

As long as the arbitrage of fuels from the United States is allowed to take place, farmers will have some leverage to force distributors to price competitively. When you live in the southern Prairies, you can see the effect of that (Bill Duke, President, Western Canadian Wheat Growers Association, Issue 10:9, 4-3-87).

FARM FUELS

A. Fuel Rebates

About half a dozen farm organizations commented on the subject of farm fuels at the hearings. Canadian farmers are dependent on petroleum products, especially diesel fuel and gasoline which make up about 65% of their total farm energy expenditures. Some concerns were expressed about taxes on farm fuels but the majority of the witnesses commended the federal government's actions to rebate federal taxes on farm fuels to farmers and they supported maintenance of the rebate program.

Since the mid-1970s farmers have been eligible for a rebate on the federal excise tax on gasoline and as of 1984, the federal government has made an effort to rebate most or all of the taxes which are applied against farm fuels.

The rebates, in effect until January 1, 1988, now allow farmers a 9 cents a litre rebate of the federal sales and excise taxes on purchases of gasoline and 7.5 cents a litre on diesel fuel for off-highway use in commercial activities. From May 1986 to December 1987, the period of the most recent increase, it is estimated that the federal fuel rebate program will provide \$180 million in benefits to farmers.

The rebates virtually offset all taxes on gasoline while the present rebate of the federal sales tax on diesel fuel is slightly higher than the federal tax as shown in Table 6.1. This situation can change for, although the excise tax and the two tax rebates are at a fixed rate, the sales tax is adjusted quarterly based on gasoline and diesel price indices. The Table provides a snapshot in time of prices paid across Canada by farmers for regular gasoline and diesel fuel in comparison to provincial retail prices.

All provinces have retail sales tax on gasoline and petroleum products including Alberta and Saskatchewan who are now in the process of reintroducing them.

Tax rates vary by province; most provinces apply *ad valorem* taxes while others use a fixed rate. Alberta and Saskatchewan have provincial rebate programs while other provinces have tax exemptions for farmers. Manitoba and British Columbia are the only provinces which have taxes higher than farm exemptions. In the case of Manitoba, this affects only diesel fuel. Taxes in B.C. are higher than exemptions for both gasoline and diesel fuel, so farmers must support the difference.