
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.

The changes to this bulletin are indicated by a (I) in the left margin.

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

- A. Licences
- B. Tax Reduced & Exempt Sales Reporting
- C. Other Important Information

A. LICENCES

Under *The Fuel Tax Act, 2000* licences are required by those who:

- import fuel on a regular basis;
- blend ethanol or other reportable products with fuel;
- manufacture fuel;
- store fuel at a terminal, or sell fuel from a terminal;
- sell LPG products to vendors or consumers; or
- purchase fuel exempt of tax for exportation.

Licensed fuel recipients recover tax paid on the sale or distribution of taxable fuel by collecting the tax from the person receiving the fuel; typically the consumer.

1. License to Blend, Manufacture or Store Fuel

To become a **Licensed Fuel Tax Remitter**, terminal storage is required. A terminal includes a fuel storage facility connected directly to a pipeline or refinery, handling (on average) over 10 million litres of fuel monthly.

The Ministry of Finance also issues licences to **Alternative Fuel Manufacturers**, for the purpose of reporting on alternative fuel products such as biodiesel and ethanol.

Licence holders must report monthly using a form called the **Generic Fuel Tax Return**, to account for their inventories, acquisitions and dispositions of reportable fuel products.

Licence holders report exempt and tax reduced dispositions monthly on the **Generic Fuel Tax Return**. Credits claimed on the tax return for exempt and tax reduced sales to consumers must be supported by transaction detail; reported to Finance through a system called AUFES (Automated Up Front Exemption System). See Section B for additional information on sales reporting.

In addition to monthly tax reporting, Licensed Fuel Tax Remitters must remit tax payments semi-monthly. (See Section C: Other Important Information - Payment of Tax.)

2. Licence to Mark Diesel Fuel

A person who marks diesel fuel in Saskatchewan 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 and tax reduced fuel sales to consumers must be reported daily through AUFES and periodically reconciled to the deductions or credits taken on monthly fuel tax returns.

A report listing diesel fuel marked for the purposes of resale or distribution to another storage facility (e.g. terminal to bulk plant) must be submitted to 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. Licence to Import

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

Licensed importers must report monthly (file the **Generic Fuel Tax Return**) 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 Section C: Other Important Information - Payment of Tax.)

Finance requires licensed importers to report sales of marked diesel fuel and marked heating fuel to consumers daily through AUFES. Any fuel sold for the purpose of resale must be reported monthly on the licensed importer's tax return with supporting information provided. 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. Licence to Export

Persons other than Fuel Tax remitters who export refined fuel products 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 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 (U.S.), 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 marked diesel fuel, marked heating fuel, and exempt propane to purchasers must register with Finance. Tax-exempt and tax reduced sales of fuel 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

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

B. TAX REDUCED & EXEMPT SALES REPORTING

Finance uses an electronic reporting system called AUFES (Automated Up Front Exemption System) to validate and monitor the tax reduced and tax exempt sales to consumers.

Tax reduced and tax exempt sales must be reported daily under AUFES, or where specific system limitations exist that prevent daily reporting, in a frequency or manner agreed to by Finance.

Details supporting tax reduced and tax exempt sales not reported under AUFES 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 product, the quantity of fuel sold, and the invoice number.

Transaction detail reported successfully under AUFES must be reconciled periodically, to the deductions or credits taken on monthly Fuel Tax returns. Data successfully processed through AUFES is used to support the exempt sales and credits claimed on monthly Fuel Tax returns, and to calculate and to pay refunds.

For additional information on sales to holders of **Fuel Tax Exemption Permits** for farming, commercial logging, trapping, and fishing; and sales of marked heating fuel see Information Bulletin FT-4.

Electronic Reporting

Licensed collectors provide their daily tax reduced and tax exempt sales 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 are required to contact Finance to be set up for daily electronic reporting of their tax reduced and tax exempt sales directly, using a secure internet connection. Reporting on paper forms may be allowed on a temporary basis, where the dealer does not yet have an electronic connection.

Exemption Permits

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. Purchases by permit holders are monitored throughout the year to ensure that the amount of tax exempt fuel purchased is reasonable.

By regularly revising or updating permit holder information and making that information available, Finance will inform dealers to discontinue or restrict sales to permit holders in cases where misuse of an exemption permit is known or suspected.

AUFES provides fuel dealers with electronic information regarding the permits issued and cancelled, as well as regular updates on the current status of **Fuel Tax Exemption Permits**. Fuel dealers can download the permit holder information (file) on a regular basis and are required to use this information to determine the permit holder's eligibility and restrict or discontinue exempt sales to the permit holder as required.

In such cases, Finance will first attempt to contact the **Fuel Tax Exemption Permit** holder about their purchases and their normal fuel usage, and obtain information to verify whether additional fuel is required.

Refunds to Fuel Dealers

Refund payments can be made by direct deposit to the fuel dealer's bank account, or in the case of bulk fuel dealers reporting their exempt sales through a licensed collector, the collector can provide credits to their bulk dealers **based on the sales successfully submitted into AUFES** and claim a credit on their monthly Fuel Tax return.

AUFES produces an electronic summary of processed and approved sales transactions. Collectors can use this summary to determine or reconcile the amounts that can be claimed or deducted on their monthly fuel tax returns.

Where possible, Finance encourages bulk fuel dealers to obtain tax credits from licensed collectors.

C. OTHER IMPORTANT INFORMATION

1. Payment of Tax

Licensed remitters and licensed importers must remit to 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 per cent of the actual tax determined to be payable for the period or the tax paid is equal to 50 per cent 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 per cent of the tax on tax-paid fuel imported into Saskatchewan for delivery to fuel vendors. The allowance for a licensed remitter is 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.

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 & Dye Injectors

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

Licensed markers must contact Finance, provide information regarding the make, model and location of the injector, and have it inspected and approved before using a metered mechanical injector system to mark or dispense fuel.

Injectors must be properly maintained, and must be secured using seals provided by Finance. Licensed markers must file a Dye Point Injector Service Report with Finance within two days of breaking any affixed seal, servicing an injector system, or replenishing a supply of dye. In addition, they must maintain records accounting for all fuel dyed, dye used, and all marked fuel dispensed or sold.

4. Terminal Reporting

- A. When fuel is removed from a terminal storage facility, a bill of lading or other document must be issued that shows:
 - 1) The destination of the fuel;
 - 2) The type of fuel being transported;
 - 3) The quantity of fuel being transported;
 - 4) The name and location of the terminal;
 - 5) The name of the carrier;
 - 6) The name and location of the consignee; and
 - 7) The date that the fuel was removed.

- B. Where a fuel recipient operates a refinery or terminal, and that recipient owns, stores, possesses, or transports fuel:
 - 1) They must file a monthly inventory report that:
 - a) Includes the total inventory owned, possessed or in transit, summarized by:
 - I. Position Holder;
 - II. Refinery or terminal;
 - III. Product type; and
 - b) Separately identifies and reports owned inventory by:
 - I. Refinery or terminal;
 - II. Product type; and
 - 2) They must report owned inventory on its monthly Fuel Tax return, including fuel that is possessed or stored by another fuel recipient.

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

In-Person: Ministry of Finance
Revenue Division
2350 Albert St
REGINA SK S4P 4A6

Fax: 306-787-9644

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