10% penalty if the director is satisfied that the purchaser obtained an energy credit from a supplier or a rebate to which the purchaser was not entitled,
- a 25% penalty if the director is satisfied that the purchaser obtained an energy credit from a supplier or a rebate by wilfully making a false or deceptive statement or by wilful default or fraud.

## Appeals

A residential consumer may appeal:

- if a claim for a rebate is denied in whole or in part,
- an assessment,
- a penalty.

The appeal mechanism will be similar to that under the consumption tax Acts (see **Bulletin GEN 003**, *Appeals of Tax Assessments, Disallowed Refunds, or Other Determinations*).

## **Further Information**

General information about the introduction of the HST in British Columbia can be found at [www.gov.bc.ca/hst](http://www.gov.bc.ca/hst)

For information on the application of the HST, please visit the Canada Revenue Agency website at [www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/trnstnl/prsnl/menu-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/gnrl/txbl/trnstnl/prsnl/menu-eng.html)

For questions about the HST general transitional rules, or if you wish to make a technical enquiry on the GST/HST by telephone, please contact the Canada Revenue Agency at 1 800 959-5525.