

The general rule in tax treatment of farm inputs is that taxable items clearly classified as production inputs are exempted from federal and provincial sales taxes and import duties. Items whose potential use is unclear are subject to sales tax. Thus hydraulic oil is included whereas engine oil is excluded.

Fuel rebates are consistent with this philosophy. As the United Grain Growers expressed it: "Once a farmer has achieved peak operating efficiency, his operations (sic) for reducing fuel taxes are nil. Fuel taxes therefore represent an uncontrollable input cost that cannot be shouldered during these tough economic times" (Issue 16:9, 26-3-87).

TABLE 6.1
PRICES PAID BY FARMERS FOR GASOLINE AND DIESEL FUEL,
BY PROVINCE, MAY 1987

	B.C.	Alb.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	Nfld.	Average
(all figures in cents per litre)											
Regular Gasoline											
Retail price excluding taxes	32.06	28.65	30.9	28.75	27.2	30.05	29.05	30.35	32.94	33.4	30.34
Taxes											
Federal sales tax	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	
Federal excise tax	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	
Provincial tax	9.09	—	—	8.9	8.3	14.4	7.7	8.9	8.8	9.8	
Retail price including taxes	50.2	37.7	39.95	46.7	44.55	53.5	45.8	48.3	50.79	52.25	46.97
Exemptions and rebates											
Federal sales tax	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	
Federal excise tax ^(a)	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	
Provincial rebate	6.61	14.0 ^(c)	2.0 ^(c)	8.9	8.3	14.4	7.7	8.9	8.8	9.8	
Net Farm Price ^(b)	34.59	14.7	28.95	28.8	27.25	30.1	29.1	30.4	32.99	33.45	29.03
Diesel Fuel											
Retail price excluding taxes	29.43	30.56	32.1	29.71	30.0	31.5	36.7	34.0	38.96	39.66	33.26
Taxes											
Federal sales tax	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	
Federal excise tax	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
Provincial tax	7.53	—	—	9.9	9.9	12.45	8.3	9.3	10.7	12.1	
Retail price with taxes	43.9	37.5	39.04	46.55	46.84	50.89	51.94	50.24	56.6	58.7	48.22
Exemptions and Rebates											
Federal sales tax	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	
Federal excise tax	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
Provincial rebate	5.05	14.0	2.0	7.5	9.9	12.45	8.3	9.3	10.7	12.1	
Net Farm Price ^(b)	31.35	16.0	29.54	31.55	29.44	30.94	36.14	33.44	38.4	39.1	31.59

^(a) Including the long-standing refund of the special 1.5 cents/litre tax on gasoline, which is allowed to all commercial users.

^(b) The price paid by farmers is calculated by subtracting exemptions and tax rebates from the retail price including taxes.

^(c) Alberta and Saskatchewan have provincial rebate programs. All other provinces have tax exemptions only.

Source: Energy, Mines and Resources, Oil Pricing and Market Analysis Division, by phone.