

Why revise the Fuel Tax Act and Regulations?



There have been many changes made to the Alberta *Fuel Tax Act* since it was first proclaimed in 1987. Numerous amendments since 1988 have made the legislation a patchwork document that has become a bit of a challenge to interpret and administer. As a result, the Alberta government has developed a new act in consultation with industry.

The key benefit of the legislation to Tax and Revenue Administration (TRA) clients is the multi-stage direct tax approach that will enhance the efficiency of tax collection for industry, consumers and government. In addition, collector agreements will no longer be required.

Bill 35, the Fuel Tax Act, is just one example of the many ways that Alberta Finance, Tax and Revenue Administration, tries to simplify filing and remittance processes, in the end making it easier for our clients to comply with tax requirements.

Jane Clerk, Assistant Deputy Minister – Tax and Revenue Administration

Bill 35, Fuel Tax Act – the Highlights

Bill 35, a new *Fuel Tax Act* to replace the existing, outdated legislation was introduced and passed in the spring session of the Legislature. The new Act will modernize the administration of fuel taxes and provide flexibility when changes in industry practices occur, by allowing process details to be provided in the regulations. The taxation framework of the new act identifies who pays the tax, the rates, how the tax is calculated and when it is to be paid. Assessment, collection and enforcement provisions are also outlined.

Bill 35 does not change the fuels taxed or the tax rates. The only policy change is the addition of commercial tour boat operations to the list of those eligible for rebates under the Tax Exempt Fuel Users (TEFU) program.

The multi-stage process design will mean that every level in the fuel distribution chain will pay the tax, but recover it from the next level in the chain. The highest level in the supply distribution chain will collect the tax and remit it directly to TRA.

Administrative details such as registration, reporting and record keeping will be provided in the Fuel Tax Regulations. The regulations, forms and process changes will be in place and ready for implementation before the Act is proclaimed in force.

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Scenic photos from <http://www.srd.gov.ab.ca/regions/southwest/c5/pho.html> and <http://www.srd.gov.ab.ca/regions/southwest/bighorn/pho.html>

Disclaimer: *This newsletter is intended to keep our clients informed about corporate and commodity tax-related matters. Tax Notes does not replace the legislation or regulations.*

Legislative Updates:

Unclaimed property bill introduced

Bill 41, the *Unclaimed Personal Property and Vested Property Act*, was introduced into the Legislature this past spring. The proposed legislation will establish an Alberta repository for unclaimed property, making it easier for owners to locate property through a single searchable database. It will also establish clear rights, obligations and procedures for managing vested property in Alberta. Vested property is property that becomes owned by the Alberta Crown when a legal owner no longer exists. This could happen, for example, when a corporation dissolves or when an individual dies with no heirs.

It is anticipated the legislation will be reintroduced during the Legislature's next spring sitting. In the meantime, Albertans have the opportunity to provide input that will be incorporated into the new Bill.

A copy of Bill 41 can be obtained from the [Legislative Assembly website](#). You are encouraged to provide comments regarding the bill to one of the following contacts before October 31, 2006:

Corinne Carlson
Tax Services, Alberta Finance
2 East, 9811 – 109 Street
Edmonton, AB T5K 2L5
corinne.carlson@gov.ab.ca

or

Carol Patrick
Tax Policy, Alberta Finance
Room 564, 9515 – 107 Street
Edmonton, AB T5K 2C3
carol.patrick@gov.ab.ca

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Corporate Tax Act Amendment passed

Bill 34, the Alberta Corporate Tax Amendment Act, 2006, was passed by the Legislature this spring. The Act lowers the corporate tax rate from 11.5 per cent to 10 per cent, effective April 1, 2006. It sets a time limit to submit a waiver request to 10 years from the end of a taxation year and allows tax or refunds of less than \$20 to be written off. A number of the changes also respond to federal amendments.

IFTA News

TRA is always exploring ways to make compliance easier for our clients. For example, International Fuel Tax Agreement (IFTA) renewals will be available earlier this year. The target date is mid-October for the annual mail out. Notifications went out in June, with the quarterly returns. Agents will also be notified by fax.

In addition, TRA staff will be monitoring renewal requests and processing those with large volumes of decals on a priority basis. If your business is applying for renewals with many decals and you do not have outstanding returns or remittances,

your request will be prioritized. When we receive renewal requests where either money is owing or returns have not been filed, it is our practice to telephone and remind the business that the renewal will not be processed until the matter is satisfactorily resolved.

Currently, TRA is exploring the feasibility of piloting a debit/credit card system for IFTA renewals, assessing the cost/benefits and designing processes and procedures. We'll be surveying a sample of truck operators, asking whether they would use this option.

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UNDERSTANDING THE PROCESS:

Tax Memos

Tobacco manufacturers and major tobacco suppliers prepare the tobacco tax memos and submit them to Tax and Revenue Administration (TRA) by the 7th day of each month. TRA then faxes the tax memos to the tobacco tax collectors by the 12th day after a period end. The memos include transactions for Alberta-marked and non-Alberta-marked tobacco delivered to Alberta and assist collectors to prepare monthly returns due by the 28th of that month. Generally, returns are well prepared using the tax memos.

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Sellers of Marked Fuel - Beware

A recent Court of Queen's Bench decision has implications for those who sell marked fuel to Tax Exempt Fuel User (TEFU) certificate holders. The case centred on the sale of marked fuel to a purchaser whose TEFU certificate had expired.

TRA had sent a letter to all sellers of marked fuel, including the seller in this case, advising that all TEFU certificates would expire on a specific date. The seller, however, failed to verify a purchaser's TEFU number or certification. Since the seller had been notified that TEFU numbers would expire on the given date, the Court agreed that the seller ought not to have accepted the number.

TRA's position continues to be that the seller of marked fuel has the responsibility to both obtain the TEFU certificate number from the purchaser and confirm that it is still valid at the time of sale.

TRA issues TEFU certificates by letter, providing the following:

- the TEFU certificate number,
- the date the certificate expires, and
- two wallet-sized panels showing the TEFU fuel tax exemption number.

The certificate holder can cut each of the wallet-sized panels out and present one to the seller of marked fuel to confirm eligibility to purchase marked fuel. If a seller of marked fuel fails to confirm eligibility, the seller will be liable for the tax on the marked fuel sold to consumers without a valid TEFU certificate.

Marked fuel sellers are reminded to inform all their employees selling marked fuel about correspondence from TRA concerning expiry of TEFU certificates.

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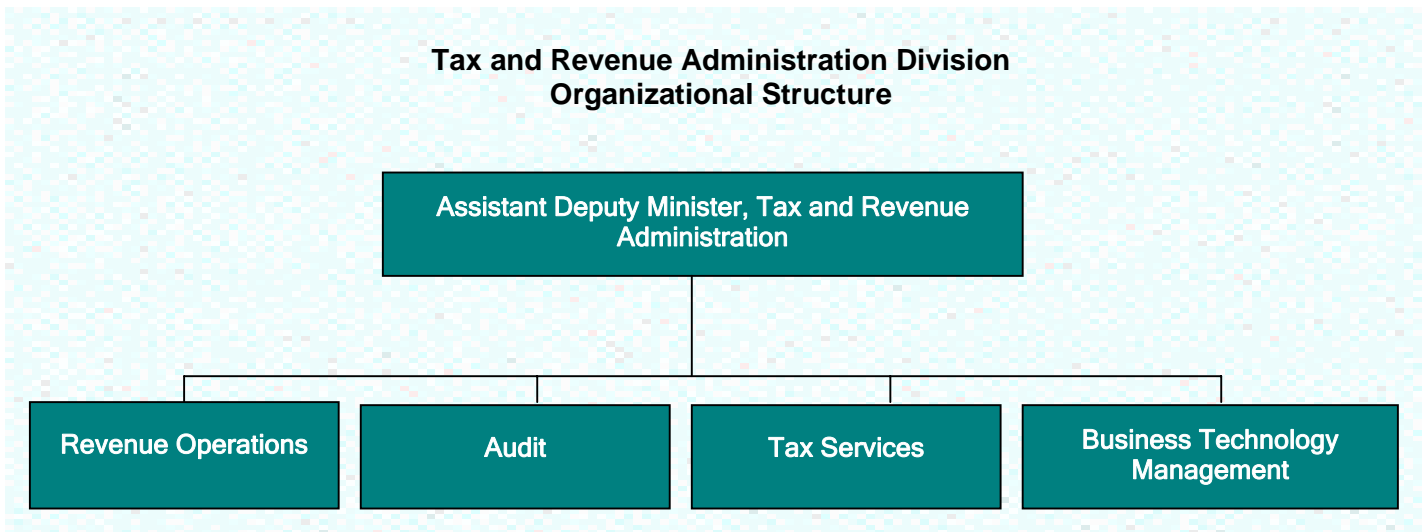
To Contact TRA...

Please direct all questions about *Tax Notes* content to Information Services by [e-mail](#) or by telephoning (780) 427-3044 in the Edmonton area or Alberta toll-free at 310-0000, then enter (780) 427-3044.

TAX AND REVENUE ADMINISTRATION – *The Organization*

Tax and Revenue Administration (TRA) administers Alberta Finance's tax and related programs, and contributes to the development of tax policy within the province. The focus is fair, competitive, simple and efficient provincial tax and revenue systems.

TRA has four branches: Revenue Operations, Audit, Tax Services, and Business Technology Management.



Revenue Operations registers corporations, individuals and trusts under the *Alberta Corporate Income Tax, Tourism Levy, Fuel and Tobacco Tax* acts for the various programs it administers. Branch staff maintains client accounts, processes tax payments, provides refunds, validates and processes tax returns and rebate claims, and initiates filing and collection activities for all TRA's clients.

Audit performs desk and field audits of corporate and commodity taxpayers' books and records to ensure compliance with provincial tax legislation. If tax or tax credit errors are noted, the necessary remedial action including reassessment is taken. The branch also partners with Government of Alberta ministries and other provincial/federal tax administrations on initiatives to develop policies, improve compliance and implement educational strategies for the efficient administration of tax and revenue programs.

Tax Services provides information and responses to general enquiries, technical opinions and ruling services to TRA's clients and staff, and administers dispute resolution mechanisms for TRA actions. Tax Services also provides input and support to the Tax Policy group in Finance to develop tax policies and legislation and provides central services for the federal GST to other Alberta ministries and agencies. As part of its client relations function, Tax Services coordinates client group meetings to discuss common issues. To support and promote compliance, Tax Services produces and maintains a variety of hardcopy and online publications. These are designed to assist internal and external clients to understand tax legislation and requirements in Alberta.

Business Technology Management provides planning, development and operation of business systems and quality improvement services to TRA. BTM leads management of TRA's product development and marketing (e.g., electronic commerce, forms, etc.), change management and management reporting functions.

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DOING IT RIGHT, THE FIRST TIME: *Payment Options*

TRA offers several ways to make corporate or commodity tax payments easier for you. Remember to make tax remittances payable to the Minister of Finance and to attach a Remittance Advice.

Payments can be

- **mailed, delivered by courier, or hand-delivered** to TRA. If you are using this payment method, make sure there is enough time for Tax and Revenue Administration to receive the payment on, or before, its due date. The effective date of receipt of a mailed or delivered remittance is the date it is actually received by TRA. If hand-delivering, take the remittance to the Edmonton or Calgary TRA office between the hours of 8:15 a.m. and 4:30 p.m., Monday to Friday, except government holidays.
- made at most **financial institutions** in Canada, if accompanied by an original Remittance Advice. Please note

that financial institutions require original forms with magnetic encoding. If you require blank Remittance Advice forms, contact [TRA Information Services](#). The effective date of receipt of this form of payment is the business day stamped on the Remittance Advice by the financial institution. For more information about this option, contact your bank or other financial institution.

- made by **wire transfer**. The effective date of receipt is the business date the funds are received by TRA's bank. For more information on this option, contact TRA Information Services.
- remitted through the **internet payment** services provided by major financial institutions in Canada. The effective date of receipt is the date TRA's account is credited. The earliest possible effective date is the next business day. For more details about this option, contact your financial institution or call TRA Information Services.

Whatever method you select to remit your taxes, please ensure that your remittance is payable to the Minister of Finance and includes clear instructions as to which account and taxation year(s) the funds should be applied.

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RECENT PUBLICATION UPDATES

| Publication | Revised |
|--|-----------|
| AT1 Guide | June 2006 |
| MV-1R3, Hospitals Act, Health Cost Recovery – Automobile Accidents | July 2006 |
| Alberta Indian Tax Exemption series of Information Circulars | June 2006 |
| Special Notice Vol. 7 No.3: Tourism Levy Late Filing Penalties, Filing and Payment Options | June 2006 |

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