

GASOLINE TAX INFORMATION BULLETIN

The *Revenue Administration Act* (RAA) imposes a tax upon gasoline consumed in the province. Under the RAA, gasoline includes every liquid or combination of liquids, under whatever name it is known or sold, that is capable of being used for the purpose of generating power in an internal combustion engine whether or not the liquid or combination or a part of it is produced, derived or recovered from petroleum, natural gas, shale or coal.

A person who acquires gasoline at a retail sale in the province is required to pay gasoline tax. Effective 12:01 a.m., June 1, 2017 and December 1, 2017, the provincial gasoline tax per litre imposed on gasoline under Part III of the *Revenue Administration Act* will decrease as follows:

Product	Current Rate	Rate as of June 1, 2017	Rate as of December 1, 2017
Gasoline	33¢	24.5¢	20.5¢
Diesel	21.5¢	21.5¢	21.5¢
Propane	7.0¢	7.0¢	7.0¢
Aviation Jet Fuel	2.5¢	2.5¢	2.5¢
Marine Fuel	3.5¢	3.5¢	3.5¢

LABRADOR BORDER ZONES

Until December 1, 2017, a reduced tax rate of 23¢ per litre will continue to be imposed upon gasoline, other than diesel, acquired at a retail sale in Labrador West (Labrador City and Wabush) and Southern Labrador (from the Quebec border to and including the community of Red Bay). Wholesalers will sell gasoline to retailers in the area at the reduced rate of tax of 23¢ per litre. Retailers in the area will sell gasoline at the reduced tax rate of 23¢ per litre to consumers at the pump.

Effective 12:01 a.m. December 1, 2017, the reduced tax rate for gasoline will be discontinued and the gasoline tax rate in these zones will be 20.5¢ per litre, the same as the remainder of the province.

Area	Current Rate	Rate as of June 1, 2017	Rate as of December 1, 2017
Southern Labrador	23¢	23¢	20.5¢
Labrador West	23¢	23¢	20.5¢

TAX EXEMPTIONS

Point of Sale Exemptions

Gasoline consumed or used in the following circumstances is exempt from the tax imposed under the RAA:

- gasoline used by a department of the provincial government for its own operations
- gasoline used in aircraft on flights that originate or terminate at locations outside of North America
- gasoline bought in bulk and exported from the province
- furnace fuel, stove oil, kerosene, propane, butane or naphtha grades of gasoline used for a purpose other than the generation of power in an internal combustion engine.

Tax Rebates

Section 19 of the *Revenue Administration Regulations* specifies the following purposes for which the consumption of gasoline may qualify for an exemption from tax or rebate of tax paid:

- gasoline used by or on behalf of a farmer for farming purposes when used in equipment designed for farming other than gasoline used in trucks, automobiles, snowmobiles or all terrain vehicles, whether or not licensed under the *Highway Traffic Act*
- gasoline used in vehicles specifically designed or modified for use in spreading or transporting agricultural liquid or slurry equipped with an enclosed tank and meeting environmental standards
- gasoline used for logging purposes in equipment designed for the commercial cutting or harvesting of logs
- gasoline used by loggers and saw and pulp mill operators in industrial wood chippers and debarkers
- gasoline used within a fish plant for the curing, processing or preparation of fish or fishery products other than gasoline used in trucks, automobiles,

snowmobiles or all terrain vehicles whether or not licensed under the *Highway Traffic Act*

- gasoline used in stationary engines for landing fish
- gasoline used in a vessel or boat
 - registered under the *Atlantic Fishery Regulations* (Canada) when used by a fisher for the commercial catching of fish in accordance with the fisher's limited species licence,
 - when used for commercial transportation of fish or fishery salt,
 - when used for the cultivation or harvesting of aquatic plants or animals, or
 - when operating on regularly scheduled routes in international or interprovincial trade and proceeding to a port outside the province
- gasoline used in equipment used directly in rock crushing, screening aggregates or producing asphalt but not gasoline used in auxiliary equipment such as trucks, power shovels, tractors, loaders and drills
- gasoline used by manufacturers in fixed or stationary manufacturing equipment used directly in manufacturing, but not including gasoline consumed or used for the processing or treatment of ore for the purpose of upgrading the ore
- gasoline used in locomotives
- gasoline used in equipment used directly in the generation of electricity to be fed into a public or private grid but not gasoline used in
 - equipment which produces electricity to operate that machinery or equipment, or
 - residential or recreational generating equipment other than generating equipment used as a primary source of electricity in a primary residence
- gasoline consumed on an exploration site in equipment used for the exploration of a mineral, other than aircraft and equipment required to be licensed under the *Highway Traffic Act* prior to the commencement of commercial production
- gasoline consumed in mining equipment prior to the commencement of commercial production in an area contained within a mining lease
- gasoline consumed by equipment, other than aircraft and vehicles required to be licensed under the *Highway Traffic Act*, operating on a petroleum exploration site, except in relation to activities approved under a development plan occurring under a petroleum lease
- gasoline used by manufacturers as a raw material in manufacturing, and
- gasoline purchased by a council and used in vehicles or equipment owned, leased or rented by the council and operated by the council but not including vehicles or equipment of contractors or employees or vehicles or equipment operated in the provision of a transportation system for fee paying passengers.

A person consuming or using fuel, other than diesel grade product, for a purpose specified above may apply for a rebate of the tax paid by filing with the minister within 3 years from the date of payment of the tax, a gasoline tax rebate form verifying purchase and consumption together with any other information that the minister may require.

Diesel Fuel Tax Exemption Permits

A person purchasing diesel grade gasoline exempted under Section 19 of the *Regulations* must purchase **marked diesel** in order to avail of the exemption. Marked diesel fuel is dyed with a fuel marker specified under the *Revenue Administration Regulations*. In order to purchase marked diesel, a person must hold a valid Diesel Fuel Tax Exemption Permit which can be obtained by applying to the Department of Finance, Tax Administration Division. Unlike other grades of gasoline exempted under Section 19, **a rebate cannot be claimed for tax paid on diesel fuel.**

Diesel Fuel Tax Exemption Permits are non-transferable. The permit may be cancelled or suspended if a person is convicted of an offence committed under the RAA, or lends his or her permit to another person for the purpose of obtaining tax-exempt gasoline for consumption by that other person. A person whose permit has been suspended cannot avail of the exemption during this period.

REGISTRATION

There are two types of licences issued under the RAA. A retailer's licence authorizes a retailer to sell or keep gasoline for sale directly to retail purchasers only at that specified outlet. A wholesaler's licence authorizes a wholesaler to sell or keep gasoline for sale to those other than retail purchasers. Where a business both wholesales and retails fuel products, the minister may issue both a retailer licence and a wholesaler licence to that business.

A business is not required to possess a retail or wholesale licence if they sell only furnace oil, stove oil, kerosene, naphtha, butane gas, propane gas or liquefied petroleum gas for purposes other than use in the generation of power in an internal combustion engine.

Registration forms are available from the Department from the address below or by calling (709) 729-1786.

RECORDS AND RETURNS REQUIRED

Gasoline wholesalers are required to maintain records and report:

- all purchases, sales, deliveries, rebrandings, transfers and losses of all grades of gasoline by that licensee in the province
- sales and deliveries by the licensee to points outside the province
- sales and deliveries of tax-exempt gasoline and
- quantities on hand and quantities used in the province by that licensee, and a licensee shall make returns to the minister in the form, in the

manner, and at the time prescribed by the *Regulations*.

Wholesalers are required to file a monthly fuel collector summary form by the 20th day of the following month.

UNVERIFIABLE LOSSES OF GASOLINE

Although there are legitimate unverifiable product losses in the course of manufacturing and distribution of gasoline, it has been determined that the tax revenue erosion resulting from unverifiable losses which exceed a certain threshold is not acceptable.

Section 30 of the RAA allows the department to assess a penalty where a taxpayer's unverifiable losses of gasoline are in excess of a prescribed threshold. The penalty is an amount equal to the tax that would have been collectable by the person if the gasoline had been sold to a purchaser liable to pay tax.

This provision does not apply to losses which may be verified by supporting documentation.

Method of Calculation

Available Inventory - A person's available inventory of gasoline is calculated over any period of 36 consecutive months using the formula:

$$\mathbf{A + B - C}$$

In this formula,

"**A**" is the amount of the person's opening inventory of gasoline at the beginning of the period,

"**B**" is the amount of gasoline produced, received or purchased by the person during the period, and

"**C**" is the amount of the person's closing inventory of gasoline at the end of the period.

Unverifiable Losses - Unverifiable losses is the amount by which a person's available inventory exceeds the amount of gasoline that the person verifies, to the satisfaction of the Minister, to have been sold, lost, destroyed, stolen, contaminated, consumed or distributed.

Prescribed Threshold for Gasoline - The prescribed threshold for an unverifiable loss of gasoline is 0.25% (one-quarter of one percent).

Prescribed Threshold for All Other Gasoline (including jet fuel, diesel fuel, fuel oil, coal oil or kerosene) - The prescribed threshold for an unverifiable loss of other gasoline is 0.125% (one-eighth of one percent).

Excess Unverifiable Losses - Excess unverifiable losses exist where the person's unverifiable losses exceed the threshold multiplied by the person's available inventory. That is:

$$\mathbf{\text{excess unverifiable losses} = unverifiable losses} - (\text{threshold} \times \text{available inventory})$$

If this calculation results in a negative figure, the person does not have excess unverifiable losses.

Further information regarding this bulletin may be obtained at www.gov.nl.ca/fin or by contacting:

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Tax Administration Division
Confederation Building
P. O. Box 8720
St. John's, NL
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Toll Free: 1-877-729-6376
Fax: (709) 729-2856
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