
Title Fuel Tax Exemptions for Commercial Purposes

Overview Fuel tax exempt permits may be issued for specified commercial purposes outlined in the *Fuel Oil Tax Act* (FOTA) Section 6(2). Permits may be issued under this section only if the applicant meets certain criteria outlined below.

Legislation or Regulation *Fuel Oil Tax Act*, Subsections 6(2) and (3)

Definitions

Arm's length customer: customer is unrelated or unaffiliated. Transaction includes a willing buyer and a willing seller, each acting in his own self-interest. Prices used are the fair market values.

Examples: Transactions between the following parties would, in most cases, NOT be considered arm's length:

- a husband and wife
- a father and son
- a corporation and one of its subsidiaries

Commercial Purpose: an enterprise that has profit as its main intent.

Earning Income: to yield a net-profit; what remains of revenue after expenses have been subtracted.

Tax Exempt Activities: include only those activities conducted with the intention of earning income outlined under Section 6(2) of the FOTA and described as follows:

- Farming – the practice of commercial production and management of produce, grains, fibres or livestock. Does not include subsistence farming.
- Fishing – the activity of catching fish for profit.
- Hunting or outfitting – the activity of supplying equipment and other resources for hunters and hunting. (Note: Commercial hunting cannot be carried out in Yukon unless licensed as an outfitter under the *Wildlife Act*.)

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- Logging – the commercial activity of cutting and removing timber products authorized by a Yukon timber permit.
 - Mining - the process of extracting minerals or metals from the earth. Includes prospecting/exploration, development, extraction, processing and reclamation. The process of extracting minerals or metals is completed when a marketable, raw, end product is produced.
 - Sawmill – a mill or machine for sawing logs.
 - Tourism – the practice of providing an off road activity in Yukon solely for tourists for financial gain or reward.
 - Trapping – the use of a device to remotely capture wildlife for their furs, which are then sold.

Tax Exempt Permit: for the purpose of this bulletin means a permit issued under Section 6(2) of the FOTA. NOTE: Does not include those permits issued under subsections 6(1) and 6(2.1) (for stationary generators and golf courses).

Requirements

The FOTA allows for fuel tax exempt permits to be issued to persons who use fuel for off-road activities for specified commercial purposes.

FOTA Section 6(3) limits the issuance of tax exempt permits for commercial purposes for those activities conducted with the intention of earning income in accordance with Canadian or Yukon laws that may be applicable.

Accordingly, effective January 1, 2012, applicants must meet the following criteria in order to be eligible for a section 6(2) tax exemption:

1. involvement in eligible commercial activity
 2. intention for commercial activity to earn income
 3. fuel is used in equipment utilized in off-road activities related to the commercial activity
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**For further information
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