

FT-3

Issued: March 2001

Revised: March 22, 2017

THE FUEL TAX ACT, 2000

Was this bulletin useful?

[Click here to complete our short](#)

READER SURVEY

INFORMATION FOR OIL COMPANIES AND BULK FUEL DEALERS REGARDING MARKED DIESEL FUEL AND MARKED HEATING FUEL

This bulletin addresses issues related to marking, selling and reporting marked diesel fuel, and marked heating fuel. 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.

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

- A. Marked Diesel Fuel
- B. Sales of Marked Diesel Fuel
- C. Sales of Marked Heating Fuel
- D. Reporting Exempt and Tax Reduced Sales

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 licensed to do so. The dye used to mark diesel is supplied by the licensed marker but must meet certain specifications and be approved by the Ministry of 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 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;
- Finance seals are in place at all times; and
- a "Dye Point Injector Service Report" is filed with 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) 787-7683. 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 reduced to valid ***Fuel Tax Exemption Permit*** holders provided the following conditions are met:

- For all sales of marked diesel fuel an invoice must be completed 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.
- Keylock or cardlock pumps used to dispense marked diesel fuel must be clearly marked with the following warning: (Signs are available from 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.

C. SALES OF MARKED HEATING FUEL

Marked diesel fuel sold for an allowable heating use must be identified as heating fuel or fuel oil at the time of sale, **and** must be:

- (a) Delivered into a tank used exclusively for the storage of fuel used for heating; or
- (b) Sold to the holder of a valid ***Fuel Tax Exemption Permit*** or a restricted exemption permit for heating fuel only.

For all sales of marked heating fuel, an invoice must be completed and retained for audit purposes. Invoices must show the customer's name and address. Invoices stating that the heating fuel was sold as a "cash sale" (without the customer's name and address) are not permitted.

Where heating fuel is picked up rather than delivered a valid permit number must either be on the sales invoice or kept on file.

Access to marked heating fuel at a keylock or cardlock facility must be restricted to valid permit holders only.

Marked diesel fuel sold as heating fuel or fuel oil may not be dispensed directly into the tank of a motor vehicle.

D. REPORTING EXEMPT AND TAX REDUCED SALES

Finance uses an electronic reporting system called AUFES (Automated Up Front Exemption System) to verify and monitor tax exempt sales and tax reduced fuel sales, including dyed diesel fuel and dyed heating fuel reported by licensed remitters, independent bulk dealers, importers and exporters (i.e. purchases made by permit holders).

AUFES takes advantage of electronic communication technology. Data received through AUFES is used to support the exempt sales and credits being claimed on monthly fuel tax returns, and to calculate and pay refunds in a timely manner to independent fuel dealers.

Electronic Reporting

Licensed collectors provide their daily 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 exempt sales 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.

Providing Feedback to Dealers

Purchases by permit holders are monitored throughout the year to ensure that the amount of tax exempt fuel purchased is reasonable. Based on historical fuel consumption data, the normal annual fuel usage for the calendar year is determined for each **Fuel Tax Exemption Permit** holder.

Finance regularly updates permit holder information and makes that information available to dealers, who can download the permit holder information (file) on a regular basis.

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 are expected to use this information to determine the permit holder's eligibility and restrict or discontinue exempt sales to the permit holder as required where misuse of an exemption permit is known or suspected.

Finance will also 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 sales through a licensed collector, the collector can provide credits to their bulk dealers based on the exempt and tax reduced sales successfully submitted into AUFES and claim a credit on their monthly fuel tax return.

AUFES produces an electronic summary of processed and approved exempt sales. Collectors can use this summary when reconciling credits and deductions claimed.

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

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

Internet: Tax bulletins, forms and information are available [here](#).

To receive automatic email notification when this or any other bulletin is revised, click [here](#) and then click the "Subscribe" button.

Government website: <http://www.saskatchewan.ca/>