



# Information Bulletin

FT-3

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## THE FUEL TAX ACT, 2000

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### INFORMATION FOR OIL COMPANIES AND BULK FUEL DEALERS REGARDING MARKED DIESEL FUEL AND FARM GASOLINE

This bulletin addresses issues related to marking, selling and reporting marked diesel fuel, as well as selling and reporting farm gasoline. 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.

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

- A. Marked Diesel Fuel
- B. Sales of Marked Diesel Fuel
- C. Sales of Farm Gasoline
- D. Exempt Sales Reporting

#### **A. MARKED DIESEL FUEL**

Marked diesel fuel is diesel fuel that is coloured with a red dye in the proportion of 14 parts of dye to one million parts of diesel fuel. Marked diesel fuel also includes diesel fuel that is imported from another jurisdiction that has been marked in accordance with the taxation requirements of that jurisdiction. All individuals wishing to mark diesel must be licenced to do so. The dye used to mark diesel is supplied by the licensed marker but must meet certain specifications and be approved by Saskatchewan Finance. Licensed markers are eligible to receive an allowance in the amount of 30 cents per 1,000 litres of diesel fuel marked in accordance with the requirements of the legislation.

The dye must be applied by a metered mechanical injector system approved by Saskatchewan Finance. These systems must be properly maintained to ensure that they are working properly and that the security and integrity of the dye and the injector mechanism is not compromised. Specifically, steps must be taken to ensure that:

- the dye and injector unit are securely enclosed allowing access to authorized persons only;
- the system is dyeing diesel fuel in the correct proportion;

- the controls are functioning properly such that the pump will not function if dye is not being injected;
- Saskatchewan Finance seals are in place at all times; and
- a “Dye Point Injector Service Report” is filed with Saskatchewan Finance within two days of breaking any seal for any reason.

If marked diesel fuel and clear fuel are accidentally blended in your inventory, you must immediately report the incident to Saskatchewan Finance by calling 306-787-7688. The accident will be investigated and you will be advised of further requirements and the tax consequences

## **B. SALES OF MARKED DIESEL FUEL**

Marked diesel fuel may be sold tax exempt to valid Fuel Tax Exemption Permit holders and for heating fuel purposes provided the following conditions are met:

- An invoice must be completed for all sales of marked diesel fuel and retained for audit purposes. All invoices must show the customer’s name and address. The permit number must either be on the sales invoice or kept on file. **Invoices stating that the marked diesel fuel was sold as a “cash sale” (without the customer’s name and address) are not permitted.**
- Access to marked diesel fuel in a keylock or cardlock facility must be restricted to valid Fuel Tax Exemption Permit holders or to heating fuel customers who pick up fuel from that location on a regular basis.
- Keylock or cardlock pumps used to dispense marked diesel fuel must be clearly marked with the following warning: (Signs are available from Saskatchewan Finance)
 

“This pump dispenses diesel fuel which has been marked pursuant to Subsection 20(2) of *The Fuel Tax Act, 2000*. This fuel may only be purchased by farmers and primary producers who hold a valid Fuel Tax Exemption Permit and who use the marked diesel fuel in their farming or eligible logging, fishing or trapping operations”.
- Pumps containing marked diesel fuel, other than keylock or cardlock facilities, must have a separate electrical switch or padlock restricting access to employees only and preventing customers from serving themselves.
- Marked diesel fuel dispensed into the tank of a motor vehicle must be restricted to vehicles registered with an F-class licence plate.
- Periodic inventory readings and purchase invoices for marked diesel fuel must be made readily available for inspection.
- Marked diesel fuel may be sold as heating fuel provided it is intended solely for heating, cooking or lighting purposes. It is not eligible to be used in an internal combustion engine that produces electricity for heating, lighting or cooking. Customers who pick up heating fuel must be prepared to describe their use of the product to a bulk dealer or in the event of an audit by Saskatchewan Finance.

### C. **SALES OF 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. To simplify administration 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 farming or commercial fishing, trapping or logging operation. The fuel cannot be dispensed directly into the fuel tank of the motor vehicle. Cardlock and keylock operators must display a sticker available from the Department of 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. Farm gasoline may not be dispensed through retail service stations or gas bar pumps.

### D. **EXEMPT SALES REPORTING**

Saskatchewan Finance uses an electronic system for reporting and monitoring tax exempt sales of fuel and farm gasoline. The Automated Up Front Exemption System (AUFES) takes advantage of current electronic communication technology to monitor farm 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.

#### **Electronic Daily Reporting**

Licensed collectors will 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 collector. 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.

#### **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 fuel usage and compared with actual fuel usage throughout the year to ensure that the amount of farm gasoline purchased by the permit holder is reasonable.

If the purchaser exceeds his or her 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 the person will be exceeding his or her 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 commercial fishing, trapping or logging operation, then the ceiling may be adjusted.

**Refunds to Fuel Dealers**

The bulk fuel dealer's gasoline inventories will remain tax paid. Therefore, tax credits (through licensed remitters) or tax refunds will be 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, collectors 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 collectors.

**FOR FURTHER INFORMATION**

Write: Saskatchewan Finance  
Revenue Division  
2350 Albert Street  
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

Fax: 306-787-0241

Information bulletins and publications are available on the Internet at:  
[www.gov.sk.ca/finance](http://www.gov.sk.ca/finance)