

International Fuel Tax Agreement (IFTA)

CARRIER INSTRUCTION MANUAL

April 2011

Manitoba 

Table of Contents

Introduction	3
IFTA MEMBER JURISDICTIONS	4
Licensee Responsibilities	4
Base Jurisdiction Responsibilities	5
The Licencing Process	5
Who is Required to Licence Under IFTA?	6
What is a Qualified Motor Vehicle?	6
Who is NOT Required to Licence Under IFTA?	6
What About Multiple Fleets?	7
How Does a Carrier Become Licenced Under IFTA?	7
What Happens After the Application is Submitted?	8
What Does a Carrier Do With Its IFTA Licence and Decals?	8
When Can a Licensee Begin Using Its IFTA Credentials?	9
How Does a Licensee Add a Vehicle to its Fleet?	9
How Are IFTA Credentials Renewed?	9
Where Can I Purchase Single Trip Permits (One Move Permits)?	10
Reporting Operations Under IFTA	10
When is the IFTA Quarterly Tax Return Due?	11
Are Postmarks Honoured for IFTA Tax Return Filing?	11
Is a Quarterly Tax Return Due Even When There Were No Taxable Operations?	11
What is the Penalty For Filing Late?	11
How Does a Licensee Get IFTA Quarterly Tax Returns?	12
Are Computer-Generated Tax Returns Reports Acceptable?	12
How Do I Receive a Refund of Overpaid Taxes?	13
Recordkeeping Requirements	13
Where Are IFTA Records to Be Maintained?	13
How Long Do IFTA Records Have To Be Kept?	14
Who May Examine IFTA Records?	14
In What Form Can IFTA Records Be Kept?	14
What Kinds of Records Need to Be Maintained?	14
Fuel Records	14
Distance Records	16
Tax Payments / REFUNDS TO OTHER IFTA JURISDICTIONS	16
Appeals Procedures	16
Enforcement Provisions	17
What Enforcement Powers Does a Jurisdiction Have Under IFTA?	17

Highway Enforcement _____	17
Assessment _____	18
Collections Procedures _____	18
Licence Cancellation, Revocation and Reinstatement _____	18
AUDITS _____	19
How Do I Know When I Will Be Audited? _____	20
What Information Do I Need to Provide to the Auditor? _____	20
How Long is the Audit Period? _____	20
How Long Does an Audit Take? _____	20
How Do I Find Out the Results of the Audit? _____	21
If the Audit Results in a Refund, How Do I Receive My Refund? _____	21
What Do I Do if I Disagree With the Audit Findings? _____	21
Once I Have Been Audited, Do I Need to Keep My Records That Have Been Audited? _____	21
Other Information _____	21
Mileage Tax _____	21
Fuel Trip Permits _____	21
Off-Road Travel / Idle Time (Manitoba) _____	22
EXHIBITS _____	23
Exhibit "A" _____	23
DEFINITIONS _____	23
Exhibit "B" _____	26
CONVERSION TABLE _____	26

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 were 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 23. If you have any questions about IFTA after reading this manual, please call Manitoba Finance -Taxation Division 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 the cab of each vehicle operating under IFTA.
- affix a set of IFTA decals to each vehicle operating under IFTA.
- file IFTA Quarterly Tax Returns with your base jurisdiction in a timely manner.
- pay 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 our licensees with information to enable them to comply with IFTA requirements.
- distribute IFTA Quarterly Tax Returns to our licensees.
- accept and process IFTA Quarterly Tax Returns and payments from our licensees and distribute the payments to the other IFTA member jurisdictions in a timely manner.
- maintain records of IFTA licensees' accounts.
- issue requested refunds to licensees.
- audit our 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 pick up 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 Single Trip Permits (One Move 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 which 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 Taxation Division 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 chose 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 a \$65 annual licencing fee 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 Taxation Division 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 one of the Taxation Division offices listed below.

Winnipeg Office Manitoba Finance Taxation Division

101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone 204-945-6444
Manitoba Toll Free 1-800-564-9789
Office Hours 8:00 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 Taxation Division

314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Office Hours 12:00 noon - 4:00 p.m.

Note: Make cheque payable to the "Minister of Finance"

Note: The above contact information for the **Winnipeg Taxation Division office** applies to all your IFTA needs - licencing, tax return filing, 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 Taxation Division. 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.

Please note that Taxation Division cannot issue a licence to a carrier who has previously had an IFTA licence from another jurisdiction revoked and not reinstated.

A carrier whose licence application is denied may file a written appeal with the Winnipeg Taxation Division 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 fuel tax licencing or identification requirements with respect to motor fuel use taxes.

You must keep the original licence in a safe place and make photocopies of the licence to carry in each cab of your qualified motor vehicles.

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 Single Trip Permit (One Move 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 December 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, but you must continue to display the previous year's IFTA credentials during this grace period until current year credentials are displayed on your vehicles.

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 Taxation Division 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 your IFTA account is up to date, you do not owe any taxes or have delinquent tax returns for any tax statutes administered by us and payment is received for the decals.

If you require IFTA decals immediately and cannot get to an office to obtain them, you can receive a 30-day Temporary Decal Permit. Please call the Winnipeg Taxation Division office at 204-945-3194 or Manitoba Toll Free 1-800-564-9789 to obtain a Temporary Decal Permit. Once we determine that your IFTA account is up to date, you do not owe any taxes or have any delinquent tax returns for any tax statutes administered by us, you will be faxed 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 Taxation Division office.

The Temporary Decal Permit must be carried in the vehicle named on the permit, along with a 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 Single Trip Permit (One Move 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 be sent 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 Taxation Division office before the end of February of the next year. Failure to do so will result in automatic closure of your IFTA account. Your account will only be re-activated if you submit your renewal form with payment. Copies of your renewal form can be obtained by calling the Taxation Division Winnipeg office at 204-945-5603 or Manitoba Toll Free 1-800-564-9789.

If you reported zero or Manitoba miles only for the past four (4) 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 our IFTA Administrator at 204-945-3194 or Manitoba Toll Free 1-800-564-9789. 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, interest and penalties due, have not had your IFTA licence cancelled or revoked and you do not owe any taxes or have any delinquent tax returns for any tax statutes administered by us. 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 Single Trip Permits (One Move Permits)?

Manitoba Single Trip Permits (One Move Permits) can be purchased by telephone from the Permit Office at 204-945-3961 or Manitoba Toll Free 1-877-812-0009 or through the Automated Routing and Permitting System (ARPS). The Permit Office is open Monday to Friday, 7:30 a.m. to 6:00 p.m. The fuel tax portion cost of a Single Trip Permit (One Move 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.

REPORTING OPERATIONS UNDER IFTA

Under IFTA, the IFTA 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 Quarterly Tax Return to the base jurisdiction along with the payment of taxes due to the IFTA member jurisdictions discharges the licensee's responsibility for the filing of fuel use tax reports and the payment of fuel use taxes to IFTA member provinces and states.

In general, the IFTA Quarterly Tax Return requires you to calculate your kilometres per litre ratio for your entire operation. For each IFTA member jurisdiction in which you travelled in during the quarter, you record kilometres travelled, fuel used based on the kilometre per litre (KPL) ratio, and tax-paid fuel purchased. You calculate your tax liability or credit in each IFTA jurisdiction travelled and then net out credits and liabilities to determine a single net payment or credit. The IFTA Quarterly Tax Return package consists of a summary (voucher) page, worksheet, instructions, IFTA Fuel Tax Rate Chart and a quarterly newsletter. The worksheet, instructions and the fuel tax rate charts are also available on our website at www.gov.mb.ca/finance/taxation.

The IFTA Quarterly Tax Return (**including the worksheet (page 2)**) must be completed and mailed with payment (if applicable) to the Winnipeg Taxation Division office. A pre-addressed return envelope is included in each package.

Alternatively, you may pay any IFTA taxes owing on **TAXcess**, convenient online access to your business tax accounts or through your financial institution's online bill payment process. If you pay on **TAXcess** or through your financial institution's online bill payment process 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 or mail it in the pre-addressed return envelope provided.

When is the IFTA Quarterly Tax Return Due?

The IFTA Quarterly Tax Returns 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.

Are Postmarks Honoured for IFTA Tax Return Filing?

Yes. To avoid a late-filing penalty, the IFTA Quarterly Tax Return including full payment of any tax due must be postmarked no later than midnight on the due date. Postmarks of Canada Post or a delivery service cancellation mark on the envelope containing the tax return are acceptable, provided the envelope is properly addressed. 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 Taxation Division 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.

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

Yes. You must file an IFTA Quarterly Tax Return by the due date even if no fuel was used or kilometres travelled during the reporting period. In this case, you can fax the completed tax return to 204-948-2087 or mail it in the pre-addressed return envelope provided.

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 found to be due as a result of an audit. You will receive a notice when a penalty has been applied to your account.

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 have 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 due on taxes a licensee paid late when the licensee can show that the tax return for those taxes was filed late through misinformation given to the licensee by the base jurisdiction itself. Even in these circumstances however, 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?

We will provide IFTA Quarterly Tax Returns to all our IFTA licensees before the date the tax return is due. The IFTA Quarterly Tax Return package consists of a summary (voucher) page, worksheet, instructions, IFTA Fuel Tax Rate Chart and a quarterly newsletter. If you do not receive a tax return package, please contact the Winnipeg Taxation Division office for a copy. The worksheet, instructions and the fuel tax rate charts are also available on our website at www.gov.mb.ca/finance/taxation. It remains your responsibility to file a tax return and pay the tax by the due date.

A separate tax return does not need to be completed for each fuel type used. All travel, including the use of different fuel types, is completed on the worksheet (page 2 of the tax return). The summary of all travel by fuel type (KPL) is captured on the summary (voucher) page (page 1 of the tax return).

The fuel tax rates in Canadian dollars for diesel, gasoline, gasohol and propane for all IFTA jurisdictions are listed on the IFTA Fuel Tax Rate Chart. For a complete listing of fuel tax rates and footnotes (if applicable) for all IFTA jurisdictions, please visit the IFTA, Inc. website at www.iftach.org.

Delinquent IFTA tax returns are printed on page one (1) of the tax return. Please complete and file with payment (if applicable) these tax returns as soon as possible to avoid additional penalty and interest. Delinquent tax returns are assigned to our Collections area for follow-up.

Are Computer-Generated Tax Returns Reports Acceptable?

Computer generated tax returns are acceptable as long as they contain the information required on our IFTA Quarterly Tax Return and are in a format that can be processed by

us. If you wish to file a computer-generated report, please submit a sample to us for approval, prior to using your program to file a tax return.

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 Taxation Division. 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 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 offer proof 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 protect the licensee when undergoing an IFTA audit.**

REMEMBER: If you do not have records to support what you filed, Taxation Division may disallow your IFTA tax return(s) and claimed credits, and assess you whatever additional tax (plus penalty and interest) is warranted.

Where Are IFTA Records to Be Maintained?

Operating records must be maintained in Manitoba or be made available here for audit. If our auditors must go to another jurisdiction to audit your records, we will charge you travel expenses.

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 us 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 computerized record storage system acceptable to us.

In addition, if a licensee uses an electronic data-recording system, such as on-board recording devices or a satellite tracking system, the records produced by such a 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. Please see The IFTA Articles of Agreement, section P600, Electronic Data Recording Systems, for more information.

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 evidenced by a fuel receipt or invoice, a credit card receipt, automated vendor-generated invoice or transaction listing, or a microfilm/microfiche 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 now wholly 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 data outlined on page 13 of this manual.

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 so as 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 or copies or microfilm of the receipts or invoices).

If bulk fuel is delivered to you, 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 or 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 or 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” (or other similar record including those produced by electronic data recording systems) 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.

No matter what system of distance-accounting a licensee uses, **it is important to ensure that the kilometres recorded reflect the actual route a 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 by one cheque to or claims a single refund from its base jurisdiction. The filing of the IFTA Quarterly Tax Return with payment, if applicable, satisfies 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 Transmittal Report is sent with a cheque or request for payment to each jurisdiction with travel. The report also summarizes the information provided by each licensee on the IFTA Quarterly Tax Return.

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 Taxation Division office at the address shown on page 7 of this manual. 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.

The 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 Taxation Division.
- 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 an IFTA Quarterly Tax Return, filing an IFTA Quarterly Tax Return late and underpayment of IFTA taxes due.
- revoke a licensee's IFTA licence for failure or refusal to comply with IFTA requirements or the requirements of all tax statutes administered by Taxation Division.

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 a 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 Single Trip Permit (One Move 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 and 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 credentials, the cancellation box on the IFTA Quarterly Tax Return can be checked and the effective date of the cancellation noted. You may also submit a written request for cancellation to our Winnipeg Taxation Division office (address on page 7 of this manual).

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 all copies) and any unused decals must be returned to

the Winnipeg Taxation Division office. We notify all member jurisdictions when a licence has been cancelled.

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

- Failure to file an IFTA Quarterly Tax Return.
- 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 Taxation Division.

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 Taxation Division office. Within 10 days of the revocation, we notify all member jurisdictions.

Until the licence is reinstated, the carrier is required to purchase Single Trip Permits (One Move 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 which 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. 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?

You will be contacted by phone by an IFTA auditor. The auditor will follow up the phone call with a confirmation letter at least 30 days prior to the audit. The 30 days notice may be waived if you are able to be ready for your audit in less than 30 days and an agreeable day for audit fieldwork to commence is scheduled.

What Information Do I Need to Provide to the Auditor?

During the initial phone call, the auditor will advise you of the records that will be audited. These records include driver log books, trip sheets, 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.

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.

Once the auditor and the licensee agree to the sample to be reviewed, the required records can then be provided. However, we ask that all records be ready for presentation.

How Long is the Audit Period?

Generally, we audit for a three (3) year period. However the audit may be extended to a four (4) year period if considered necessary or the audit period may be shorter 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 end result of an amount owing or refundable to the licensee. 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 sent to you if requested (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 retention is 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 requirements 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 Trip Permits

Distances travelled under a Single Trip Permit (One Move Permit) must be included in

column 8, Total Kilometres Travelled on your IFTA Quarterly Tax Return for the applicable jurisdiction. However, the kilometres would not be included in column 9, Taxable Kilometres Travelled for that jurisdiction. Tax-paid fuel purchased while travelling under a Single Trip Permit (One Move Permit) would also be included in column 11, Tax Paid Litres Purchased, for the appropriate jurisdiction.

Off-Road Travel / Idle Time (Manitoba)

Manitoba has no fuel tax exemption for off-road travel / idle time. However some jurisdictions do. IFTA provides that 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 on the left side of the page for contact information for each jurisdiction.

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.

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 which 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 licence and privileges by the licencing jurisdiction.

Single Trip Permit (One Move 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 Single Trip

Permit (One Move Permit) is available from the Manitoba Permits Office.

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