



**DEPARTMENT OF FINANCE  
TAX ADMINISTRATION DIVISION**

**Bulletin No. RAA-GAS-001  
Issue Date: April 14, 2016**

**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 12:01a.m., June 2, 2016, the provincial gasoline tax per litre imposed on certain products will increase as follows:

<b>Product</b>	<b>New Rate</b>	<b>Old Rate</b>
<b>Gasoline</b>	33¢	16.5¢
<b>Diesel</b>	21.5¢	16.5¢
<b>Propane</b>	7.0¢	7.0¢
<b>Aviation Jet Fuel</b>	2.5¢	0.7¢
<b>Marine Fuel</b>	3.5¢	3.5¢

Effective 12:01a.m. June 2, 2016, a reduced tax rate of 23¢ per litre will 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).

Details with respect to the administration of this reduced rate for Labrador border zones will be provided prior to the effective date.

**REPORTING REQUIREMENTS**

Gasoline tax collectors who are responsible for remitting this tax are reminded that they are required to collect the new rates of tax on all sales or deliveries effective 12:01 am, Thursday, June 2, 2016. If a collector has invoiced the old

rate of tax for sales or deliveries after that time he or she is required to issue an adjusting invoice for the additional tax. **Failure to collect the new rates of tax will result in the imposition of a penalty equal to the tax that should have been collected.**

Gasoline retailers must take and record their existing inventory of gasoline products as of 12:01 am, Thursday, June 2, 2016. The *Gasoline Retailer Inventory Return* must be completed and submitted with the additional tax payable resulting from the increased gasoline tax rates no later than June 20<sup>th</sup>, 2016. Retailers must file a nil return if there is no gasoline tax due.

**Failure to submit the inventory return by June 20<sup>th</sup>, 2016 will result in the imposition of a \$100 late filing penalty and may result in the assessment of a penalty equal to the tax that should have been submitted.**

## 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 (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 *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 the *Regulations*, 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 the period of suspension.

### **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 at the address below, by calling (709) 729-1786, or from Government's website.

### **RECORDS AND RETURNS REQUIRED**

Gasoline licensees are required to maintain records including:

- 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 20<sup>th</sup> day of the following month.

Retailers are required to file a prescribed statement of the number of litres of marked diesel and other marked gasoline sold during the preceding month, including the names and permit numbers of the purchasers and the quantities purchased by them. In addition, retailers who initially acquire tax-exempt gasoline for resale, but who later sell a quantity of that gasoline to consumers for taxable use must also file a report, and collect and pay tax, in relation to such taxable gasoline sales during the preceding month, including the names and addresses of the consumers, as well as the taxable quantities purchased.

## **UNVERIFIABLE LOSSES OF GASOLINE**

Although there are legitimate unverifiable product losses in the course of manufacturing and distributing gasoline, 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 of Excess Unverifiable Losses**

*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 for a period of 36 consecutive months exceed the threshold multiplied by the person's available inventory for that period. That is:

**excess unverifiable losses = unverifiable losses - (threshold × 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](http://www.gov.nl.ca/fin) or by contacting:

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Tax Administration Division  
P.O. Box 8720  
St. John's, NL  
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Phone: (709) 729-6297  
Toll Free: 1-877-729-6376  
Fax: (709) 729-2856  
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