

2.16 Gasoline Tax

The Tax Administration Branch of the Department of Finance is responsible for administering the Gasoline Tax program as stipulated in the *Gasoline Tax Act*. Taxes are charged and collected on all gasoline at a rate ranging from 0.7 to 16.5 cents per litre, depending on the grade of fuel used. In the *Act*, gasoline is defined as any and all liquids capable of being used for the purpose of generating power in an internal combustion engine.

The Gasoline Tax program applies to wholesalers, retailers and consumers. Therefore, the Department is required to identify, monitor and audit each group to ensure that there is compliance with the *Gasoline Tax Act* and *Regulations*. We found weaknesses in how the Department performs its identification, monitoring and audit activities.

Wholesalers

We found that the Department does not always review monthly generic returns submitted by wholesalers and does not follow up on issues on a timely basis. Furthermore, the Department has only conducted one audit on 2 of the 16 wholesalers over the last five years.

Retailers

The Department does not do a good job in identifying unregistered retailers, and monitoring and auditing retailers. In particular we found:

- In 2001, the Department conducted its only review of retailer registration and identified 197 unregistered retailers. Before this, the Department had only identified 100 registered retailers. The Department has not conducted a review of retailers and their registration since 2001 to identify unregistered retailers.
- The Department does not follow up on issues identified in monthly exemption reports.

- The Department does not regularly perform audits on retailers as evidenced by the fact that only one audit on 9 of the 212 retailers registered to sell marked diesel in the Province was performed in the past five years.

Consumers

Some consumers are using tax-exempt diesel fuel for purposes other than provided for under the *Act*. The Department does not regularly perform audits of consumers as evidenced by the fact that only 71 audits were performed in the last five years. Thirty-four of these audits resulted in tax assessments ranging from \$471 to \$102,386, with total tax assessed of \$578,870. Therefore, the audits show that consumers are using tax-exempt diesel fuel for purposes other than provided for under the *Act* and significant tax recoveries are available.

Reporting

The Department has not done a good job in documenting its program objectives and performance indicators. Furthermore, the Department does not have an annual operational plan to focus its identification, monitoring and audit activities towards meeting its objectives.

2.17 Tax Expenditures

Programs offered by the Province are normally outlined in the Estimates and approved by the Members of the House of Assembly as part of the annual budgetary approval process. However, the Province offers a number of programs which use various tax revenues that are not part of this annual budgetary approval process. These deductions and exclusions reduce tax revenue otherwise due the Province and are commonly referred to as tax expenditures.

The Province offers a significant number of tax expenditure programs; however, details of the impact of the various tax expenditure programs are not provided to Members of the House of Assembly as part of the annual budget approval process. We identified approximately \$215.5 million of foregone revenue resulting from these tax expenditure programs. Tax expenditures