



Information Bulletin

FT-6

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THE FUEL TAX ACT, 2000

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INFORMATION FOR FUEL TAX REMITTERS, IMPORTERS, EXPORTERS AND DEALERS

This bulletin has been prepared to assist you in understanding your obligations under *The Fuel Tax Act, 2000* and regulations. It is a general guide and not a substitution for the legislation.

In this bulletin, the term “farm gasoline” refers to all gasoline sold by bulk fuel dealers (including cardlock and keylock operators) to Fuel Tax Exemption Permit holders for use in their farming or commercial fishing, trapping or logging operations.

The contents of this bulletin are presented under the following sections:

- A. Farm Gasoline
- B. Exempt Sales Reporting
- C. Licences
- D. Other Important Information

A. FARM GASOLINE

Bulk fuel dealers (including cardlock and keylock operators) may sell 80% of the gasoline purchased by a farmer, commercial fisher, trapper or logger tax free if the person holds a valid Fuel Tax Exemption Permit. The fuel cannot be dispensed directly into a fuel tank connected to a motor vehicle. Cardlock and keylock operators must display a sticker available from Saskatchewan Finance that will be clearly visible to fuel purchasers advising them that it is not permissible to dispense farm gasoline directly into the tanks of motor vehicles.

For invoicing bulk fuel purchases, the bulk dealer may show the amount of tax collected as 3¢ per litre on all gasoline sold to a permit holder for use in his or her eligible farming or commercial fishing, trapping or logging operation.

B. EXEMPT SALES REPORTING

Saskatchewan has implemented a new system for reporting tax exempt sales of fuel and farm gasoline. The Automated Up Front Exemption System (AUFES) takes advantage of current electronic communication technology to monitor exempt gasoline and marked diesel fuel purchases made by permit holders. The data received through AUFES is used to calculate credits and pay refunds in a timely manner to fuel dealers for sales of exempt gasoline.

1. Electronic Daily Reporting

Licensed remitters provide much of the data electronically through their corporate sales systems for bulk fuel locations that have a reporting relationship (i.e. agents) with the remitter. Independent fuel dealers should contact Saskatchewan Finance to discuss the daily reporting requirement. Daily reporting on paper forms may be necessary if the dealer does not have an electronic connection. However, more time will be required to process refunds for fuel dealers who submit information in paper format. If fuel dealers report on paper, we encourage the use of a fax machine to facilitate quicker refunds.

2. Providing Feedback to Dealers

Based on historical fuel consumption data, the normal annual fuel usage for the calendar year will be determined for each Fuel Tax Exemption Permit holder. A ceiling for each permit holder will be established based on their normal usage and compared with actual fuel usage throughout the year to ensure that the amount of exempt gasoline purchased by the permit holder is reasonable.

If the purchaser exceeds their ceiling for the calendar year, without a valid reason, the fuel dealer may be instructed (by electronic data communications or by fax) to discontinue selling farm gasoline to the permit holder. The permit holder will then have to pay tax on the fuel at the time of purchase and may apply for an annual refund. Saskatchewan Finance may also instruct dealers to discontinue the sale of marked diesel fuel if abuse of the permit is evident.

Saskatchewan Finance may contact the Fuel Tax Exemption Permit holder if it appears that they will be exceeding their normal fuel usage before the end of the calendar year. If the permit holder provides information to satisfy Saskatchewan Finance that they require additional farm gasoline for their farming or primary production activities, then the ceiling may be adjusted.

3. Refunds to Fuel Dealers

The bulk fuel dealer's gasoline inventories remain tax paid. Therefore, tax credits (through licensed remitters) or tax refunds are available for exempt sales of gasoline. For tax refunds on gasoline, AUFES is used to determine the exempt sales for refund purposes. Refund payments can be made by direct deposit to the fuel dealer's bank account. Alternatively, remitters may deduct the tax from their remittances. The amount of tax that can be deducted is the amount reported on Saskatchewan Finance's summary of processed and approved exempt sales. Where possible, we encourage bulk fuel dealers to obtain tax credits from licensed remitters.

C. LICENCES

The following information provides an overview of the licences required under *The Fuel Tax Act, 2000*:

1. Licensed Fuel Tax Remitters

Those who:

- (a) blend fuel with ethanol;
- (b) manufacture fuel; or
- (c) store fuel at a terminal;

must obtain a Fuel Tax Remitter's Licence and collect tax on the sale or distribution of taxable fuel to vendors or consumers.

A terminal includes a fuel storage facility connected directly to a pipeline or refinery and handles, on average, over 10 million litres of fuel monthly.

Tax exempt fuel sales and farm gasoline sales to consumers must be reported daily under AUFES, or where specific systems limitations exist that prevent daily reporting, in a frequency or manner agreed to by Saskatchewan Finance. Tax exempt sales not required to be reported under AUFES, such as the sale of marked diesel fuel for resale purposes, must be reported as return backup. Information required for these sales includes the name and address of the purchaser, the date of each sale, the quantity of marked diesel fuel sold and the invoice number.

Fuel Tax Remitters must remit tax payments semi-monthly. (See: Other Important Information - Payment of Tax.)

2. Licence to Mark Diesel Fuel

A person who marks diesel fuel in Saskatchewan for tax-exempt purposes must have a licence issued under *The Fuel Tax Act, 2000*. Licensed markers are eligible to obtain a tax credit or apply for a refund of tax for clear diesel fuel that they mark.

Tax exempt fuel sales and farm gasoline sales made directly to consumers must be reported daily through AUFES. A report listing marked diesel fuel for the purposes of resale or distribution to another storage facility (e.g. terminal to bulk plant) must be submitted to Saskatchewan Finance by the 20th of each month. The report must include the location where the fuel was marked, the delivery location, the delivery date, the quantity in litres, and in the case of a sale, the name and address of the purchaser and the invoice number.

3. Importer's Licence

An importer's licence is available to any person who imports taxable fuel into Saskatchewan on a regular basis. This licence permits the importation of fuel without reporting and paying the tax at the time of importation.

Licensed importers must file a monthly return and file a report by the 20th of the month to account for tax on fuel imported into Saskatchewan during the previous month. (Semi-monthly remittance of tax is required. See: Other Important Information - Payment of Tax.)

Saskatchewan Finance requires licensed importers to report sales of marked diesel fuel and exempt gasoline to consumers daily through AUFES. Marked diesel fuel sold for the purpose of resale must be reported monthly as backup to the licensed importer's tax return. Information should include the name and address of the purchaser, the date of each sale, the quantity of marked diesel fuel sold and the invoice number.

Information Bulletin FT-7 provides more information on the importation of fuel.

4. Exporter's Licence

Persons other than fuel tax remitters who export taxable fuel from Saskatchewan must obtain an exporter's licence for the purpose of purchasing tax-free fuel for exportation. Fuel tax remitters may not sell fuel tax free for export unless the purchaser has a valid exporter's licence.

A licensee must report monthly details of all exports on forms provided by Saskatchewan Finance or electronically in an approved format. Copies of the bills of lading must be attached to the monthly report. Licensed exporters, other than a licensed remitter, must also attach a shipping document obtained from the supplier that shows the declared destination of the fuel (if this information is not shown on the bill of lading). For shipments of fuel to the United States, a copy of the certified U.S. Custom's Entry Summary must be attached.

Information Bulletin FT-9 provides more information on the exportation of fuel from Saskatchewan.

5. Registered Bulk Fuel Dealers and Cardlock/Keylock Operators

Bulk fuel dealers and cardlock/keylock operators who sell exempt marked diesel fuel, exempt propane or farm gasoline to purchasers, must register with Saskatchewan Finance. Tax-exempt sales of fuel and farm gasoline made to consumers from bulk fuel/cardlock locations must be reported through the AUFES.

6. Licensed Propane Distributors

Information Bulletin FT-8 provides details for Propane Suppliers and Dealers.

7. Security for Licence

Saskatchewan Finance may require security in the form of a bond or guaranteed letter of credit for any of the above licences. Any non-licensed person, such as independent bulk fuel dealers who purchase and sell marked diesel fuel tax free, may also be required to provide security.

D. OTHER IMPORTANT INFORMATION

1. Payment of Tax

Licensed remitters and licensed importers must remit to Saskatchewan Finance, by the last day of every month, an amount equal to the lesser of:

1. the actual tax payable for the period, beginning on the first day of the month and ending on the 15th day of the month; and
2. the amount equal to one-half of the tax payable for the preceding month.

On the 20th of the month, the actual tax for the preceding month, less the tax paid on the last day of the preceding month, is payable. Late payments are subject to penalty and interest. However, interim payments due on and paid by the last day of the month are not subject to penalty and interest providing the amount is equal to at least 90% of the actual tax determined to be payable for the period or the tax paid is equal to 50% of the tax payable for the preceding month. If the total tax is less than \$10,000 per year, monthly remittances are acceptable.

2. Allowances

A licensed marker is eligible for an allowance in the amount of 30 cents per 1,000 litres of diesel fuel marked.

A licensed remitter or importer may claim an allowance for losses of an unverifiable nature and for handling costs. The amount of the allowance for a licensed importer is 0.25% of the tax on tax paid fuel imported into Saskatchewan for delivery to fuel vendors. Effective April 1, 2005, the allowance for a licensed remitter is 0.35% of the tax on tax paid gasoline and aviation fuel sales and 0.25% of the tax on tax paid diesel fuel sales.

Unverifiable losses include shrinkage and expansion resulting from temperature fluctuations, condensation or other environmental, mechanical or handling causes. Fuel imported directly to a consumer is not eligible for the allowance.

The licensed remitter or importer must pass on that portion of the allowance to their fuel dealers, where the dealer incurs the loss.

3. Dye

Licensed remitters and licensed markers are responsible for obtaining their own dye based on the standard that has been approved by Saskatchewan Finance for marking diesel fuel.

The dye must be applied so that the resulting proportion of dye to diesel fuel is 14 parts per million, plus or minus one part per million. The dye must be applied by a metered mechanical injector system approved by Saskatchewan Finance. The injector must be properly maintained. Injectors located at other than a refinery or terminal must be secured with seals provided by Saskatchewan Finance. A Dye Point Injector Service Report must be filed with Saskatchewan Finance within two days of the breaking of any seal.

FOR FURTHER INFORMATION

Write: Saskatchewan Finance
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S4P 4A6

Telephone: Toll Free 1-800-667-6102
extension 7687 or 7688

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E-mail: sask.tax.info@finance.gov.sk.ca

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Information bulletins and publications are available on the Internet at:
www.gov.sk.ca/finance