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Issued: April 2003

Revised: March 2013

To: First Nations and On-Reserve Retailers

Re: Fuel and Tobacco Tax Refund Program

This bulletin describes the requirements and procedures for on-reserve retailers to sell fuel and tobacco products tax free to eligible Status Indian purchasers and to claim a refund of the tax pre-paid on these products.

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

- A. Registration
- B. Point of Sale Equipment Requirements
- C. Purchasing Tobacco Inventory
- D. Eligible Purchasers
- E. Tax-Free Tobacco Limits
- F. Tax-Free Fuel Sales
- G. Refunds

A. REGISTRATION

On-reserve retailers may participate in the Fuel and Tobacco Tax Refund Program by meeting the requirements outlined in this bulletin and submitting the following to the Ministry of Finance:

- Completed fuel and tobacco application (contact Finance for application)
- Fuel Tax Agreement if fuel is to be sold (contact Finance for agreement)
- Band Council Resolution authorizing the retailer to sell fuel and/or tobacco products on the reserve
- [Direct Deposit Form](#)
- [Business Consent Form](#)

Prior to July 1, 2010, on-reserve retailers entered into agreements with the Province for both fuel and tobacco taxes.

Effective July 1, 2010, the First Nation Tobacco Tax Refund Program was established under *The Tobacco Tax Amendment Act, 2010* and regulations. As a result, a separate agreement is no longer required for tobacco taxes. If there is a conflict between the Act and an

agreement entered into before July 1, 2010, the Act prevails.

B. POINT OF SALE EQUIPMENT REQUIREMENTS

Finance requires retailers to submit sales electronically. Several point of sale (POS) systems have been certified for electronic reporting by the Ministry of Finance. Retailers must ensure the system selected, installed and configured is the most current version of the certified POS software and must ensure that their system meets the reporting standards required for their market area.

Retailers report their sales by either batch reporting or real time reporting. For batch reporting, exempt sales transactions are accumulated throughout the day and then a batch is created and sent to Finance overnight. For real time reporting, exempt sales transactions are communicated to the Ministry of Finance in near real time via high speed Internet. Retailers should contact the Ministry of Finance to confirm the reporting standards required for their market area.

POS systems at selected on-reserve stores are being upgraded from batch reporting to real time reporting. These retailers should contact Finance if they have any questions concerning implementation, including the requirements for internet service, POS software and equipment, scheduling or implementation details.

Retailers are responsible for ensuring their POS software and equipment is maintained and remains compliant with current requirements for real time reporting. In addition, retailers must ensure their employees are trained to operate the system and that service and maintenance agreements are maintained with both the store's internet service provider and their POS system supplier.

To select and acquire an approved POS system, retailers may contact any of the dealers in the list available on the Internet [here](#).

C. PURCHASING TOBACCO INVENTORY

Black Stock Tobacco

Since July 1, 2010, packages of cigarettes and fine cut tobacco that are sold tax free to eligible purchasers must be black stock tobacco. Black stock tobacco consists of packages of tobacco that have a peach coloured federal excise stamp and a peach tear tape on the package indicating "DUTY PAID CANADA DROIT ACQUITTÉ."

On-reserve retailers may only purchase their black stock tobacco from an eligible supplier. It is illegal to purchase black stock tobacco from other sources. If a retailer possesses black stock tobacco on which the tax has not been paid, the tobacco will be seized. Also, if an on-reserve retailer makes a false or misleading statement with respect to a refund application or claim, or has failed to comply with the legislation, Finance may assess a penalty in an amount equal to three times the amount of any overpayment resulting from the refund application.

Purchase invoices should be faxed to (306) 787-6653 or mailed to Finance as soon as they are

received by the retailer, to allow for processing time.

This will ensure prompt and complete payment of all eligible sales. Tobacco purchases must be accompanied by a completed Purchase Report available on the Internet [here](#).

A list of eligible Saskatchewan suppliers of black stock tobacco is available [here](#).

Saskatchewan Marked Tobacco Packages

Effective October 1, 2012, amendments were made to phase in a modified federal excise stamp for packages of cigarettes and fine cut tobacco sold tax-in to purchasers who are not eligible to purchase tax-free black stock tobacco products in Saskatchewan. The new stamp is green in colour and marked with the letters SK.

In the meantime, until the new stamp is fully implemented, some tax included packages of cigarettes and cut tobacco will have a beige tear tape on the package indicating "CANADA DUTY PAID – DROIT ACQUITTÉ – SASKATCHEWAN."

Cigars, pipe tobacco, chewing tobacco, snuff and raw leaf tobacco are not marked for provincial tax purposes.

D. ELIGIBLE PURCHASERS

Black stock tobacco may not be sold to individuals who are ineligible for a tax exemption. Only eligible purchasers may purchase and possess black stock tobacco.

Eligible purchasers are Status Indians and Indian bands. In order to receive the tax exemption they must present their Certificate of Indian Status card or band number at the time of purchase.

If a person purchases or otherwise possesses unmarked tobacco, including tobacco that is black stock, in contravention of the legislation, the tobacco will be seized. In addition, the person may be charged with an offence or a penalty may be assessed in an amount equal to three times the tax that would have been payable if the tobacco were marked tobacco and were sold to a consumer in Saskatchewan.

Status Indians and Indian bands may only purchase tobacco and fuel tax free for their own use or authorized purposes and not for resale or distribution.

E. TAX-FREE TOBACCO LIMITS

The weekly limit for the on-reserve tax-free purchase of tobacco products by an eligible First Nation purchaser is as follows:

- 200 cigarettes (one carton), or
- 200 tobacco sticks, or
- 200 grams of tobacco, or
- 200 cigars, or

- A combination of 200 of these tobacco units.

A tobacco unit is considered to be one cigarette, one tobacco stick, one gram of tobacco or one cigar. In the case of odd size packaging of tobacco grams, a purchaser may purchase up to 219 units tax free per week.

The limits may be exceeded by a reasonable amount if the tobacco is purchased for ceremonial or cultural purposes and the eligible purchaser obtains a permit by following the procedures outlined below under Eligible Tax-Free Tobacco Purchases in Excess of the Weekly Limit.

Over limit sales made without a permit are not eligible for an exemption.

Eligible Tax-Free Tobacco Purchases in Excess of the Weekly Limit

Individuals requiring more than one carton of tobacco tax free per week for ceremonial or cultural use must call a toll free number 1-877-455-7887 to obtain a permit before going to the store to complete their purchase.

If 1,000 or more tobacco units are being purchased exempt of tax for a ceremonial or cultural purpose, a purchase order or a letter from the band must be provided to Finance.

Individuals who are unable to get to a store regularly may also phone the toll free number to obtain a permit to purchase up to four weeks supply of tobacco tax free at one time (i.e. weekly limit plus 600 additional units for a total of 800 tobacco units), but they will not be eligible to purchase additional tobacco tax free for the next four weeks.

Retailers processing exempt sales transactions that exceed a purchaser's normal weekly allotment of tax-free tobacco and who are not on real time reporting, must request a pre-authorization permit number from the customer and verify the number by calling 1-877-455-7887, when calling the toll free number, retailers will need their RETAILER ID number provided by Finance.

Retailers are responsible for ensuring that the permit numbers provided by their customers are valid. Transactions submitted for a refund with missing or invalid permit numbers will be subject to adjustment.

Retailers converted to real time reporting no longer need to request or verify the permit number, as the system automatically checks and verifies available balances and returns a response, approved or declined.

If communication with the server is unavailable the retailer must follow the manual verification process described above.

F. TAX-FREE FUEL SALES

The maximum allowable sale of tax-free fuel is 600 litres per transaction. Retailers will be contacted for additional documentation to support individual transactions that exceed 600

litres. In addition, Finance will monitor and follow-up with retailers on fuel transactions where there is a suspected misuse of tax-free fuel.

G. REFUNDS

To provide fuel and tobacco tax refunds in a timely manner and reduce errors and omissions, retailers submit the details of their tax-free sales transactions electronically to Finance.

Refund payments are scheduled every second week. Details of transactions received electronically by Tuesday are included in the bi-weekly payment run providing the retailer's purchase invoices have been processed.

Purchase invoices are processed manually so it is important these are sent to Finance immediately after the products have been received. Refunds will only be issued for sales that are substantiated by a corresponding purchase. Any unsubstantiated sales will be carried forward to subsequent payment runs, until purchases have been submitted that reflect the total sales.

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: 306-787-9644

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.