

Taxing Energy Use 2018

Canada

This note describes the taxation of energy use in Canada. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Canada:

Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

1. Energy tax profiles for Canada

Figure 1. Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

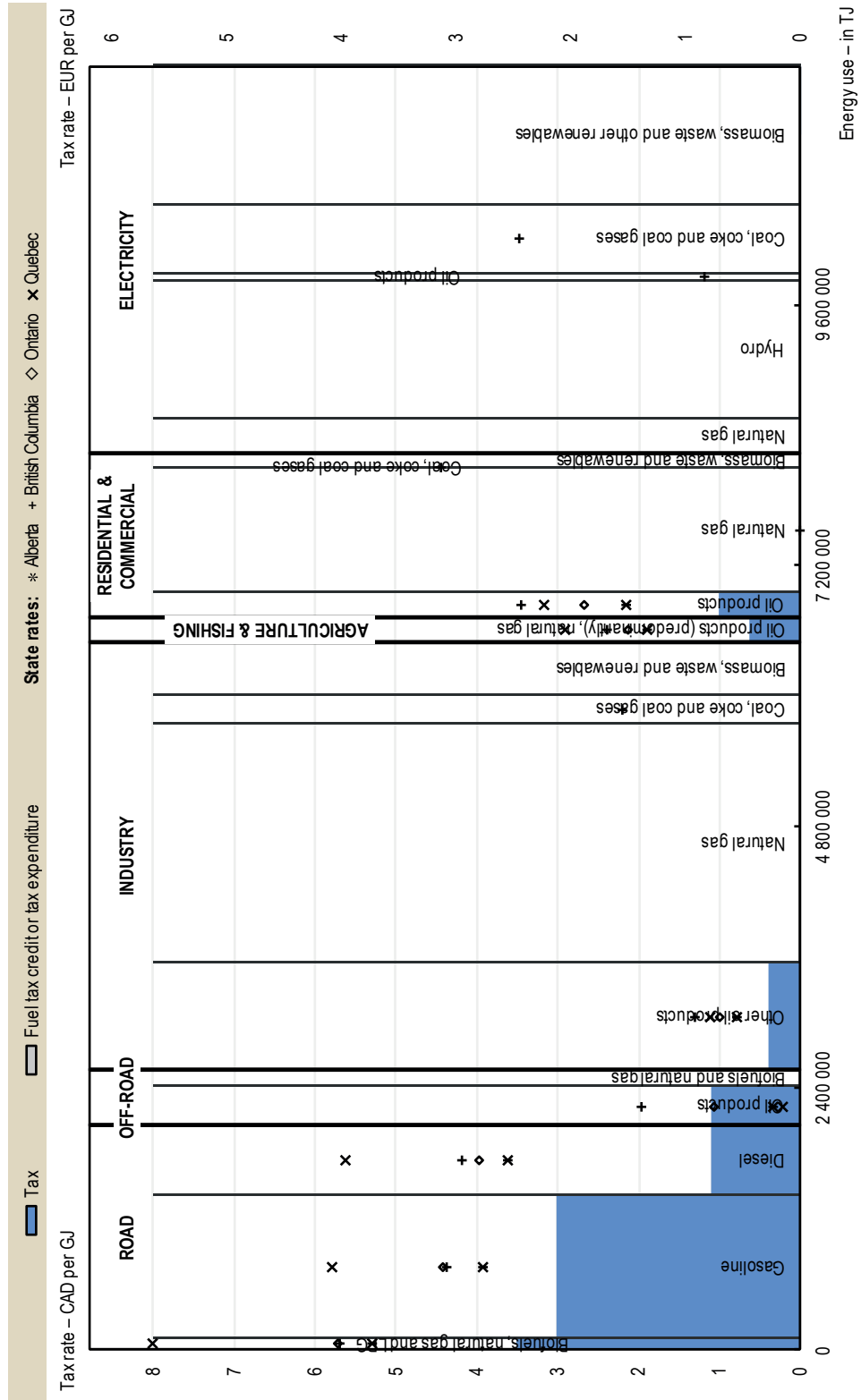


Figure 2. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and carbon emissions from biomass

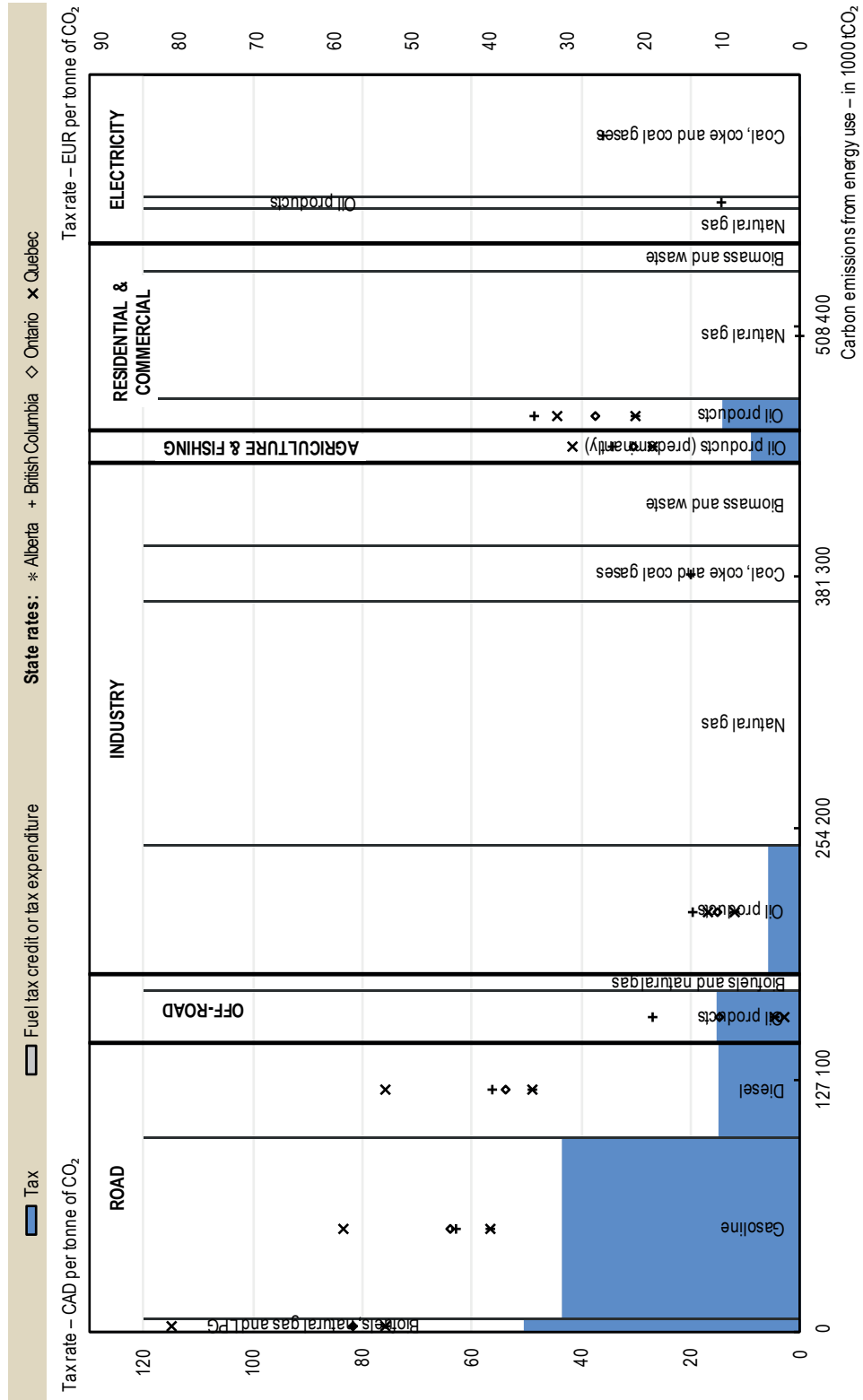


Figure 3. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

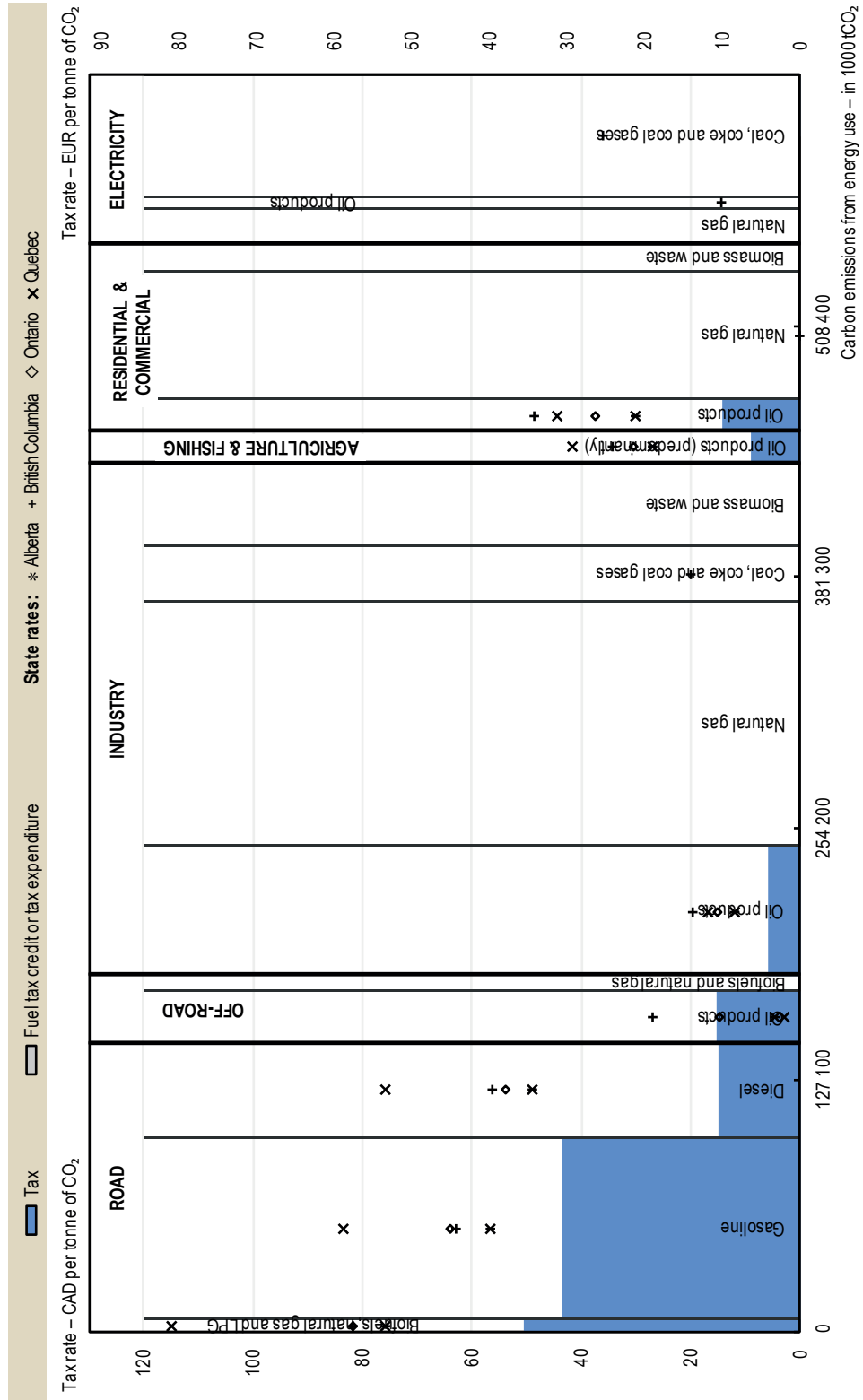
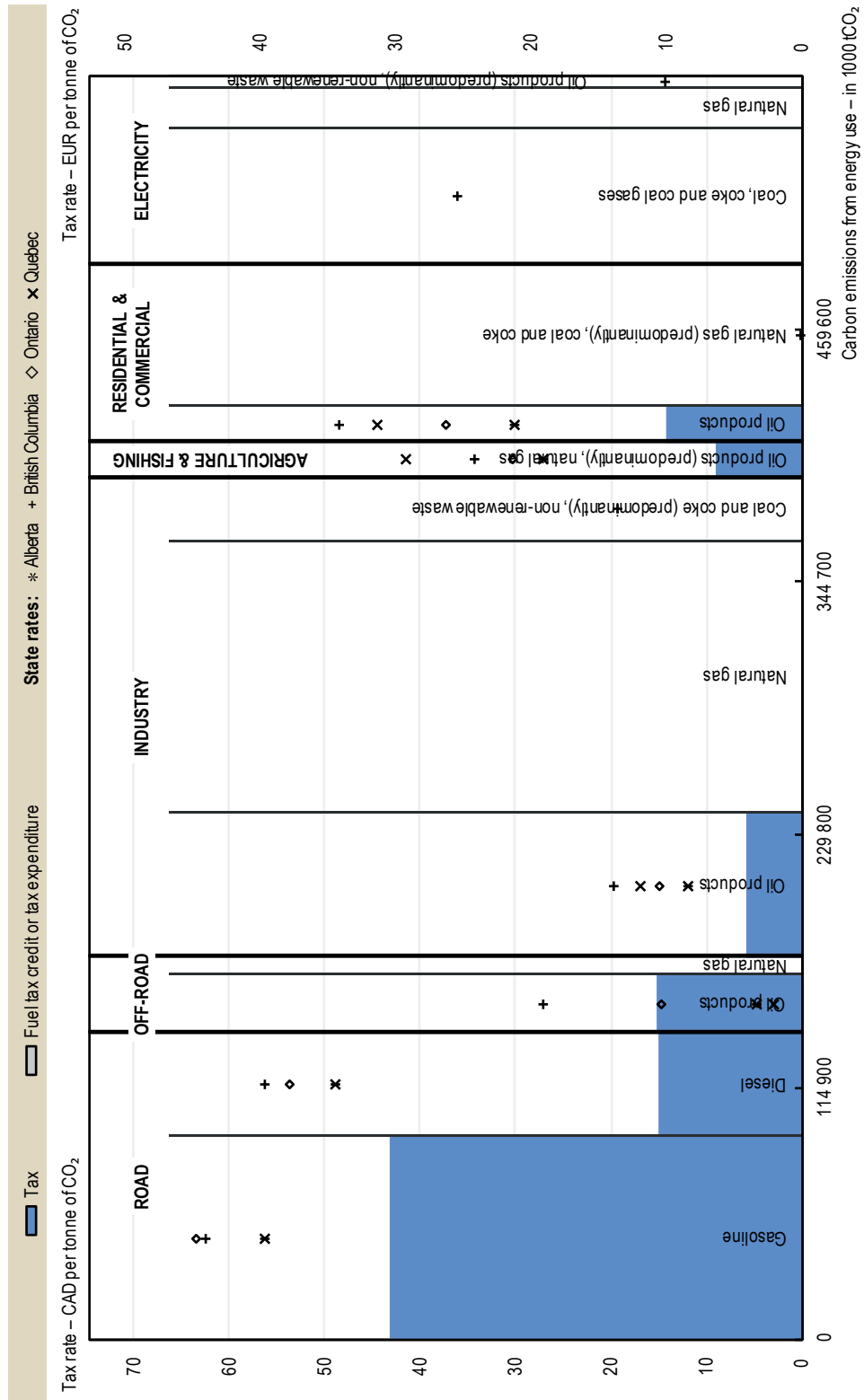


Figure 4. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass



2. Country-specific notes

This note describes the taxation of energy use in Canada. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Emissions trading systems¹ (ETS) are not shown in the energy tax profiles.

Energy and carbon taxes

In Canada, at the federal level, an excise tax applies to gasoline and diesel, with no distinction made by sector. These federal rates are included in the energy tax profiles of Canada, and they translate into effective tax rates on energy use and carbon emissions from energy use, as described below.

Since provinces impose their own specific taxes on energy use, federal taxes represent only a portion of total energy taxes in Canada. In most instances, the provincial taxes on energy use are higher than the excise tax levied at national level.

To illustrate the important role of the taxation of energy use at provincial level, provincial tax rates of the four most populous provinces (Alberta, British Columbia, Ontario and Quebec) are marked in the energy tax profiles. Since the *Taxing Energy Use* database only includes federal rates, these rates do not enter the effective tax rates calculated for Canada at the federal level. A brief overview of the structure of these subnational taxes is given in the text below.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to Canada's energy use² to calculate effective tax rates on energy use (in EUR/TJ and CAD/TJ) or CO₂ emissions from energy use (in EUR/tCO₂ and CAD/tCO₂). Energy use and the CO₂ emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Canadian energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, biofuels are taxed at the highest effective tax rate, gasoline is taxed at a lower effective rate in

1. The OECD's [Effective Carbon Rates](#) contains information on emissions trading systems.

2. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

terms of TJ and in terms of CO₂. Diesel is taxed at a lower statutory and effective rate than gasoline. Natural gas and LPG are untaxed. Biofuels are taxed at the same rates as their fossil fuel equivalents;

- Oil products used as rail, marine and aviation fuels used in **off-road** transport are taxed, natural gas use in this sector is untaxed;
- Of fuels used in the **industry, agriculture and fishing** and **residential and commercial** sectors, only diesel is taxed, including when used for energy transformation;
- **Electricity** output and fuels to generate electricity are untaxed at federal level.

The Canadian energy tax profiles include marks for the provincial tax rates in Alberta, British Columbia, Ontario and Quebec. The tax structure in these provinces is as follows:

- In Alberta, British Columbia, Ontario and Quebec, all fuels used in the transport sector are taxed, with the exception of aviation fuels in Quebec, marine fuels in Ontario and Quebec, rail fuels in British Columbia, and LPG use in British Columbia and Ontario. In addition to the excise tax, a CO₂ tax applies to fuels used for transport in British Columbia.
- Among the four selected provinces, only British Columbia and Quebec tax fuel use outside of the transport sector. In British Columbia, the CO₂ tax applies to oil products, natural gas and coal and coke used for heating and process. Kerosene used outside of transport is taxed in Quebec.
- In British Columbia, fossil fuels used to generate electricity are taxed, but fuels used to generate electricity are untaxed in the other provinces covered here. Specific taxes on electricity output are levied in Alberta, British Columbia and Ontario.

Reported tax expenditures and rebates

Canada does not report any tax expenditures with respect to the taxes on energy use at the federal level.

A number of provinces report tax expenditures with respect to energy taxes; these are not included in the *Taxing Energy Use* data.

Sources

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

In addition to the sources included in the *Taxing Energy Use 2018* (OECD, 2018), and consultation with national delegates, the following country-specific sources were used:

Fuel Focus, 2015 Annual Review (2015), www.nrcan.gc.ca/energy/fuel-prices/gasoline-reports/18031.

CURRATE (2008) “Current Rate of Excise Taxes”, www.cra-arc.gc.ca/E/pub/et/currate/currate-e.html.

Tax and Revenue Administration of Alberta (2017) “Current and Historic Alberta Tax Rates”, www.finance.alberta.ca/publications/tax_rebates/rates/hist1.html.

Ministry of Finance of British Columbia (2016) “Tax Rates on Fuels”, <http://www2.gov.bc.ca/assets/gov/taxes/sales-taxes/publications/mft-ct-005-tax-rates-fuels.pdf>.

Ministry of Finance of Ontario (2017) “Tax Rates, Interest Rates and Revenues”, www.fin.gov.on.ca/en/rates/index.html.

Revenu Quebec (2017) “Table of Fuel Tax Rates in Québec, by Region, in force as of April 1, 2015”, [www.revenuquebec.ca/documents/en/formulaires/ca/ca-1-v\(2017-06\).pdf](http://www.revenuquebec.ca/documents/en/formulaires/ca/ca-1-v(2017-06).pdf).