

FT-1

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THE FUEL TAX ACT, 2000

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.

The 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 Act, 2000 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¢

Type of Fuel	Tax Rate Per Litre
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 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.

2. **Marked Heating Fuel**

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

- Heating fuel can only be purchased without an exemption permit when delivered by a bulk dealer into a tank that is used exclusively for heating fuel storage.
- A valid **Heating Fuel Permit** is required to pick up heating fuel from bulk dealers or from cardlock/keylock facilities.

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.

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

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.

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. 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. 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. (Security is required as a condition of license.)

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 must report monthly, accounting for their acquisitions and dispositions of reportable fuel products on their monthly fuel tax return.

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 fuel sales and tax reduced fuel sales must be reported through Revenue Division's Automated Up Front Exemption System (AUFES). Sales reported through AUFES must periodically be reconciled to amounts claimed or deducted on monthly fuel tax returns.

[Information Bulletin FT-6](#) describes exempt sales reporting requirements of fuel dealers, including electronic reporting under AUFES.

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

For more information please refer to these Information Bulletins, or contact Finance at the numbers shown below.

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

Fax: 306-787-0241

Internet: Tax bulletins, forms and information are available at www.sets.saskatchewan.ca/taxinfo.

To receive automatic email notifications when this or any other bulletin is revised, go to www.sets.saskatchewan.ca/subscribe.

Government website: Saskatchewan.ca.