

Tax Information

Bulletin 5022

Bulletin: 5022 R2
Date: January 27, 2011
Subject: Uncollectible Accounts - Rebate of Gasoline, Diesel Oil And Tobacco Tax Pursuant to Revenue Act Regulation 3A

The Revenue Act Regulations were amended to extend a rebate of tax to collectors in respect to sales of gasoline, diesel and tobacco on credit which subsequently became uncollectible and are written off by such collectors as bad debts. Therefore, tax relating to debts written off on or after June 18, 1996 may qualify for rebate.

The Minister may upon application, rebate to the collector any and all of the tax paid if;

- i) a collector has given credit to a debtor with respect to the purchase price of gasoline, diesel or tobacco, together with the tax imposed by the Revenue Act on the transaction; and
- ii) the collector has paid tax to the Minister or an agent of the Minister on behalf of the debtor; and
- iii) the debtor is shown to have defaulted in repaying to the collector any or all of the amount payable and that amount has been written off as a bad debt

In the case of NSF cheques, the Minister may rebate to a collector where:

- a) the debtor has tendered the cheque to the collector in respect of a sale of gasoline, diesel oil or tobacco; and
- b) the drawee of the cheque refused to cash the cheque; and
- c) the debtor is shown to have defaulted in repaying to the collector any or all of the amount payable and that amount has been written off as a bad debt.

No rebate of tax shall be made to a collector if;

- the collector has offset the debt against a payable
- the collector has assigned the debt without recourse and for consideration other than for security purposes
- the debtor paid by credit card or other credit arrangement that permitted a credit purchase from persons other than the collector who made the sale
- the collector and the debtor were not dealing at arms-length at the time of the sale
- the collector does not hold a valid permit issued under the Revenue Act
- the indebtedness relates to a sale on credit made more than 180 days prior to the date of the debtor's last credit purchase from the collector
- the indebtedness to the collector remains as an asset of the collector's business, or as an account receivable in the collector's books of account
- the collector does not claim the rebate within 48 months from the end of the fiscal year in which the debt was written off.

The tax eligible for rebate on a bad debt cannot be greater than the full amount of tax charged on that sale, and subsequently remitted or paid by the collector. The tax that may be rebated to a collector shall be determined by the following formula:

$$\text{Rebate} = \frac{A \times B}{C}$$

where,

A = the tax paid by the collector to the Minister on behalf of the debtor with respect to a transaction

B = the unpaid indebtedness of the debtor to the collector on the transaction; and

C = the selling price of the gasoline, diesel oil and tobacco sold in the transaction, together with the tax imposed on the transaction

The amount of the debt cannot include any amount for interest, finance, carrying, collection or similar charges by the collector in respect to the transaction on which the indebtedness arose.

Rebates under Regulation 3A may be applied for by application once every 12 months.

Where, after receiving a rebate of tax, the collector recovers all, or a portion of the bad debt for which the rebate was received, the collector must repay to the Minister or by direct adjustment to the collector's tax liability account a percentage of the rebate received that is equal to the percentage of the indebtedness recovered.

For purposes of verifying the amount of any rebate claimed, a collector shall retain in the records such information as is necessary to satisfy the Minister of the collector's claim.

Rebate forms can be obtained from your nearest Access Nova Scotia office or by calling Service Nova Scotia at (902) 424-6300 or on our website (See [Fuel Tax Rebate on Bad Debts form](#) or [Tobacco Tax Rebate on Bad Debts form](#)).