



## Tax Refunds

### Bad Debts and Lost, Destroyed, Stolen or Contaminated Product

- This bulletin outlines the requirements for Collectors, Non Collectors, Wholesalers, Importers and Retailers for claiming refunds of tax with respect to bad debts and lost, destroyed, stolen or contaminated product under the *Gasoline Tax Act* (GTA) and the *Fuel Tax Act* (FTA).
- This bulletin replaces the previous version which was issued August 1999.
- This bulletin provides general information. It is not exhaustive and should not be considered as a substitute for the *Fuel Tax Act* and *Gasoline Tax Act* and its regulations.

#### Eligibility – Collectors, Wholesalers, Importers, Retailers

Applicants are eligible to apply for a refund of tax that has been remitted or paid on a product that has been:

- sold and all or part of the sale price has not been paid and has become an uncollectible debt, or
- lost, destroyed, stolen or contaminated and cannot be sold or used.
- and, is within the four year limitation period. See [chart](#) on page 4.

No refund is allowed as an uncollectible debt that:

- has any portion of the sale price of the taxable product (to which bad debt relates) assigned by private contract to a person other than the Minister. The exception being, where a portion of the sale price has been assigned for security purposes;
- occurred between a refund claimant and a debtor who were not dealing at arm's length within the meaning of section 251 of the *Income Tax Act* (Canada) at the time of the sale of the taxable product to which bad debt relates.

No refund is allowed if the refund applicant:

- did not hold a valid licence with respect to the handling of the fuel or gasoline at the time of sale or loss, destruction, theft or contamination of the taxable product.
- has already received a refund of the tax or is otherwise entitled under the Act or its regulations to receive or apply for a refund or an allowance in compensation for the tax; such as gasoline retailer's allowance. Please see [Tax Bulletin GT 1-2003 Gasoline Tax in Ontario](#) for more information regarding this allowance.

No refund is allowed if

- the Minister is not satisfied that:
  - I. the debt is uncollectible (in the case of a bad debt refund), or
  - II. the taxable product cannot be used or sold and
  - III. compensation relating to the amount of refund has not been received, or
- the refund application was not made within the designated four-year time limitation period. See [chart](#) on page 4.

## Determination of Refund Amount

**Bad debt:** (excluding receivership or bankruptcy debt) the refund amount will be equal to the tax portion of the uncollectible debt. Where a portion of the total sale price of the product has been paid, the tax refund is in proportion of the uncollectible debt to total sale price.

**Receivership or bankruptcy debt:** the refund amount will be equal to the portion of tax paid that the receivership or bankruptcy debt bears to the total sale price for the product.

**Product lost, destroyed, stolen or contaminated:** the refund amount will be equal to the tax paid on product identified in the claim.

## Requirements for Applicants who are Non-Collectors

**Bad Debt Refunds:** If the refund applicant is not a collector under the GTA or FTA , a refund application must be submitted together with all other information and documents that the Minister requires, including:

1. Copies of all invoices for sales claimed in the refund application.
2. Proof that the amount claimed was remitted or paid to the Minister by the applicant in accordance with the GTA and FTA directly or indirectly, through another supplier, to the Minister.
3. A signed statement by the applicant certifying:
  - the amount of the debt; and
  - that the applicant does not have any right to receive total or partial payment in satisfaction of the debt from any person other than the debtor or the debtor's representative.
4. Proof that all reasonable collection action has been taken to obtain payment of the debt and that the debt is unsecured, uncollectible and has been written off as uncollectible in accordance with generally accepted accounting principles.
5. If the debt is a receivership debt, a signed statement certifying that the applicant has filed a claim for the debt to which the refund relates with the debtor's receiver.
6. If the debt is a bankruptcy debt, a copy of the applicant's proof of claim in the bankruptcy. In addition, proof that the claim was not disallowed and that the applicant will not receive payment of the debt from the trustee in bankruptcy or other person.
7. If a bankruptcy debt or a receivership debt, an assignment to the Minister of the portion of the debt equal to the amount of the refund claimed.

## Bad Debt/Product Loss/Contamination

### Special Note for Claims

If your annual claim total is not more than \$500.00, you are not required to send the supporting documentation to the ministry with your refund application, however, you must retain the supporting documentation for a period of seven years and provide the information to the ministry upon request.

For annual claims over \$500.00, the refund application must be accompanied by the following supporting documentation:

1. Written confirmation from an insurance company is required in support of any claim for the product loss, with respect to which the refund is being claimed.
2. Acceptable proof that the tax amount claimed was remitted to your supplier or directly to the Minister (receipted purchase invoices as evidence of the payment of the tax and the date of payment).
3. A copy of any police report for a loss due to theft;
4. A copy of any fire marshal's report for a loss due to fire; and/or
5. Any other information that may be required by the Ministry of Revenue (ministry) to verify the loss, destruction, theft or contamination.

If the refund is for contaminated product, a copy of the incident report must be prepared by a Motor Fuels and Tobacco Tax Inspector.

A separate schedule must be completed for each incident showing the following:

- Enter the date of the loss
- Check the type of loss
- Indicate if you had a valid Technical Standards and Safety Authority (TSSA) Licence during the claim period.

## Requirements for Applicants who are Collectors

**Bad Debt or Product Loss/Contamination Refunds:** If the refund claimant is a collector, the following rules apply:

- An application for the refund must be delivered with the collector's monthly tax return.
- The collector may deduct the refund amount claimed from the amount that would otherwise be remitted to the Minister with the return. The deduction should be shown on the return under Adjustments and/or Tax Credits (line 14).
- The collector is not required to attach the supporting information and documentation to the refund application. However, this documentation must be retained by the collector for subsequent verification by the Minister.
- If all or part of the refund is disallowed, the Minister will issue and serve to the collector, a statement of disallowance. The collector is then required to remit, with the next tax return or at any earlier time, the amount of the refund disallowed, together with applicable interest, even if an objection or an appeal has been made.

## Repayment of Refund

Refunds must be returned if debts become collectible, even if the money is received after the four-year time limitation period.

If an applicant receives payment from the debtor or any other person for all or part of an uncollectible debt after a refund has been made, the claimant must reimburse the Minister for the portion of the payment relating to the tax applicable at the date of product sales.

## Application Forms

Eligible collectors and non-collectors must complete:

- An [Application for Refund Bad Debt \(BDT\)](#) for tax refund relating to bad debt under the FTA, or GTA.
- An [Application for Refund Loss of Product \(PRL\) / Overpayment of Tax](#) for tax refund relating to product loss/contamination under the FTA or GTA.

To access either application, visit [ontario.ca/revenue](http://ontario.ca/revenue) or contact the Ministry using the information [below](#).

## Time Limitation Period

All tax refunds listed below have a **four-year time limitation period**:

Type of Claim	Starting Date for four years
Non-bankruptcy bad debt	The last day of the applicant's fiscal year in which the debt was written off as an uncollectible account.
Bankruptcy or receivership	Date on which the claim was filed with trustee in bankruptcy or receiver
Loss, destruction, theft, or contamination	Date incident took place

## Additional Information

If this bulletin does not completely address your particular situation, refer to the Act and related regulations, visit our website at [ontario.ca/revenue](http://ontario.ca/revenue) or contact us:

Ministry of Revenue  
 Client Accounts and Services Branch  
 Motor Fuels and Tobacco Tax  
 33 King Street West  
 Oshawa, ON L1H 8H9

Tel.: 1 866 ONT-TAXS (1 866 668-8297)  
 Fax: 905 433-5680  
 Teletypewriter (TTY): 1 800 263-7776

The *Fuel Tax Act* and *Gasoline Tax Act* and Ontario's other public statutes and regulations may be obtained online at [ontario.ca/e-laws](http://ontario.ca/e-laws).

*Cette publication est disponible en français sous le titre « Remboursements de taxe Créances irrécouvrables et produit perdu, détruit, volé ou contaminé ». Vous pouvez en obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297) ou en visitant [ontario.ca/revenu](http://ontario.ca/revenu).*