

International Fuel Tax Agreement (IFTA)

CARRIER INSTRUCTION MANUAL

January 2021



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INTRODUCTION

The International Fuel Tax Agreement (IFTA) can significantly reduce your paperwork and compliance burdens for fuel tax reporting of diesel, gasoline, propane, blended fuel (gasohol, ethanol, biodiesel), compressed natural gas and other fuels used to power your motor vehicles. It is an Agreement among jurisdictions to simplify the reporting of fuel taxes by interjurisdictional motor carriers. A jurisdiction refers to a province or territory of Canada, a state of the United States, the District of Columbia or a State of the United Mexican States.

Prior to IFTA, carriers were required to register with each jurisdiction in which they travelled, obtain permits and file fuel tax returns. Depending upon the number of jurisdictions that they travelled in, the process could be burdensome as jurisdictions had different reporting requirements, tax returns and due dates.

In 1983, three U.S. States - Arizona, Iowa and Washington - joined together to form a base-state fuel use tax agreement they called IFTA. Since January 1, 1997, 58 jurisdictions are members of IFTA (48 states and 10 provinces). Only Alaska, the District of Columbia, Hawaii, the Yukon Territory, Nunavut, the Northwest Territories and Mexico are not members of IFTA.

IFTA is based on the concept of one licence and one administering base jurisdiction for each licensee. A licensee's base jurisdiction will be the administrator of the Agreement on behalf of the other member jurisdictions.

IFTA makes motor carrier compliance with provincial and state fuel use tax requirements much simpler and less expensive. The advantages of IFTA membership include:

- One IFTA application form.
- One set of IFTA credentials (licence and decals).
- One IFTA credentials fee.
- One IFTA quarterly tax return to complete and file.
- One IFTA net tax payment or credit.
- One IFTA audit.
- Uniformity in fuel tax administration and enforcement

This manual explains your responsibilities as a licensee under IFTA. Definitions of terms used in this manual can be found in Exhibit 'A' on page 24. If you have any questions about IFTA after reading this manual, please call Manitoba Finance at 204-945-5603 (Manitoba Toll Free 1-800-782-0318).

IFTA MEMBER JURISDICTIONS

AL	Alabama	NB	New Brunswick
AB	Alberta	NH	New Hampshire
AZ	Arizona	NJ	New Jersey
AR	Arkansas	NM	New Mexico
BC	British Columbia	NY	New York
CA	California	NL	Newfoundland
CO	Colorado	NC	North Carolina
CT	Connecticut	ND	North Dakota
DE	Delaware	NS	Nova Scotia
FL	Florida	OH	Ohio
GA	Georgia	OK	Oklahoma
ID	Idaho	ON	Ontario
IL	Illinois	OR	Oregon
IN	Indiana	PA	Pennsylvania
IA	Iowa	PE	Prince Edward Island
KS	Kansas	QC	Quebec
KY	Kentucky	RI	Rhode Island
LA	Louisiana	SK	Saskatchewan
ME	Maine	SC	South Carolina
MB	Manitoba	SD	South Dakota
MD	Maryland	TN	Tennessee
MA	Massachusetts	TX	Texas
MI	Michigan	UT	Utah
MN	Minnesota	VT	Vermont
MS	Mississippi	VA	Virginia
MO	Missouri	WA	Washington
MT	Montana	WV	West Virginia
NE	Nebraska	WI	Wisconsin
NV	Nevada	WY	Wyoming

LICENSEE RESPONSIBILITIES

As a carrier subject to the provisions of IFTA, you have a number of responsibilities. In summary, you must:

- apply to your base jurisdiction for licencing under IFTA by completing an application for IFTA licence and decals and paying the applicable fees.
- carry a copy of your IFTA licence in paper or electronic format in the cab of each vehicle operating under IFTA.
- affix a set of IFTA decals to each vehicle operating under IFTA.
- file online IFTA quarterly tax returns with your base jurisdiction in a timely manner.
- pay online all taxes due under IFTA to your base jurisdiction in a timely

manner.

- maintain records for four (4) years to substantiate your IFTA quarterly tax returns and make them available for audit upon request.

BASE JURISDICTION RESPONSIBILITIES

A province or state that is a member of IFTA has a number of responsibilities with respect to its IFTA licensees. As a member of the Agreement, Manitoba must:

- accept and process completed applications for IFTA licences and decals.
- issue IFTA operating credentials (licences and decals) to licenced carriers.
- provide licensees with information to enable them to comply with IFTA requirements.
- make IFTA quarterly tax returns available to licensees.
- accept and process IFTA quarterly tax returns and payments from licensees and distribute the payments to the other IFTA member jurisdictions in a timely manner.
- maintain records of IFTA licensees' accounts.
- issue requested refunds (greater than \$10) to licensees.
- audit licensees on behalf of the other IFTA member jurisdictions.

Additionally, each jurisdiction must maintain an audit staff sufficient to ensure that its licensees are filing accurate IFTA quarterly tax returns. Lastly, the jurisdictions must exchange information among themselves so that IFTA can be administered effectively and efficiently.

THE LICENCING PROCESS

The IFTA licencing process serves a number of purposes:

- Licencing identifies the carrier to its base jurisdiction and to all other IFTA member jurisdictions as a licensee under IFTA.
- Licencing provides the carrier with the credentials necessary to operate under IFTA.
- Licencing gives the base jurisdiction the opportunity to provide the carrier with information about its obligations as an IFTA licensee.

Who is Required to Licence Under IFTA?

Under IFTA, it is the licensee who is licensed, NOT the licensee's vehicles. Carriers may apply for registration under IFTA in Manitoba if:

- The carrier is based in Manitoba.
- The carrier operates one or more qualified motor vehicles in Manitoba **and in at least one other IFTA member jurisdiction.**
- The carrier keeps its operational records in Manitoba.

What is a Qualified Motor Vehicle?

IFTA defines a qualified motor vehicle as a motor vehicle used, designed or maintained for the transportation of persons or property and:

- having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 11,797 kilograms or 26,000 lbs (power unit only); or
- having three or more axles regardless of weight (power unit only); or
- if used in combination with a trailer, having a combined weight that exceeds 11,797 kilograms or 26,000 lbs (combination of power unit and trailing unit).

A qualified motor vehicle does not include recreational vehicles, such as motor homes and pickup trucks with attached campers and buses that are used exclusively for personal pleasure by an individual (i.e. the vehicle must not be used commercially).

IFTA only requires you to report on the operations of your qualified motor vehicles.

Who is NOT Required to Licence Under IFTA?

- A carrier who does not operate qualified motor vehicles.
- A carrier who does not operate in more than one IFTA member jurisdiction. For example, if a carrier runs exclusively Manitoba/Nunavut, he/she will not be licenced under IFTA.
- A carrier who chooses to fulfil its fuel use tax obligations by purchasing One Move (Single Trip) Fuel Tax Permits (see page 10 for more information).
- Certain lease operations. (Note: In **all** cases, either the lessor or the lessee is required to be an IFTA licensee). Please see Bulletin No. IFTA-002, Leased Operations Under IFTA, at www.gov.mb.ca/finance/taxation for more information.

What About Multiple Fleets?

A Manitoba IFTA licensee may have multiple fleets that are base plated in more than one IFTA jurisdiction. Special permission is required to report the distance travelled for all your fleets on one IFTA quarterly tax return. If you wish to consolidate your fleets based in IFTA jurisdictions outside Manitoba, you must submit a letter of request along with your 'Application for IFTA Licence and Decals' to the Winnipeg office. We will then contact the other IFTA jurisdiction(s) involved and arrange approval for the consolidated IFTA quarterly tax return.

Alternatively, you may licence your fleets in each IFTA jurisdiction where they are plated and file separate IFTA quarterly tax returns in each jurisdiction. You may choose to do this if, for example, your business operations in two separate IFTA jurisdictions are different in nature and you wish to maintain separate operational records.

How Does a Carrier Become Licenced Under IFTA?

A carrier completes the 'Application for IFTA Licence and Decals' and pays the applicable licencing fees. The 'Application for IFTA Licence and Decals' is available from our offices listed below or on our website at www.gov.mb.ca/finance/taxation.

Current Manitoba IFTA licencing fees are \$65 per year per carrier, plus a \$5 annual decal fee per vehicle (set of two decals).

Calculate your licence and decal fees and mail the completed application form with payment to the Winnipeg or Westman offices or deliver the completed application form with payment to one of our offices listed below (cheque payable to Minister of Finance). If you have any questions about the information requested in the application form, please contact us at our Winnipeg office listed below.

Winnipeg Office Manitoba Finance

Room 101, 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone 204-945-5603
Manitoba Toll Free 1-800-782-0318
Office Hours 8:30 a.m. - 4:30 p.m.
E-mail: MBTax@gov.mb.ca
Web Site: www.gov.mb.ca/finance/taxation

Westman Regional Office Manitoba Finance

314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Office Hours 8:30 a.m. - 12:00 p.m.

Note: Make cheque payable to the Minister of Finance

Note: The above contact information for the **Winnipeg office** applies to all your IFTA needs - licencing, tax return filing and payment, appeals, enquiries, etc.

What Happens After the Application is Submitted?

Our Registrations area checks the application form for completeness and accuracy. Additionally, a review is done to determine if the carrier owes any taxes or has any delinquent tax returns under IFTA and any of the tax statutes administered by Manitoba Finance. Taxes administered by us include retail sales tax (RST), health and post secondary education tax levy (HE Levy), corporation capital tax (CCT), fuel tax and tobacco tax. If the information the carrier has provided is both complete and accurate and there are no outstanding taxes or delinquent tax returns, an IFTA account number is assigned and IFTA credentials (licence and decals) are issued.

If the carrier owes taxes or has delinquent returns, our Collections area will work with the carrier to resolve the issue. Once the issue is resolved, the carrier will be registered under IFTA. Please note that a bond may be requested.

Manitoba Finance cannot issue a licence to a carrier who has previously had an IFTA licence revoked from another jurisdiction that has not been reinstated.

A carrier whose licence application is denied may file a written appeal with the Winnipeg office at the address on page 7 of this manual.

What Does a Carrier Do With Its IFTA Licence and Decals?

Once your application has been approved and processed, you become an IFTA licensee. A single IFTA licence will be issued for your fleet of vehicles and a set of two (2) IFTA decals will be issued for each qualified motor vehicle in your fleet. The licence and decals are your IFTA credentials and they are valid from January 1st (or the date of issue) through to December 31st of the same calendar year. These credentials qualify you to operate in all IFTA jurisdictions without further IFTA fuel tax licencing or identification requirements with respect to motor fuel use taxes.

You must carry the IFTA licence in paper or electronic format in each cab of your qualified motor vehicles. If you choose to maintain an electronic format of your IFTA licence, it is strongly recommended that the licence is saved as a file such as PDF and saved to an electronic device for each vehicle. This approach enables you to have access to your IFTA licence at any time, even when access to mobile and/or wireless service may be interrupted.

Regardless of the format (electronic or paper), your IFTA licence must be accurate, valid, legible and be accessible on demand when requested by enforcement personnel. If you are unable to provide acceptable proof of credentials, you may be charged and required to purchase a One Move (Single Trip) Fuel Tax Permit to complete your trip.

To access your IFTA licence in PDF format, please see page 11 for information on **TAXcess**, Manitoba's online tax service.

You must affix the IFTA decals on the lower rear exterior portion of both sides of the cab of your power units. In the case of transporters, manufacturers, dealers or drive-away operations, the decals need not be permanently affixed, but may be temporarily

displayed in a visible manner on both sides of the cab.

If your qualified motor vehicles do not properly display the IFTA licence **and** decals (in the required locations), the operator of the vehicle may receive a citation and may be required to purchase a One Move (Single Trip) Fuel Tax Permit each time the vehicle enters an IFTA jurisdiction.

Note: If an owner/operator (who has a copy of your IFTA licence and decals) ceases to be employed by you, please retrieve the IFTA licence and decals from the vehicle. If you are unable to do so, please document the information as the owner/operator may be operating illegally using your IFTA credentials.

When Can a Licensee Begin Using Its IFTA Credentials?

If you are currently a Manitoba IFTA licensee and are renewing your credentials (licence and decals) for the next calendar year, you may begin displaying the new credentials on November 1st of the current year. Conversely, you have a two-month grace period (January and February) in the new calendar year to begin displaying your renewed credentials **if the current renewal was received in our office by December 31st of the prior year**. However, you must continue to display the previous year's IFTA credentials during this grace period until current year credentials are displayed on your vehicles.

Please note that if your renewal is not received in our office by December 31st of the current year, you are not eligible for the grace period. This means you will not be able to travel on your current year credentials in January and February of the following year.

How Does a Licensee Add a Vehicle to its Fleet?

As a Manitoba IFTA licensee, you may obtain extra decals for any additional qualified motor vehicles added to your fleet anytime during the year. Please complete the 'Application for Additional IFTA Decals'. The completed application form and payment (\$5.00 per set of decals) can be mailed to the Winnipeg or Westman offices or for walk-in service, visit one of our offices (addresses are on page 7 of this manual). The application form can be obtained from our website at www.gov.mb.ca/finance/taxation. Please note that additional decals will not be issued unless payment is received with your application, your IFTA account is up to date and there are no delinquent returns and/or taxes owing for any tax statutes administered by Manitoba Finance.

If you require IFTA decals immediately and cannot get to one of our offices to obtain them, you can receive a 30-day Temporary Decal Permit. Please call the Winnipeg office at 204-945-5603 or Manitoba Toll Free 1-800-782-0318 to obtain a Temporary Decal Permit. Once we determine that your IFTA account is up to date and there are no delinquent returns and/or taxes owing for any tax statutes administered by Manitoba Finance, you will be faxed or e-mailed the permit. As the permit is only valid for 30 days, you must purchase decals by completing the 'Application for Additional IFTA Decals' and mail or drop off the form and payment to the Winnipeg office.

The Temporary Decal Permit must be carried in the vehicle named on the permit, along with a paper or electronic copy of your Manitoba IFTA licence. Licensees are cautioned that failure to display the IFTA licence along with the decals in the required locations, or to carry a Temporary Decal Permit in lieu of the annual decals, will subject the vehicle operator to the purchase of a One Move (Single Trip) Fuel Tax Permit and a citation.

How Are IFTA Credentials Renewed?

IFTA credentials expire December 31st of each year and must be renewed annually. If you have travelled outside of Manitoba for the last four (4) consecutive quarters, you will receive a 'Renewal of IFTA Licence and Decals' form during the last calendar quarter of each year. The renewal form must be returned with payment to the Winnipeg office before December 31st. Failure to do so will result in automatic revocation of your IFTA account. Your account will only be re-instated if you submit your renewal form with payment. Copies of your renewal form can be obtained by calling the Winnipeg office at 204-945-5603 or Manitoba Toll Free 1-800-782-0318.

If you reported zero miles (no travel) or travel in Manitoba only for the past three (3) quarters, your credentials will not be renewed for the upcoming year. However, if your situation changes and you expect to travel outside of Manitoba for the upcoming year, please contact the Winnipeg office at 204-945-5603 or Manitoba Toll Free 1-800-782-0318. You will need to provide proof of out of province travel before renewal of your account will be considered.

We will process your renewal form and issue new credentials if you have filed all your IFTA tax returns, paid all IFTA taxes owing (including interest, penalties and audit assessments), have not had your IFTA licence cancelled or revoked and there are no delinquent returns and/or taxes owing for any tax statutes administered by Manitoba Finance. If you owe taxes or have delinquent returns, our Collections area will work with you to resolve the issue. Once the issue is resolved, your IFTA credentials will be renewed.

Where Can I Purchase One Move (Single Trip) Fuel Tax Permits?

Manitoba One Move (Single Trip) Fuel Tax Permits can be purchased by telephone from the Manitoba Infrastructure Permit Office at 204-945-3961 or Manitoba Toll Free 1-877-812-0009 or through the Manitoba Online Permitting System, [MB MOOVES](#). The Permit Office is open Monday to Friday, 7:30 a.m. to 4:30 p.m. (CST). The fuel tax portion cost of a One Move (Single Trip) Permit is the greater of \$18 or 6¢ per kilometre travelled or to be travelled in Manitoba. There may be additional costs, depending on the load being transported into Manitoba. For information on permits, visit Manitoba Infrastructure at <https://www.gov.mb.ca/mit/mcd/permits/index.html>.

REPORTING OPERATIONS UNDER IFTA

Under IFTA, the licensee files a single, consolidated IFTA quarterly tax return with its base jurisdiction covering its travel in all IFTA and non-IFTA jurisdictions. The timely

filing of the IFTA quarterly tax return along with the payment of taxes (if applicable) due to the IFTA member jurisdictions discharges the licensee's responsibility for the filing of IFTA fuel use tax reports and the payment of IFTA fuel use taxes to IFTA member provinces and states.

How Do I File and Pay My IFTA Quarterly Tax Return?

1. Effective With IFTA 1st Quarter 2021 Tax Return

Beginning with the IFTA 1st quarter 2021 tax return, IFTA quarterly tax returns must be filed and paid on TAXcess, Manitoba's online tax service. TAXcess allows businesses to access their accounts 24 hours a day, seven days a week in a secure, online environment. Once you sign up, you can securely file, pay and view your IFTA account online wherever and whenever you want.

To file your IFTA quarterly tax return on **TAXcess**, enter the jurisdictions you travelled in, the fuel type used, total and taxable kilometres travelled and tax paid fuel purchased. Based on the data inputted, **TAXcess** will calculate the tax due or tax credit. The '*Filing a Return*' Help in **TAXcess** provides complete instructions on how to file the tax return online.

You can pay any tax owing by electronic, pre-authorized payment (PAD) in **TAXcess**. This allows you to file and pay IFTA through the **TAXcess** website in one continuous process.

Additionally, your IFTA licence can be viewed under the 'Letters' tab in **TAXcess**. Your IFTA licence is in PDF format and can be printed, e-mailed or saved to an electronic device. There is no need to contact our office for copies or a PDF format. You can also view your IFTA Statement of Account, cover page for IFTA tax returns and Web Notices (e-mails) sent and received.

To begin the sign up process, choose your language preference and then click '**Sign Up Now for TAXcess**' on the **TAXcess** home page at manitoba.ca/TAXcess.

2. For Periods Prior to IFTA 1st Quarter 2021 Tax Return

IFTA quarterly tax returns for earlier periods may be filed and paid online but it is not a requirement. However, we strongly urge you to file and pay these returns on **TAXcess**.

For these earlier periods, you can file your IFTA quarterly tax return in paper format. You are required to calculate your kilometres per litre ratio for your entire operation. For each IFTA member jurisdiction in which you travelled in during the quarter, record total and taxable kilometres travelled, fuel used based on the kilometre per litre (KPL) ratio, and tax paid fuel purchased. Calculate your tax liability or credit in each IFTA jurisdiction travelled and then net out the credits and liabilities to determine a single net payment or credit.

The IFTA quarterly tax return worksheet, instructions, IFTA fuel tax rate charts and quarterly newsletters are available on our website at www.gov.mb.ca/finance/taxation.

The paper IFTA quarterly tax return (**including the worksheet (page 2)**) must be completed and mailed or dropped off with payment (if applicable) to the Winnipeg office (address is on page 7 of this manual).

If you pay any IFTA taxes owing on **TAXcess** or you have a nil return (no fuel used or kilometres travelled during the reporting period), you can fax your completed tax return to 204-948-2087, e-mail to MBTax@gov.mb.ca or mail or drop it off at the Winnipeg office (address is on page 7 of this manual).

When is the IFTA Quarterly Tax Return Due?

The IFTA quarterly tax return and any tax, interest and penalties owing, are due by the last day of the month following the end of the quarter being reported, as follows:

<u>Reporting Quarter</u>	<u>Due Date</u>
January 1 st to March 31 st	April 30 th
April 1 st to June 30 th	July 31 st
July 1 st to September 30 th	October 31 st
October 1 st to December 31 st	January 31 st

If the due date falls on a weekend or public holiday, the due date is the next business day.

When is a Tax Return Considered to be Received?

A return filed and paid on **TAXcess** is considered to be received on the date the return is filed and the date the payment is made or scheduled for (future dated) in **TAXcess**.

For periods prior to the 1st quarter 2021 tax return, a hand-delivered tax return including full payment of any tax due will be deemed to be filed on the day it is received by an employee of the Winnipeg or Westman offices (see addresses on page 7 of this manual). A faxed tax return is considered to be received on the date stamp on the top of the faxed tax return. An e-mailed return is considered to be received on the date the e-mail is received in the recipient's Inbox.

Is a Quarterly Tax Return Due Even When There Were No Taxable Operations?

Yes. You must file an IFTA quarterly tax return on **TAXcess** by the due date even if no fuel was used or kilometres travelled during the reporting period.

What is the Penalty For Filing Late?

An IFTA quarterly tax return that is filed after the due date or without full payment of taxes owing is considered late. A penalty of 10% of the total tax due on the tax return

will be applied if the total tax due is greater than \$100.00. The penalty also applies to amounts payable resulting from an audit.

Jurisdictional or IFTA interest will be calculated monthly on the outstanding balance in accordance with the IFTA Agreement. This interest is transmitted to the jurisdictions in which you travelled during the reporting period.

Manitoba system interest will also be calculated in the month following the filing of a tax return if all monies owing has not been paid. This interest will continue to accrue until monies owing are paid. This interest is calculated in accordance with the *Tax Administration and Miscellaneous Taxes Act*. This interest is not transmitted to other jurisdictions.

As the penalty is not distributed to other jurisdictions, the base jurisdiction may waive the application of the penalty for good cause. A licensee may appeal the imposition of the 10% penalty.

A base jurisdiction may waive the IFTA interest assessed on taxes a licensee paid late when the licensee can show that the tax return for those taxes was filed late due to misinformation provided by the base jurisdiction. In these circumstances, only the IFTA interest due on the base jurisdiction's own taxes may be waived.

Please note that you may be required to post a bond if you fail to submit the IFTA quarterly tax returns and any monies owing on a timely basis.

How Does a Licensee Get IFTA Quarterly Tax Returns?

Once you are signed up for **TAXcess**, you will receive an e-mail reminder before the date the tax return is due to file your IFTA quarterly tax return online. In the e-mail, there is a link to the current quarterly IFTA newsletter. Please read the newsletter for important information about IFTA.

Delinquent IFTA tax returns are listed in **TAXcess**. Please complete these tax returns and file with payment (if applicable) as soon as possible to avoid additional penalty and interest. Delinquent tax returns are assigned to our Collections area for follow-up.

How Do I Receive a Refund of Overpaid Taxes?

Each base jurisdiction allows credits and issues refunds to its licensees on behalf of all IFTA jurisdictions. You can request a refund on your IFTA tax return for any overpayment of tax provided the refund amount is greater than \$10.00. A refund will be issued once we determine that there are no taxes owing (including audit assessments) or delinquent tax returns under IFTA and any of the tax statutes administered by Manitoba Finance. Taxes administered by us include retail sales tax (RST), health and post secondary education tax levy (HE Levy), corporation capital tax (CCT), fuel tax and tobacco tax. Please note that all refunds are subject to audit.

If the credit amount is less than \$10.00 or you do not request a refund of an amount

over \$10.00, the amount will carry over and be applied to subsequent taxes owing on your next IFTA tax return.

RECORDKEEPING REQUIREMENTS

It is the licensee's responsibility to maintain complete and accurate travel records for all vehicles registered under IFTA.

- **Records serve to substantiate the licensee's purchases of tax-exempt and tax-paid fuel.**

Under IFTA, it is assumed that any fuel that is obtained by a licensee is taxable, unless the licensee proves otherwise.

In addition, while a member of IFTA may or may not tax the retail or wholesale purchase of fuel by an interjurisdictional carrier, a licensee must provide proof and retain documentation of any credit it claims for taxes paid on fuel purchased at either wholesale or retail.

- **Records serve to verify what the licensee reports on its IFTA quarterly tax return.**

IFTA licensees are required to maintain records to substantiate the information reported on their IFTA quarterly tax returns.

- **Records are essential and protect the licensee when undergoing an IFTA audit.**

REMEMBER: If you do not maintain adequate records to support what you filed, Manitoba Finance may disallow your IFTA tax return(s) and claimed credits and assess tax payable (plus penalty and interest) as warranted.

Where Are IFTA Records to Be Maintained?

Operating records must be maintained in Manitoba or be made available in Manitoba for audit. If an auditor is required to travel to another jurisdiction to audit the records, the licensee will be responsible for all travel costs.

How Long Do IFTA Records Have To Be Kept?

IFTA records must be kept for four (4) years from the due date of the IFTA quarterly tax return to which they pertain or the date the tax return was filed, whichever is later. The licensee may extend this period by signing a waiver. It may also be extended by Manitoba Finance by making a request to examine the licensee's records. The limitation period does not apply if a tax return is not filed.

Who May Examine IFTA Records?

A licensee must make its IFTA records available on request to any member jurisdiction.

In What Form Can IFTA Records Be Kept?

IFTA records may be kept in the original paper form, on microfilm or microfiche, or on some other electronic or digital record storage system acceptable to Manitoba Finance.

If a licensee uses an electronic data-recording system (such as on-board recording devices or a satellite tracking system), the records produced by the system may be used as trip data to support the licensee's IFTA tax returns in addition to or in lieu of paper documents. These records meet IFTA criteria for accuracy, reliability and completeness.

Distance records produced wholly or partly by a vehicle-tracking system, including a system based on a global positioning system (GPS

What Kinds of Records Need to Be Maintained?

In general, an IFTA licensee must maintain the following records:

Fuel Records

Fuel records must be maintained for all fuel purchased, received and used by all vehicles licenced under IFTA. Separate totals must be compiled for each fuel type. Records for retail and bulk fuel purchases must be maintained separately.

A) Retail Fuel Purchases

Retail fuel purchases at truck stops, service stations or other dealers must be supported by a fuel receipt or invoice, a credit card receipt, automated vendor-generated invoice or transaction listing, or an electronic or digital record of the receipt or invoice.

Note that the original fuel receipt is not required. However, a receipt that shows evidence of erasures or other alteration will not be accepted for tax-paid credits unless you can demonstrate the receipt is valid.

Many key-lock and other fuel dispensing systems are computerized and instead of issuing paper receipts for individual sales, only furnish periodic printouts of your purchase transactions. These records are acceptable under IFTA to evidence your fuel purchases provided they contain the information outlined below.

In order for you to claim credit for tax paid on a purchase, the receipt must show that the tax was paid at the pump or directly to the taxing jurisdiction.

The receipts should identify the vehicle by plate number, unit number (including fleet number if applicable) or other licensee identifier to verify that the vehicle belongs to your fleet.

In addition, the receipt or invoice must include:

- Date of purchase.
- Seller's name and address.
- Quantity of fuel purchased.
- Fuel type.
- Price per litre or gallon or the total amount of the sale.
- Purchaser's name.

If the vehicle being fuelled is operated under a lease, the receipt may be in the name of either the lessee or lessor provided a legal connection can be made to the party reporting the fuel tax.

B) Bulk Fuel Records

If you have bulk fuel storage facilities, these purchases are to be accounted for separately from retail fuel purchases. Bulk fuel purchase and inventory records must be maintained to distinguish tax-paid fuel from non-tax-paid fuel and fuel placed in qualified versus non-qualified vehicles for all member jurisdictions. For withdrawals from bulk storage, records must be maintained to distinguish fuel placed in qualified vehicles from other uses. To claim a tax-paid credit on the tax return, you must retain receipts or invoices to support the claim (i.e. credit card receipts, automated vendor generated listings, microfilm or an electronic or digital record of the receipts or invoices).

If bulk fuel is delivered, your fuel records must contain the following information:

- Date of each receipt of fuel.
- Name and address of the person from whom the fuel was purchased or received.
- Quantity of fuel received.
- Fuel type received.
- Plate, unit or ID number of the vehicle or equipment into which the fuel was placed.

If you withdraw fuel from your bulk fuel storage, your fuel records must contain the following information:

- Date of withdrawal.
- Quantity of fuel withdrawn.
- Fuel type withdrawn.
- Plate, unit or ID number of the vehicle or equipment into which the fuel was placed.

Distance Records

Your distance accounting system **must** include kilometre data for each trip of every qualified motor vehicle and a monthly recap of this data for each fleet. Each 'trip sheet' (produced by a vehicle-tracking system) must contain the following information:

- Starting and ending dates of the trip.
- Trip origin and destination.
- Route of travel.
- Beginning and ending odometer reading for the trip.
- Total kilometres for the trip.
- Total kilometres by jurisdiction.
- Unit or vehicle ID number (and fleet number, if applicable).
- Licensee's name.

In order to claim credit for exempt operations, you must keep records to distinguish between taxable and non-taxable kilometres and fuel.

It is important to ensure that the kilometres recorded reflect the actual route a qualified IFTA vehicle travelled.

TAX PAYMENTS / REFUNDS TO OTHER IFTA JURISDICTIONS

Satisfying fuel tax obligations under the IFTA Agreement is easy for licensees. An IFTA licensee makes a single net payment or claims a single refund from its base jurisdiction. The filing of the IFTA quarterly tax return with payment, if applicable, satisfies IFTA fuel use tax liabilities to all the IFTA member jurisdictions. The base jurisdiction allocates the credits and debits to the other member jurisdictions on your behalf.

Monthly, each IFTA jurisdiction nets out the liabilities and the credits its licensees have reported during that month with respect to each IFTA jurisdiction with travel. Funds due or credits owing are also reported to each jurisdiction with travel. A request for payment or a payment is made to each jurisdiction with travel.

APPEALS PROCEDURES

The IFTA Agreement provides that an IFTA licensee or an applicant for an IFTA licence may appeal any action or audit finding by any member jurisdiction. However, a licensee with an issue under IFTA should always attempt to settle it informally before entering the formal appeals process.

If you have an objection to any IFTA action or finding, please contact the Winnipeg office (see page 7 of this manual for contact information). Formal appeals procedures will be provided to you at that time if required.

ENFORCEMENT PROVISIONS

IFTA places many responsibilities upon its licensees and the jurisdictions that are members of the Agreement. The primary duties of an IFTA licensee are to file accurate IFTA quarterly tax returns and to pay the correct amount of tax due on a timely basis.

An IFTA audit is the primary means of enforcing a licensee's responsibilities, the collection of unpaid taxes and the imposition of penalties for infractions of IFTA requirements.

What Enforcement Powers Does a Jurisdiction Have Under IFTA?

In summary, an IFTA member jurisdiction has the authority to:

- enforce IFTA licencing and credential requirements through highway inspections of a licensee's vehicle(s).
- deny registration or renewal under IFTA if the licensee has delinquent tax returns or monies owing under IFTA or other tax statutes administered by Manitoba Finance.
- enforce IFTA filing and payment requirements through an audit of a licensee's records or through collection procedures.
- issue and enforce an assessment when a licensee fails or refuses to produce records for audit.
- collect overdue taxes through collections procedures allowed under the *Tax Administration and Miscellaneous Taxes Act*.
- deny refunds for non-payment of IFTA taxes.
- impose monetary penalties for failure to file IFTA quarterly tax returns, filing IFTA quarterly tax returns late and underpayment of IFTA taxes due.
- revoke a licensee's IFTA licence for failure or refusal to comply with IFTA requirements and/or the requirements of all tax statutes administered by Manitoba Finance.

Highway Enforcement

All IFTA jurisdictions have the authority to inspect qualified motor vehicles operating on their roads to determine if the carrier is properly licenced under IFTA and if the vehicle has the proper IFTA credentials.

IFTA specifies that a vehicle that is not carrying an electronic or paper copy of an IFTA licence and/or is not displaying IFTA decals or a Temporary Decal Permit will not be considered to be operating under the IFTA Agreement and the vehicle's operator will be

subject to citation and required to purchase a One Move (Single Trip) Fuel Tax Permit.

Assessment

An IFTA licensee may be subject to a tax assessment if one of the following scenarios occurs:

- A licensee fails to make records available to its base jurisdiction within 30 days of a written request to do so.
- A licensee fails to maintain records to substantiate its tax liability under IFTA.
- A licensee fails or refuses to file a timely IFTA quarterly tax return.
- A licensee fails to pay his/her tax liability on a timely basis.

In the above cases, the base jurisdiction may determine the licensee's tax liability for each IFTA jurisdiction. The assessment (which will include applicable penalty and interest) will be based on the best information available to the base jurisdiction. If not refuted by the licensee, this assessment will become final and may be collected by the jurisdiction in the same manner as any other delinquent liability.

Collections Procedures

The collection of taxes, penalty, and interest owed by an IFTA licensee to any member jurisdiction is the responsibility of the licensee's base jurisdiction. The base jurisdiction may use its own collections procedures allowed under its legislation to collect IFTA liabilities more than 30 days delinquent.

Licence Cancellation, Revocation and Reinstatement

IFTA allows a base jurisdiction to cancel a licensee's IFTA credentials at the request of the licensee or on its own initiative. A licensee's IFTA credentials may be revoked for failure to comply with the requirements of the IFTA Agreement.

To cancel your IFTA licence in **TAXcess**, click 'Cancel IFTA Licence'. You will be required to enter an effective date of cancellation. You may also submit a written request by e-mail or mail for cancellation to our Winnipeg office (see page 7 of this manual for contact information).

We will accept your cancellation request if all IFTA tax returns have been filed and all IFTA liabilities are paid. Decals must be removed from all vehicles operating under IFTA and your IFTA licence and any unused decals must be returned to the Winnipeg office. We notify all member jurisdictions when a licence has been cancelled.

IFTA credentials may be revoked by Manitoba Finance for any failure to comply with the provisions of the IFTA Agreement, such as:

- Failure to file IFTA quarterly tax returns.
- Failure to remit all IFTA taxes due.
- Failure to pay penalty and interest due.
- Failure to pay an audit assessment within a time frame specified by Manitoba Finance.

We will work with the licensee to resolve the issue(s) that may lead to revocation of the IFTA credentials. If the issue(s) cannot be resolved, a warning letter will be sent to the licensee before revocation of his/her IFTA credentials. Once the IFTA credentials are revoked, the IFTA account is closed. Decals must be removed from all vehicles operating under IFTA and the IFTA licence (and all copies) and any unused decals must be returned to the Winnipeg office. All member jurisdictions will be notified within 10 days of the revocation.

Until the licence is reinstated, the carrier is required to purchase One Move (Single Trip) Fuel Tax Permits each time their vehicles enter an IFTA jurisdiction, including the return trip into Manitoba. Please note that a jurisdiction will not issue IFTA credentials to a carrier that has a previous IFTA licence still under revocation by another IFTA member jurisdiction.

A carrier whose IFTA credentials have been revoked may be reinstated once the issue(s) for which the initial action was taken has been resolved. In order for a revoked account to be reinstated, the carrier must reapply and pay the current IFTA licence and decal fees. In addition, a bond may be required. Within 10 days of the reinstatement, we notify all member jurisdictions.

A final audit may be conducted by any member jurisdiction upon cancellation or revocation of a licensee's IFTA licence. Records must be retained for a minimum of four (4) years from the date the final tax return is submitted.

AUDITS

Every IFTA licensee is subject to audit. Manitoba audits our licensees on behalf of all member jurisdictions. Another IFTA jurisdiction may also audit a Manitoba licensee. In some cases, a joint audit may be performed by two or more IFTA jurisdictions.

Audit emphasis is on the evaluation of the licensee's distance accounting system as distance allocation by jurisdiction is the basis for determining the licensee's fuel consumption and tax obligation for each jurisdiction.

How Do I Know When I Will Be Audited?

A representative from Manitoba Finance will contact you if you are selected for an audit. The auditor will follow up with a confirmation letter at least 30 days prior to the audit.

The 30 days' notice may be waived if you are ready for your audit in less than 30 days and you and the auditor agree on a suitable date for audit fieldwork to commence.

What Information Do I Need to Provide to the Auditor?

During the initial contact, the auditor will advise you of the records that will be audited. These records include driver logbooks, trip sheets (produced by a vehicle-tracking system), MPI registration certificates and cab cards, fuel purchase receipts and /or commercial credit card or card lock statements, maintenance records showing odometer readings and records to support any withdrawals and purchases from a bulk storage facility, including fuel reconciliations. Your records must be maintained or be made available in Manitoba.

Also, almost as important as the above, is a **summary page** to show the calculations supporting each IFTA quarterly tax return filed. For smaller licensees, this could be a listing of fuel receipts per jurisdiction and a listing of trips going outside the province specifically showing the allocation amongst the jurisdictions per trip (by odometer readings or estimation). If you are estimating the kilometres per jurisdiction, please indicate how the estimate is determined (i.e. maps, internet, distance software, general knowledge of area).

You will also receive a pre-audit questionnaire to complete. You are required to return the questionnaire to the auditor at least 10 days prior to the scheduled audit date. Once the auditor determines the sample to be reviewed, you can pull the necessary records.

We ask that all records be ready for review upon commencement of the audit fieldwork.

How Long is the Audit Period?

Generally, Manitoba Finance conducts an audit for a three (3) year period. However, the audit may be extended to a four (4) year period or shortened depending on the licensee's situation.

If a licensee fails to provide records for an audit, the audit period is extended from the date the request was made until the records are provided.

How Long Does an Audit Take?

Time to complete the audit is dependent on the size and complexity of the licensee's operation, as well as the condition of the licensee's records. Well organized records will shorten the audit completion time.

How Do I Find Out the Results of the Audit?

A closing conference is held in person or via telephone where the auditor discusses the net changes over the audit period and presents the net tax payable or refund. Until the

closing conference is held to discuss the results, the audit is not deemed to be completed. This conference may take place at the end of audit field work while the auditor is at the licensee's location if the audit is uncomplicated and the results are easily calculated.

If the Audit Results in a Refund, How Do I Receive My Refund?

A credit will be entered into your account and may be deducted from your next tax return or a cheque will be issued upon request (see 'How Do I Receive a Refund of Overpaid Taxes?' on page 13 for more information on refunds).

What Do I Do if I Disagree With the Audit Findings?

If you do not agree with our audit findings, you should discuss your reasons with the auditor and provide any facts or documentation supporting your position.

The audit findings will be considered final unless a written notification of disagreement is received within 30 days of the date of the final audit letter.

Once I Have Been Audited, Do I Need to Keep My Records That Have Been Audited?

The Agreement states that records need to be retained for four (4) years from the date the tax return was due and this period is extended until the audit is completed. Once the audit is completed and finalized and this requirement has passed, you are not required to keep these records for IFTA purposes. Please NOTE that this is the record retention requirement for IFTA only. Other government authorities, such as Canada Revenue Agency have other record retention requirements to support other tax claims. The recommended course of action is to contact all interested parties prior to record destruction.

OTHER INFORMATION

Mileage Tax

Some states have mileage tax that is outside the scope of the IFTA agreement. Please contact the applicable state for more information on calculating and reporting this tax.

Fuel Tax Trip Permits

On the IFTA quarterly tax return, all kilometres travelled under a Single Trip Permit (Fuel Tax Trip Permit) must be included in 'Total Kilometres' for the applicable jurisdiction. However, the kilometres travelled under a Single Trip Permit (Fuel Tax Trip Permit) are **not** included in 'Taxable Kilometres' for the applicable jurisdiction. Tax paid

fuel purchased while travelling under a Single Trip Permit (Fuel Tax Trip Permit) is included on the “OT (OTHER) line in ‘Tax Paid Litres’ for the applicable jurisdiction.

In Manitoba, One Move (Single Trip) Fuel Tax Permits are purchased from the Manitoba Infrastructure Permit Office. The fuel tax portion cost of a One Move (Single Trip) Permit is the greater of \$18 or 6¢ per kilometre travelled or to be travelled in Manitoba. There may be additional costs, depending on the load being transported into Manitoba.

Off-Road Travel / Idle Time (Manitoba)

Manitoba has no fuel tax exemption for off-road travel / idle time. However, some jurisdictions do. It is up to each licensee to find out which operations are exempt from taxation by each IFTA member jurisdiction. Please visit the IFTA, Inc. website at www.iftach.org and click on ‘Links’ for each jurisdiction’s contact information.

EXHIBITS

Exhibit 'A'

DEFINITIONS

Audit

A physical examination of the records and source documents supporting the licensee's IFTA quarterly tax returns.

Base Jurisdiction

The member jurisdiction where qualified motor vehicles are based for vehicle registration purposes (i.e. where the vehicle is plated and insured) and

- where the operational control and operational records of the licensee's qualified motor vehicles are maintained or can be made available, and
- where some travel is accrued by qualified motor vehicles within the fleet.

The IFTA Commissioners of two or more affected jurisdictions may allow a person to consolidate several fleets that would otherwise be based in two or more jurisdictions.

Cancellation

The withdrawal of a carrier's IFTA licence and privileges by either the licencing jurisdiction or the licensee.

Carrier

A person who owns or operates one or more motor vehicles used interprovincially or internationally for the commercial carriage of passengers or goods.

Fleet

One or more vehicles.

Fuel Tax Trip Permit

A temporary fuel tax trip permit issued by a jurisdiction on a trip-by-trip basis to allow a carrier to enter that jurisdiction without IFTA credentials. In Manitoba, the One Move (Single Trip) Fuel Tax Permit is available from the Manitoba Infrastructure Permits Office.

Gross Vehicle Weight

The weight of a vehicle, including the weight of passengers, cargo, fuel and accessories added to the vehicle after purchase.

IFTA Credentials

A licence and set of decals issued by a member jurisdiction to a carrier registered under the International Fuel Tax Agreement (IFTA).

Jurisdiction

A province or territory of Canada, a state of the United States of America, the District of Columbia, or a State of the United Mexican States.

Lessee

The party acquiring (i.e. renting or leasing) the use of equipment with or without a driver from another.

Lessor

The party granting the use of equipment with or without a driver to another.

Licensee

A person who holds a valid IFTA licence issued by the base jurisdiction.

Member Jurisdiction

A jurisdiction that is a member of the International Fuel Tax Agreement (IFTA).

Motor Fuels

All fuels placed in the supply tank of qualified motor vehicles.

Qualified Motor Vehicle

A motor vehicle used, designed, or maintained for transportation of persons or property and:

- having two axles and a gross vehicle weight or registered gross vehicle weight exceeding 11,797 kilograms or 26,000 pounds (power unit only); or
- having three or more axles regardless of weight (power unit only); or
- if used in combination with a trailer, having a combined weight that exceeds 11,797 kilograms or 26,000 pounds (combination of power unit and trailing unit).

Does not include recreational vehicles.

Recreational Vehicle

Vehicles such as motor homes, pick-up trucks with attached campers and buses when used exclusively for personal pleasure by an individual. In order to qualify as a recreational vehicle, the vehicle shall not be used in connection with any business endeavour (i.e. not depreciated for income tax purposes).

Registered Gross Vehicle Weight

The maximum licenced weight capacity of a vehicle.

Reporting Period

A period of time consistent with the calendar quarterly periods of January 1 - March 31 (quarter 1), April 1 - June 30 (quarter 2), July 1 - September 30 (quarter 3), and October 1 - December 31 (quarter 4).

Revocation

The withdrawal of a carrier's IFTA licence and privileges by the licencing jurisdiction.

Tax Rate

This is the fuel use tax rate per litre, including any fuel use surtax, prevailing in the jurisdiction during the **quarter** being reported and for the **fuel** type being reported.

Temporary Decal Permit

A permit issued by the base jurisdiction to be carried in a qualified motor vehicle in lieu of display of the permanent annual decals. A temporary decal permit is valid for a period of 30 days to allow the carrier adequate time to affix the permanent annual decals to the vehicle.

Weight

The maximum weight of the loaded vehicle or combination of vehicles during the registration period.

Exhibit 'B'

CONVERSION TABLE

1 US Gallon	=	3.785 Litres
1 Litre	=	0.2642 U.S. Gallons
1 Mile	=	1.6093 Kilometres
1 Kilometre	=	0.62137 Miles