TIP

Recovered Crude Oil (RCO) Tax on Purchase Dispositions (PURDISP)

Jurisdiction	Release/Revision Date	Location of Change in this Document	Comment
SK	September 17, 2019		Initial Release

Audience: All Saskatchewan Users

Purpose: To inform Industry that when a purchase disposition (PURDISP) is reported at an Injection Facility (IF), the Royalty Tax Payer (RTP) is currently not being assessed a recovered crude oil (RCO) tax. The Ministry of Energy and Resources is working on making the necessary system changes in order to assess the appropriate RCO tax.

Background: Effective as of the January 2019 production month, the Ministry of Energy and Resources (ER) introduced new reporting functionality (PURREC/PURDISP) in Petrinex that allows operators to report PURDISP from an IF. According to *The Recovered Crude Oil Tax Regulations, 2012,* delivery of oil from an IF is subject to RCO; however, ER has not yet made the necessary changes to its system to start charging this tax based on this new reporting functionality. Once the necessary changes to its system have been implemented ER will reassess any volumetric reporting of PURDISP at an IF facility to assess RCO tax. Any outstanding RCO tax will be charged retroactively back to the January 2019 production month where applicable.

There are currently two reporting options available for operators of an IF:

1) A PURDISP is reported at an IF enabling the RTP to submit an oil valuation record but no RCO tax assessment would occur until ER has implemented the necessary system changes. Once the system changes have been implemented, there will be a recalculation using the price submitted for the IF and the RCO tax will be assessed for all months reporting PURDISP.
2) A DISP is submitted at the IF and therefore no oil valuation submission is required. The RTP will be assessed RCO tax using an ER assigned price. Once ER has implemented the necessary system changes, operators of the IF will have the ability to amend their reporting to reflect PURDISP and submit an oil valuation record which would be used to recalculate the RCO tax. The RTP may have a credit or debit for some of the RCO tax as the RCO tax will calculate based on the new oil valuation record submitted.

Either of the two reporting options mentioned above are acceptable to ER; however, the RTP for an injection facility needs to be aware of the RCO tax implications based on each reporting option.

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TIP

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