

Tax Information

Guide 2012

Guide: 2012
Date: October 20, 2011
Subject: Purchases of Gasoline, Diesel Oil and Propane by Well Drillers

The purpose of this Guide is to provide direction on the application of gasoline, diesel oil and propane tax as it applies to purchases of gasoline, diesel oil and propane by well drillers.

A well driller may obtain an exemption from or a refund of gasoline, diesel oil or propane tax on purchases of gasoline, diesel oil and propane to operate drilling equipment used in the drilling of wells for the supply of water.

Fuel consumed by motor vehicles used to transport well drilling equipment **does not qualify** for the exemption or refund.

Where the well drilling equipment is mounted on a truck frame, it is important to note that **only** the fuel used in the operation of the drilling equipment qualifies for exemption or refund.

Geothermal Heating\Cooling Systems

Geothermal heating\cooling systems often involve the drilling of several wells. Only a well that supplies water to the system will qualify for fuel tax exemption or refund. Fuel used in drilling equipment that drills other wells as part of a geothermal system does not qualify for exemption or refund. In the case of a closed loop system where the wells are used to exchange heat only, fuel used to drill these wells would not qualify for exemption or refund.

Consumer's Exemption Permit

Well drillers may apply for a Consumer's Exemption Permit to obtain a fuel tax exemption at the time of purchase if the following criteria are met:

1. The well drilling equipment is used exclusively for the drilling of wells for the supply of water.
2. The fueling system of the well drilling equipment is separate from the fueling system of the vehicle used to transport the drilling equipment.

To obtain a Consumer's Exemption Permit, the well driller must complete and forward an application form to purchase tax exempt marked gasoline or diesel oil along with the applicable registration fee payable to the Minister of Finance.

Application forms for a Consumer's Exemption Permit can be obtained from your nearest Access Nova Scotia office or by calling Service Nova Scotia and Internal Services or on our website (See [Application for Permit form](#)).

You may also apply for this permit online via the Nova Scotia's online service for business website (See [Online Permit Application](#)).

Upon approval of the application, a Consumer's Exemption Permit, which is renewable three years from date of issue will be issued to a qualified applicant.

Additional information pertaining to the Consumer's Exemption Permit may be viewed on our website (See [Permit Information](#)).

Refund of Gasoline, Diesel Oil and Propane Tax

The refund method must be used by those well drillers who:

- purchase gasoline, diesel oil and propane only at the retail level, that is, from service stations;
- do not have storage tanks capable of holding the minimum wholesale delivery of 200 litres of gasoline or diesel oil from an oil company;
- do not have a sufficient number of storage tanks to store both clear (taxable) and marked (tax exempt) gasoline and/or diesel oil to fuel both qualifying (tax exempt usage) and non-qualifying (taxable usage) equipment and machinery separately; or
- operate multi-use equipment for both taxable and tax-exempt usage.

In these situations, the well driller should purchase gasoline, diesel oil and propane at the full tax rate and apply for a refund based on the percentage of tax-exempt usage.

To obtain a refund of gasoline, diesel oil or propane tax, the well driller is required to complete a refund application form. There is no fee for this service.

An application for refund shall be filed for a period covering 12 months or when the amount claimable exceeds \$100.00.

An application for refund shall be made no later than 15 months from the date the gasoline or diesel oil was purchased.

Refund forms can be obtained from your nearest Access Nova Scotia office or by calling Service Nova Scotia and Internal Services or on our website (See [Application for Refund form](#)).