

Information Bulletin

FT-4

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THE FUEL TAX AND ROAD USE CHARGE ACT

INFORMATION FOR HOLDERS OF FUEL TAX EXEMPTION PERMITS

This bulletin has been prepared to assist you in understanding your obligations and responsibilities as a Fuel Tax Exemption Permit holder. It is intended to serve as a general guide and is not a substitute for the legislation.

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. General Information
- B. Information for Farmers
- C. Information for Primary Producers of Renewable Resources
- D. Information for Commercial Loggers
- E. Information for Heating Fuel Users
- F. Saskatchewan eTax Services (SETS)

Appendix A: Definitions for Farm, Farmer, Farming Operations and Primary Farm Products

A. GENERAL INFORMATION

Farmers, commercial fisherman, trappers and loggers may apply for a Fuel Tax Exemption Permit to purchase tax reduced marked diesel fuel tax reduced for use in their farming, commercial fishing, trapping, and logging activities.

To apply, complete a ***Fuel Tax Exemption Permit Application*** online through SETS (www.sets.saskatchewan.ca) by clicking the “Quick Links” in the bottom right corner and choosing “Forms”. Alternatively, you may also apply by mail by completing and submitting a ***Fuel Tax Exemption Permit Application***. Applicants must provide prescribed or required information to demonstrate that they meet the definition of a farmer, a primary producer of renewable resources, a personal carrying out an approved custom farming activity, or a purchaser of marked heating fuel.

The Ministry of Finance regularly monitors purchases of tax exempt and tax reduced fuel by permit holders. Permit holders may be contacted for additional information to ensure that the fuel obtained under their permit was used in allowable equipment and activities, that their consumption was reasonable and that the permit was valid and in effect at the time of purchase.

Permits are not transferable and can be cancelled or suspended in instances where the permit holder has ceased farming, failed to renew their permit as required, failed to comply with the terms and conditions of the Act or the Regulations, provided false or misleading information, or carried on business in a manner that is contrary to the public interest.

Permit holders must ensure that the tax exempt or tax reduced fuel acquired under their permit number is used solely for authorized purposes.

Fuel sellers are required to validate the status of a permit at the time of sale. Sales of tax exempt or reduced fuel to cancelled or expired permit holders are not allowed.

Fuel Tax Exemption Permits are issued to farmers or primary producers and must be renewed annually **by May 31st** following the year in which they are issued.

To renew a fuel tax exemption permit, complete a *Farm Fuel Permit Renewal* in SETS by clicking “Quick Links” in the bottom right corner and choosing “File your return as a guest filer”.

Restricted Use (Temporary) Fuel Tax Exemption Permits (or “Custom Permits”) are issued to persons carrying out custom farming activities. Applicants must indicate the months of activity on their application and reapply for a new permit in each year of operation.

To apply, complete a *Fuel Tax Exemption Permit Application* online through SETS by clicking the “Quick Links” in the bottom right corner and choosing “Forms”. Alternatively, you may also apply by mail by completing and submitting a [Restricted Use Fuel Tax Exemption Permit Application](#) for Custom Operators.

Heating Fuel Permits are issued to persons requiring the ability to pick up marked heating fuel from bulk dealers or card lock or key lock facilities. Applicants must indicate the months of activity on their application and reapply for a new permit in each year of operation.

To apply, complete a *Fuel Tax Exemption Permit Application* online through SETS by clicking the “Quick Links” in the bottom right corner and choosing “Forms”. Alternatively, you may also apply by mail by completing and submitting a [Restricted Fuel Tax Exemption Permit Application for Heating Fuel](#).

B. INFORMATION FOR FARMERS

Marked Diesel Fuel

Farmers may acquire marked diesel fuel for use in their unlicensed farm machinery or in their licensed farm vehicles (vehicles registered as "Class F"), when used in their farming operations as defined in Appendix A. Vans and SUV's cannot be registered as “Class F.”

Unlicensed farm machinery means machinery or equipment that is not capable of being licensed under *The Traffic Safety Act* and is used in a **farming operation** (see Appendix A).

Farmers who occasionally use their licensed farm vehicles for non-farm business purposes may obtain a “temporary registration upgrade” trip permit from Saskatchewan Government Insurance by phoning 1-800-667-7575. This permit will include a charge for tax on the fuel consumed while the permit is in force, thereby eliminating the need for a farmer to empty their fuel tanks of marked diesel fuel. These permits must be obtained **before** conducting any non-farm business activity, and are only issued in conjunction with a registration upgrade (trip) permit.

Farmers may also use marked diesel fuel in snow plough equipment to clear snow, **except** where the snow removal is performed for a hamlet, village, town, city, commercial enterprise or for the Government of Saskatchewan or Government of Canada.

Marked diesel fuel is not intended for personal use such as travelling to and from school or a place of employment, or for recreational purposes.

Custom Farming

“Custom Farming” means the use of unlicensed farm machinery to carry out any of the activities listed under farming operations (see Appendix A), but does not include the on-road hauling or transportation of primary farm products for another farmer.

A ***Restricted Use Fuel Tax Exemption Permit*** is required to acquire marked diesel fuel for use in custom farming, and is only valid for a limited time period (specified in months) based on the nature and duration of the activities described on the applicant’s permit application form.

Restricted Use Permits (or Custom Permits) do not allow the permit holder to acquire tax reduced gasoline or other fuel products without paying the Fuel Tax.

Travel Outside Canada

When travelling in the United States (U.S.), the American federal and state governments may impose substantial fines for persons using marked fuel in the tanks of their licensed motor vehicles.

Farmers intending to travel to the U.S. should contact the applicable state(s) in advance for more information.

C. INFORMATION FOR PRIMARY PRODUCERS OF RENEWABLE RESOURCES

“*Primary Producers of Renewable Resources*” include commercial fishers, commercial loggers and commercial trappers.

- A commercial fisher is a person who holds a licence issued pursuant to *The Fisheries Regulations*, and primarily engages in commercial fishing.
- A commercial logger is a person whose business involves the harvesting and marking of trees, the construction of logging roads, the salvaging of logs or reforestation.
- A commercial trapper is a person who engages in fur trapping and holds a Fur Conservation Area Fur Licence or a Southern Saskatchewan Fur Licence issued pursuant to *The Wildlife Act, 1998* and accompanying regulations.

Primary producers **may not use fuel obtained with their permit in any production or processing activity**, including production and processing activities applied to raw timber.

Primary producers with a valid permit may purchase marked diesel fuel or tax exempt propane for use in their business, for prescribed (authorized) activities directly related to their business, that are carried out using **unlicensed machinery or equipment** (equipment or machinery that is not registered pursuant to *The Traffic Safety Act*, and is not ordinarily operated on a public highway as defined in *The Highways and Transportation Act*).

D. INFORMATION FOR COMMERCIAL LOGGERS

Eligible Uses of Marked Diesel Fuel

Commercial loggers with valid **Fuel Tax Exemption Permits** may purchase marked diesel fuel for use in their unlicensed equipment or machinery, in direct logging activities.

Direct logging activities include:

- seeding, planting and nursery operations;
- harvesting and marking of trees;
- construction of logging roads (but not maintenance of roads);
- reforestation and silviculture; and,
- chipping, mulching, de-limbing, and cutting to length when performed **before** delivery to a fixed or portable mill site (i.e. when performed “in bush”). The term “in bush” includes temporary storage areas located between an area of harvest and the nearest public road. Loading, unloading and other logging activities performed at these sites are eligible for the use of marked diesel fuel.

Direct logging activities do not include:

- any activities performed at a portable or a fixed mill site.

Equipment or Machinery

For the purpose of carrying out any of the direct logging activities listed above, unlicensed equipment or machinery means:

- fellers;
- harvesters;
- bobcats;
- feller-bunchers;
- forwarders;
- limbers;
- slashers;
- power saws;

- loaders;
- dozers;
- crawlers;
- refrigeration units; or,
- thinning and weeding tools.

Ineligible Uses of Marked Diesel Fuel

Marked diesel fuel cannot be used for the following:

- in stationary internal combustion engines;
- activities performed at a portable or fixed sawmill site;
- to operate licensed vehicles, including trucks used for hauling logs from storage areas to mill sites;
- in equipment for maintaining logging roads and constructing roads intended for general vehicle traffic; and,
- in equipment used in construction or excavation work not related to logging.

Special Situations

A farmer or primary producer may qualify to use marked diesel fuel in unlicensed equipment for a logging activity that does not qualify as direct logging if the following conditions are met:

- the equipment must be routinely used as unlicensed farm equipment, or for direct (eligible) logging activities;
- the non-qualifying activity must be performed on the farmer's own land; and,
- the equipment is moved only from an eligible activity to a non-qualifying activity at the same location.

In these instances, the farmer must file an annual report indicating the amount of marked diesel fuel used in the non-qualifying activity, and pay the tax owing on that fuel by January 20th of each year. The operator will not be required to drain the fuel tank of such equipment when moving to the taxable activity. However, when the equipment is being used in a non-qualifying activity for an extended period of time, it must be refueled with clear (tax paid) diesel fuel.

E. INFORMATION FOR HEATING FUEL USERS

Heating

"Heating" means using fuel in a device that contains a burner to produce an open flame, but does not include using fuel:

- to power an internal combustion engine or turbine engine;
- as a means of propulsion;
- for regulating temperature in a trailer or container used for the private or commercial transportation of goods;

- to produce electricity or to power a compressor or pump; or,
- for fabrication processes such as cutting or welding.

Permits for Marked Heating Fuel

Marked diesel fuel sold for heating use must be identified as heating fuel or fuel oil at the time of sale.

Persons wishing to pick up heating fuel at a bulk fuel dealer or a card lock/key lock storage facility must have a valid **Fuel Tax Exemption Permit for Heating Fuel**. These permits allow the acquisition of marked heating fuel for heating, but do not allow the permit holder to purchase other tax reduced or tax exempt fuel products.

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.

Propane Purchased for Heating

Where individuals purchase propane through a metering facility normally used to dispense propane for automotive purposes, the propane is taxable **regardless of the use**.

(See [Information Bulletin FT-8](#) for more information on taxable and exempt uses of propane).

F. SASKATCHEWAN eTAX SERVICES (SETS)

Finance has made it possible to report and remit tax electronically through a secure, fast, easy and convenient online self-service portal. Several services are currently available to businesses through SETS:

- Register for secure, self-managed access to all your tax accounts.
- Apply for a new tax account.
- Apply, renew and check status of various Fuel Tax related permits.
- Report exempt or tax reduced fuel sales through the EFSR menu option.
- File and pay returns and amend previously filed returns.
- Make payments on account, including post-dated payments.
- View account balance and statement information.
- Authorize employees or accountants to file on your behalf.
- Receive notifications by email when a tax return should be filed. This replaces the paper forms usually sent in the mail.
- Submit a service request to update the mailing address or add a new business location.
- Submit a service request to receive tax information, interpretations or rulings related to your specific business activities.
- View and download up-to-date tax information promptly.
- Subscribe to receive email notifications when new and revised tax publications are available.

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

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.

To provide feedback or suggest changes to this bulletin, please complete a [Bulletin Survey](#).

Government website: Saskatchewan.ca

APPENDIX A:
DEFINITIONS FOR FARM, FARMER, FARMING OPERATIONS
AND PRIMARY FARM PRODUCTS

Farm:

“Farm” means an area of land in Saskatchewan (i) of at least 30 cultivated hectares used for growing cereal crops for sale; or (ii) an area of land used for the growing or raising of primary farm products for sale that generates annual gross revenue of at least \$10,000.

Farmer:

“Farmer” means a person who: (i) controls and is responsible for the operation of a farm, (ii) owns or is the lessee of the farm, and (iii) makes an appreciable contribution to the growth and maturity of primary farm products by being actively and directly involved in farming operations.

“Farmer” does not include a person who: (i) leases out their land, or enters into an agreement that transfers their land to someone else for the purpose of farming it, (ii) buys primary farm products solely for the purpose of resale, or (iii) holds an interest in the farm solely for resale or investment purposes.

Farming Operations:

“Farming Operations” means one or more of the following activities carried out by a farmer in connection with the production of his or her own primary farm products:

- The cultivation or tilling of land for crops, animal forage or grazing;
- The seeding, spraying, irrigating, fertilizing or harvesting of crops and other primary farm products;
- The loading or unloading of crops for on-farm storage;
- The raising, breeding, feeding, watering, handling or segregating of farm animals, poultry, bees and fur-bearing animals;
- Corral cleaning;
- The collecting and primary processing of eggs, poultry, milk and honey;
- Mobile seed cleaning and mobile grain drying; and,
- Hauling by the farmer of their own primary farm products (or production inputs used in connection with the above).

“Farming Operations” does not include:

- The use of a licensed farm vehicle by a farmer, their dependents or others for non-farm business or employment purposes (including driving to and from a place of employment);
- Off-farm sorting, cleaning, grading and preparing of crops for storage or market;
- Any manufacturing, processing, refining, packaging, mixing, grinding or other operation where the agricultural commodity is changed from its natural or primary state to a secondary state, thereby adding value;
- The transportation of:
 - farm products by a person other than the farmer who produced them,
 - farm inputs by a person other than the farmer who will use them in their own farming operations, or
 - race horses or rodeo stock;

- The renting out by a lessor of farm land, buildings, livestock, motor vehicles, machinery or other assets; and any activities related to their maintenance or improvement;
- The exhibiting, racing or leasing of any primary farm product or animal;
- The raising of animals or production of feed for animals commonly kept as pets, or for display in a zoo;
- Pre-production activities such as the construction of farm buildings or farm fences;
- Secondary or indirect activities, unless carried out by a farmer on their own farm using unlicensed farm machinery, including:
 - land levelling or clearing;
 - digging dugouts;
 - trenching or installation of water lines;
 - clearing bush; or,
 - burying rocks.
- The use of equipment or machinery normally categorized as construction equipment to carry out activities that are not farming operations;
- The use of unlicensed farm machinery or licensed farm vehicles for a purpose other than farming operations in Saskatchewan;
- The use of any vehicle or machinery other than a licensed farm vehicle or unlicensed farm machinery; and,
- The business of providing various services or sales (or both) to a farmer, such as:
 - banking, accounting, consulting, veterinary and other animal health services; or,
 - the sale and service of production inputs and farm machinery.

Primary Farm Products:

“Primary farm products” means one or more of the following:

- Bedding plants, nursery and florist crops;
- Bees;
- Livestock, except horses raised for racing, exhibiting or as pets;
- Cereal crops;
- Ducks;
- Eggs;
- Fish;
- Forage crops, including alfalfa, hay and clover;
- Fruits;
- Fur from wild and game farm animals, including fox, mink and chinchilla;
- Geese;
- Honey;
- Lentils, sunflower seeds, canary seeds and other crops that are specialty crops;
- Milk;
- Poultry;
- Rabbits;
- Sod;
- Trees and shrubs;
- Vegetables; and,
- Wool.

“Primary farm products” does not include:

- Dogs;
- Cats; or,
- Other pets.