

# Information Bulletin

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FT-1

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## THE FUEL TAX AND ROAD USE CHARGE ACT

### FUEL TAX – GENERAL INFORMATION

This bulletin outlines the fuel tax rates, exemptions and rebates under *The Fuel Tax and Road Use Charge Act* 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.

*Changes to this bulletin are indicated by a (I) in the left margin.*

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#### A. FUELS AND FUEL TAX RATES

*The Fuel Tax and Road Use Charge Act*, defines a “fuel” as any combustible gas or combustible liquid that may be used to generate power by means of an internal combustion or turbine engine.

**Alternative fuels such as ethanol and biodiesel are included in this definition** and must be reported monthly, as with all taxable and exempt fuels. (For further information on reporting requirements see [Information Bulletin FT-6](#).)

**The tax rates by type of fuel are as follows:**

Type of Fuel	Tax Rate Per Litre*
Gasoline & Gasohol	15¢
Diesel Fuel	15¢
Railway Diesel Locomotive Fuel	15¢
Aviation Gas	1.5¢
Turbo/Jet Fuel	1.5¢
Propane	9¢
Tax Reduced Marked Diesel Fuel	3¢

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

**B. EXEMPT AND TAX REDUCED FUEL**

**1. Marked Diesel Fuel**

A farmer or primary producer with a valid **Fuel Tax Exemption Permit** may purchase tax reduced marked diesel fuel for an allowable use or purpose.

- A farmer may use marked diesel fuel in his or her own farming operations, in unlicensed farm machinery and vehicles registered as "Class F" vehicles. (Farmers must use clear diesel fuel where the machinery or vehicles are being used for purposes other than their own farming activities).
- A custom farm operator, with a valid **Restricted Use (Temporary) Fuel Tax Exemption Permit**, may purchase marked diesel fuel when the fuel is purchased and used in unlicensed farm machinery for:
  - i) the cultivation or tilling of land for crops, animal forage or grazing;
  - ii) the seeding, spraying, irrigating, fertilizing or harvesting of crops and other primary farm products;
  - iii) the loading and unloading of crops for on-farm storage;
  - iv) the raising, breeding, feeding, watering, hauling or segregating of farm animals, poultry, bees and fur bearing animals;
  - v) corral cleaning;
  - vi) the collecting and primary processing of eggs, poultry, milk and honey; and,
  - vii) mobile seed cleaning and mobile grain drying.
- A primary producer of renewable resources (i.e. a commercial logger, fisher or trapper), with a valid **Fuel Tax Exemption Permit**, may purchase tax reduced marked diesel fuel for use in his or her unlicensed equipment, in eligible primary production activities.
- Additional information regarding **Fuel Tax Exemption Permits** is contained in [Information Bulletin FT-4](#).

## 2. Marked Heating Fuel

Diesel fuel sold for heating or fuel oil is tax exempt. It must be marked and identified as heating fuel or fuel oil at the time of sale to be sold exempt from tax.

A valid **Fuel Tax Exemption Permit** is required to pick up heating fuel from bulk dealers or from cardlock/keylock facilities. A valid permit is not required if heating fuel is delivered by a bulk dealer into a tank that is used exclusively for heating fuel storage.

**Heating** means using fuel in a device that contains a burner to produce an open flame, but does not include using fuel:

1. to power an internal combustion engine or turbine engine;
2. as a means of propulsion;
3. for regulating temperature in a trailer or container used for the private or commercial transportation of goods;
4. to produce electricity or to power a compressor or pump; or,
5. for fabrication processes such as cutting or welding.

Additional information on eligible heating uses is contained in [Information Bulletin FT-4](#).

## 3. Other Exempt Fuels

**Propane** is exempt from fuel tax when purchased with a valid **Fuel Tax Exemption Permit** for an allowable use, or when purchased for heating use, unless purchased through equipment used to dispense automotive propane. (For additional information see [Information Bulletin FT-8](#).)

**Natural gas** used for any purpose is exempt from fuel tax, but is subject to the Provincial Sales Tax when consumed in stationary internal combustion engines for the purposes of gathering, processing, storage, transmission and injection. (See [Information Bulletin PST-14](#) for additional information on the application of PST to natural gas).

**Fuel acquired for use as an eligible injectable substance in enhanced oil recovery (EOR) projects** approved by the Ministry of the Economy is exempt. Eligible injectable substance means a substance that is injected into an oil-bearing formation to enhance the recovery of crude oil. Purchasers who paid tax on fuel used in eligible EOR projects may apply for refund.

## C. DISPENSING MARKED DIESEL FUEL

Marked diesel fuel may only be sold to holders of a valid **Fuel Tax Exemption Permit**, and when dispensed into vehicles licensed for on-road use, may only be dispensed directly into vehicles licensed as "Class F." Vehicles registered in classes LV, D, C, A, and other categories are ineligible. Marked diesel fuel cannot be used in these vehicles. **Fuel Tax Exemption Permit** numbers can be validated through SETS ([www.sets.saskatchewan.ca](http://www.sets.saskatchewan.ca)) using the Exempt Fuel Sales Reporting (EFSR) menu option.

Invoices must always be issued and a record maintained for all sales of marked diesel fuel. Documents must show the name and **Fuel Tax Exemption Permit** number of the customer.

All exempt or tax-reduced fuel sales must be reported electronically through SETS using the Exempt Fuel Sales Reporting (EFSR) menu option.

#### D. **FUEL TAX REBATES**

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 the Ministry of Finance before use.

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

Tax paid on **fuel used in unlicensed machinery and equipment in qualified mineral exploration activities** may also be eligible for a rebate.

(Please refer to Information Bulletins [FT-11](#) and [PST-14](#) for additional information).

#### E. **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.

#### F. **LICENSED REMITTER, IMPORTER AND MARKER ALLOWANCES**

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. To apply for a marker licence, please complete and submit a [Fuel Tax Registration Application Form](#). A guaranteed letter of credit or a surety bond may be required as security for the licence.

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 per cent of the tax on tax paid fuel imported into Saskatchewan for delivery to fuel vendors; and,
2. a licensed remitter in an amount not exceeding 0.35 per cent of the tax on tax paid gasoline and aviation fuel sales and 0.25 per cent of the tax on tax paid diesel fuel sales.

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

## G. IMPORTING TAXABLE FUEL

[Information Bulletin FT-7](#) provides details of reporting and tax payment requirements for importing fuel into Saskatchewan. Unlicensed 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.

Finance will issue a permit as evidence that the importation was reported. A *Fuel Importation Permit* can be obtained through SETS by clicking the “Quick Links” in the bottom right corner and choosing “File a casual tax return”.

If the importer routinely brings fuel into the province, the person may apply to become licensed as an importer. (Security is required as a condition of license). To apply for an Importer's Licence, please complete and submit a [Fuel Tax Registration Application Form](#). A guaranteed letter of credit or a surety bond may be required as security for the licence.

Persons who import fuel in bulk (200 litres or more) for their own use must also report the importation, in advance of importing the fuel; and in the case of clear fuel, pay a deposit equal to the tax. No tax refund or credit is available for fuel imported and then subsequently removed by a consumer.

## H. EXPORTING TAXABLE FUEL

Sellers who export fuel products from the province must apply for an exporter's licence or alternatively, must pay the tax and apply for a refund. Licensed exporters may purchase fuel for the purposes of export without paying the tax. Licensed exporters must report monthly, accounting for their acquisitions and dispositions of reportable fuel products on their monthly fuel tax return. To apply for an exporter's licence, please complete and submit [Fuel Tax Registration Application Form](#). A guaranteed letter of credit or a surety bond may be required as security for the licence.

Sellers may apply for a refund (or claim a credit) of the tax previously paid upon providing satisfactory proof that the fuel was exported for resale.

Consumers are not eligible for tax credits or refunds on exported fuel.

Further information on fuel exportation is contained in [Information Bulletin FT-9](#).

## I. DIESEL FUEL COLOURING

A licence is required to mark fuel and marking equipment must be inspected and approved before it can be used. There are various options for marking diesel fuel, including installing dye injection equipment at the refinery level or at the bulk plants. Hand dying fuel is not permitted.

For more information on fuel marking (colouring) and obtaining a licence to mark fuel, please refer to [Information Bulletin FT-3](#).

**J. REPORTING TAX EXEMPT AND TAX REDUCED SALES**

All tax exempt or tax-reduced fuel sales must be reported electronically through SETS using the Exempt Fuel Sales Reporting (EFSR) menu option.

[Information Bulletin FT-6](#) describes exempt sales reporting requirements of fuel dealers, including electronic reporting of all tax exempt or tax-reduced fuel sales through SETS using the EFSR menu option.

[Information Bulletin FT-4](#) provides more information on the allowable uses of marked diesel fuel.

**K. BUYING AND SELLING A BUSINESS**

When buying or selling a business, please see Information Bulletin [PST-77, \*Buying and Selling a Business\*](#). This bulletin outlines the Provincial Sales Tax (PST) obligations of the buyer and seller, including the requirement to obtain a Clearance Certificate for the bulk sale of business assets.

The seller must ensure that they have filed all returns and paid all amounts owing on their tax account(s), and request closure of the account(s) when closing a location or ceasing all operations.

**Before finalizing the purchase of a business, the purchaser should obtain a copy of the Clearance Certificate issued by the Revenue Division from the seller. A Clearance Certificate confirms that all taxes collected, payable or for which the seller has become liable to account, have been paid to Finance in full. Failure to obtain a copy of this Certificate could result in the purchaser being held liable for any outstanding taxes unpaid by the seller.**

**L. SASKATCHEWAN eTAX SERVICES (SETS)**

Finance has made it possible to report and remit tax electronically through a secure, fast, easy and convenient online self-service portal. Several services are currently available to businesses through SETS:

- Register for secure, self-managed access to all your tax accounts.
- Apply for a new tax account.
- Apply, renew and check status of various Fuel Tax related permits.
- Report exempt or tax reduced fuel sales through the EFSR menu option.
- File and pay returns and amend previously filed returns.
- Make payments on account, including post-dated payments.
- View account balance and statement information.
- Authorize employees or accountants to file on your behalf.
- Receive notifications by email when a tax return should be filed. This replaces the paper forms usually sent in the mail.
- Submit a service request to update the mailing address or add a new business location.

- Submit a service request to receive tax information, interpretations or rulings related to your specific business activities.
- View and download up-to-date tax information promptly.
- Subscribe to receive email notifications when new and revised tax publications are available.

**FOR FURTHER INFORMATION**

Write: Ministry of Finance  
Revenue Division  
PO Box 200  
REGINA SK S4P 2Z6

Telephone: Toll Free 1-800-667-6102  
Regina 306-787-6645

Email: [sasktaxinfo@gov.sk.ca](mailto:sasktaxinfo@gov.sk.ca)

Internet: Tax bulletins, forms and information are available at [saskatchewan.ca/business-taxes](http://saskatchewan.ca/business-taxes).

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