



Information Bulletin

FT-1

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THE FUEL TAX ACT, 2000

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FUEL TAX - GENERAL INFORMATION

This bulletin outlines the fuel tax rates, exemptions and rebates under *The Fuel Tax Act, 2000* and describes the general requirements for reporting and accounting for fuel taxes on the purchase, importation, exportation and sale of taxable fuel in Saskatchewan. It is a general guide and not a substitute 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.

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A. FUEL TAX RATES

The tax rates by type of fuel are as follows:

<u>Type of Fuel</u>	<u>Tax Rate Per Litre</u>
Gasoline	15¢
Diesel Fuel	15¢
Gasohol	15¢
Railway Diesel Locomotive Fuel	15¢
Aviation Gas	1.5¢
Turbo/Jet Fuel	1.5¢
Propane	9¢

A litre means a litre that has been volume adjusted to a temperature of 15 degrees Celsius.

B. EXEMPT FUEL

1. Marked Diesel Fuel May Be Sold To:

- a farmer with a valid Fuel Tax Exemption Permit, for use in his or her unlicensed farm machinery and vehicles registered as "Class F" vehicles. (Farmers must use clear diesel fuel and pay the tax at the time of purchase if the machinery or vehicles are being used for purposes other than their own farming activities.)
- a custom farm operator, with a valid Fuel Tax Exemption Permit, when the fuel is purchased for:
 - i) harvesting, weed and insect chemical applications and fertilizer applications;
 - ii) corral cleaning; or
 - iii) any other farming activity that is normally performed by a farmer in a farming operation.
- a commercial logger, fisher or trapper (i.e. a primary producer of renewable resources), with a valid Fuel Tax Exemption Permit, for use in his or her unlicensed equipment used strictly for an eligible primary producing activity.
- a person who purchases the fuel as heating fuel, if purchased in bulk from a bulk fuel dealer, providing the fuel is intended solely for heating, cooking or lighting purposes and not used in an internal combustion engine.

2. Exempt Gasoline

A farmer or commercial fisher, trapper or logger who has a valid Fuel Tax Exemption Permit may purchase 80% of their gasoline exempt of tax from bulk fuel dealers. The permit holder is responsible for ensuring that exempt gasoline purchased with his or her permit is used in eligible farming or primary producing activities. Farm gasoline must not be sold to custom farm operators. A Fuel Tax Exemption Permit issued to a custom farm operator applies to marked diesel fuel only.

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 operations.

3. Other Exempt Fuels

Compressed natural gas used for any purpose is exempt, but is subject to the Provincial Sales Tax when used in a stationary engine.

Any type of fuel that is not manufactured or designed for use in an internal combustion engine is exempt.

Fuel purchased by federal government departments and agencies, other than Crown corporations, may be purchased tax free with a government credit card. The fuel dealer may make the adjustment for the tax through his or her supplier. Alternatively, federal government departments or agencies may pay the tax and apply for a refund.

Fuel that is acquired on or after April 1, 2005 and that is injected into subsurface formations to enhance the recovery of crude oil in enhanced oil recovery projects approved by the Department of Industry and Resources is exempt.

Information Bulletin FT-6 describes exempt sales reporting requirements of fuel dealers, including electronic reporting under the Automated Up Front Exemption System (AUFES). Information Bulletin FT-4 provides more information on the allowable uses of marked diesel fuel and exempt gasoline.

C. DISPENSING FARM GASOLINE AND MARKED DIESEL FUEL

Farm gasoline sold to farmers, commercial fishers, trappers or loggers must not be dispensed directly into the tank of a motor vehicle from cardlocks or keylocks. Purchasers risk having their Fuel Tax Exemption Permits suspended or cancelled if they dispense farm gasoline directly into a motor vehicle tank from a cardlock or keylock facility.

Unlike farm gasoline, marked diesel fuel may be dispensed directly into the tank of an F-plated motor vehicle. Invoices must always be issued, and a record maintained for all sales of farm gasoline or marked diesel fuel. Documents must show the name and Fuel Tax Exemption Permit number of the customer.

D. FUEL TAX REBATES

Farmers, commercial fishers, trappers and loggers with Fuel Tax Exemption Permits may purchase 80% of their gasoline from bulk fuel dealers tax free. (For information on Fuel Tax Exemption Permit holder's farm gasoline purchase ceilings, please refer to Information Bulletin FT-6.) However, they are required to pay the tax on their retail (service station) purchases of gasoline and propane.

A commercial user who stores fuel in a single fuel tank and uses the fuel for both taxable and exempt uses, must pay the tax at the time of purchase. The person may apply for a refund of tax paid on that portion of fuel that was used for exempt heating purposes. The user must install an inline flow meter between the fuel tank and the heating device to measure, in litres, the volume of fuel used for heating. The meter must be registered and approved by Saskatchewan Finance before use.

Tax paid on fuel used as an ingredient in a manufactured product is eligible for a refund.

E. AVIATION FUEL TAX REFUND FOR INTERNATIONAL FLIGHTS

Effective March 24, 2005, commercial aircraft carriers may apply for a full refund of the tax paid on aviation fuel purchased for international flights.

Eligible international flights include those where:

- a) the flight originates in Canada and has a destination point outside Canada, and no passengers or cargo are offloaded in Canada after the flight leaves Saskatchewan;
- or,

- b) the flight originates outside Canada and has a destination or stopover point in Saskatchewan where passengers or cargo are offloaded, if none of the passengers or cargo offloaded in Saskatchewan were loaded onto the aircraft in Canada.

Tax paid by a federal government department or agency, other than a Crown corporation, is eligible for a refund.

F. GASOLINE COMPETITION ASSISTANCE PROGRAM

The Gasoline Competition Assistance Program provides assistance to fuel dealers on taxable gasoline and propane sales in certain locations along the Alberta border and in Flin Flon, Creighton and Denare Beach. Information Bulletin FT-2 provides more details on this program.

G. LICENSED REMITTER, IMPORTER AND MARKER ALLOWANCE

A licensed marker is eligible for an allowance in the amount of 30 cents per 1,000 litres of fuel marked in accordance with the requirements of the legislation. All persons who mark diesel fuel must become licensed.

An allowance for losses of an unverifiable nature and for handling costs may be paid to:

1. a licensed importer in an amount not exceeding 0.25% of the tax on tax paid fuel imported into Saskatchewan for delivery to fuel vendors; and effective March 24, 2005,
2. a licensed remitter in an amount not exceeding 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.

Licensed remitters or importers must pass on that portion of the allowance to fuel dealers that represents a fair distribution of the allowance, considering the losses that are incurred by the fuel dealer.

H. IMPORTING TAXABLE FUEL

Information Bulletin FT-7 provides details of reporting and tax payment requirements for importing fuel into Saskatchewan. Fuel importers who bring fuel into Saskatchewan on an occasional basis must report the details of the pending importation before the fuel enters the province and pay a deposit equal to the amount of the tax. Saskatchewan Finance will issue a permit as evidence that the importation was reported. To report pending fuel imports, please call 1-800-667-6102 (ext 7683) or (306) 787-7683.

If the importer routinely brings fuel into the province, the person may apply to become licensed as an importer.

Persons, who import clear fuel in bulk for their own use must also report the importation and pay a deposit equal to the tax, in advance of importing the fuel. No tax refund or credit is available for fuel imported and then subsequently removed by a consumer.

I. EXPORTING TAXABLE FUEL

Fuel vendors who export fuel from the province must apply for an exporter's licence or pay the tax and apply for a refund. They may apply for a refund of the tax previously paid upon providing satisfactory proof that the fuel was exported. The Automated Up Front Exemption System (AUFES) may also be used to apply for tax refunds or credits on exported fuel. If this system is used, proof of exportation must be kept on file at the vendor's business location.

Consumers who export fuel for their own consumption are not eligible for a tax credit or refund.

J. DIESEL FUEL COLOURING

There are various options for marking diesel fuel, including installing dye injection equipment at the refinery level or at the bulk plants. For more information on fuel marking (colouring) and obtaining a licence to mark fuel, please refer to Information Bulletin FT-3.

K. REPORTING EXEMPT SALES

All exempt fuel sales and farm gasoline sales in Saskatchewan must be reported through Saskatchewan Finance's Automated Up Front Exemption System (AUFES). For more information on this, please refer to Information Bulletin FT-6 or call 1-800-667-6102 (ext 7687), or 306-787-7687.

FOR FURTHER INFORMATION

Write: Saskatchewan Finance
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Regina, Saskatchewan
S4P 4A6

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

Regina 306-787-7687

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