

# SASKATCHEWAN PROVINCIAL SALES TAX RULINGS

MINISTRY OF FINANCE  
REVENUE DIVISION

March 2010

**Important Note:** This document contains some of the Provincial Sales Tax (PST) rulings and interpretations made by the Revenue Division of the Saskatchewan Ministry of Finance. This compilation is provided for your convenience and in the hope that these examples might assist you in understanding and applying the PST. However, these rulings are not legally binding and the PST legislation takes precedence in the event of a conflict. This document is subject to ongoing review and periodic updates will be made to incorporate Court decisions, changes in administrative policy or amendments to the governing legislation. Please contact the Revenue Division, PST Branch if you have any questions concerning this document or to obtain a written PST ruling applicable to your specific circumstances.

Citations noted under individual rulings refer to *The Provincial Sales Tax Act (Act)*, *The Provincial Sales Tax Regulations (Reg)* and *The Revenue and Financial Services Act (RFS Act)*

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# PST RULINGS

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## **1.0 TRAVELING EXHIBITS**

Traveling exhibits are typically displays or other such exhibits shown by art galleries, the Saskatchewan Science Centre, museums and the like. The fees paid to the owners of the exhibits are not taxable as the contract between the owner and an exhibitor of a traveling display is considered to be a payment for “right to use” the display and not a rental of tangible personal property.

## **2.0 ADVERTISING MATERIALS AND SERVICES *(updated April 2012)***

### **2.1(1) The Following Advertising Materials are Subject to Tax:**

- (a) sales catalogues, newspaper inserts, including flyers and price guides, etc.
- (b) advertising brochures, business cards, audio visual packages, multimedia presentations, public information notices (printed for distribution to the general public), etc.
- (c) display materials including neon signs, billboards, posters, etc.

### **(2) The Following Advertising Materials are Exempt from Tax:**

- (a) labels giving directions about a product it accompanies at the time of delivery;
- (b) price tags;
- (c) information bulletins produced for distribution to members of an organization, society, club, etc. and not to the general public.
- (d) TV Times when they are inserted into a newspaper (TV Times is considered a section of the newspaper).

## **2.2 Advertising Services**

Taxable advertising services include the charge to create or design a message whose purpose is to solicit business, attract donations or call public attention in the form of an information notice or a political announcement that appears in any medium where advertising occurs.

Taxable advertising services include:

- (a) The creation or design of an advertisement to be placed in the media.
- (b) Copy writing of scripts used in advertisements.
- (c) The creation of logos, negatives, design, layout and other preprint materials.
- (d) Web-site design.

The charge for preprint material, including the charge for layout and design is subject to tax, including the preparation of preprint material that relates to an exempt finished product.

Pre-print materials are considered to be direct agents and are; therefore, exempt when purchased by commercial printers and advertising companies when the pre-print materials are used to manufacture a finished product.

Exempt advertising services include:

- (a) The charge for placement of advertising in the media, including newspapers, magazines, periodicals, television, radio, billboards and the Internet;
- (b) Services provided by a person to that person's employer in the course of employment.

### **2.3 Advertising Agencies and Publishers**

The charge to create and design a message whose purpose is to solicit business, attract donations, call public attention in the form of an information notice, a political announcement and similar communications (an ad) where the message will appear in any medium in which advertising appears is subject to tax. The charge to place the ad in the media is exempt.

Therefore, an advertising agency is required to collect tax on the charge to create and design an ad. When the advertising agency creates an ad and also arranges for it to be placed in the media, the placement charge is exempt when segregated on the customer's invoice.

When an ad is created and placed in the media by a publisher, the publisher is required to segregate the charge for creation and design from the placement charges and collect tax on the charge to create and design the ad. However, in cases where the charge to create an ad is minimal, i.e. classified advertising in newspapers, real estate magazines, auto traders, etc., and the customer is invoiced a lump sum for creation and placement, the entire charge is exempt.

### **2.4 Trade Show Booths**

Tax does not apply to display booth materials brought into the province for a trade show when removed from the province at the end of the show.

Services provided to the exhibitors, such as advance receiving and material handling are not subject to tax.

Ref. Bulletin PST-67

Regs 3(1.2)

Regs 5(1)(q)

### **3.0 AIRCRAFT**

#### **3.1 New and Used Aircraft**

Tax applies to all Saskatchewan-based personal and business use aircraft except those registered under the *Aeronautics Act (Canada)* and used for commercial purposes to transport passengers or freight for a fee.

All repair parts, lubricants and repair labour consumed in Saskatchewan, used for taxable aircraft are taxable.

Fluid used to remove ice from aircraft before take-off is subject to tax as consumption occurs entirely within the province.

Note: Taxpayers are entitled to the \$300 exemption per item when purchasing used aircraft and used parts for personal use. The \$3,000 exemption for vehicles does not apply to aircraft.

#### **3.2 Exempt Aircraft**

Tax does not apply to aircraft registered under the *Aeronautics Act (Canada)* for commercial purposes to transport passengers or freight for a fee. This exemption is entirely dependent on the category of registration. Once registered in this category, an aircraft retains its exempt status regardless of subsequent use. The purchase of repair parts, lubricants and repair labour for exempt aircraft are also exempt.

Aircraft specially designed for farm spraying, along with repair parts, lubricants and repair labour for these aircraft are exempt of tax.

Aircraft specially equipped with geophysical survey or exploration equipment and used solely for mining exploration, along with repair parts, lubricants and repair labour for these aircraft are exempt of tax (see *The Mining Exploration and Geophysical Survey Equipment Remission Regulations*).

#### **3.3 Demonstrator Aircraft**

For the first twelve months of service, a dealer is not required to pay tax on new and used aircraft held in inventory for resale and used solely for demonstration purposes. A dealer who uses the aircraft for longer than twelve months is required to pay tax on the cost of the aircraft.

### 3.4 Settler's Effects

Aircraft brought into the province as settler's effects are exempt provided the aircraft is exclusively for personal use.

### 3.5 Non-Resident Aircraft

Tax applies to all non-resident business-use aircraft not registered under the *Aeronautics Act* (Canada) for commercial purposes to transport passengers or freight for a fee. All repair parts including lubricants and repair labour made to taxable aircraft while in Saskatchewan are taxable.

Tax is levied on 1/60 of the original cost per month or portion thereof that the aircraft operated in the province. The value of any specialized mounted equipment shall be included as part of the cost of the aircraft.

A previous Supreme Court ruling states that Canadian provinces have no taxing jurisdiction over airspace, unless the aircraft takes off and lands in the province. Therefore, consumption has taken place when the flight has both originated and terminated within Saskatchewan relating to a specific work assignment.

Ref. Act 8(1) (a.2) - Commercial aircraft

Bulletin PST-56 - Aircraft

## 4.0 VEHICLE BUY BACKS

A purchaser of a vehicle may qualify for a tax refund on Canadian Motor Vehicle Arbitration Plan (CAMVAP) awards. The award paid by the manufacturer represents a reduction from the original price (of the defective vehicle) as the consumer did not receive the full value for the money originally paid. Based on the arbitration amount, the Ministry of Finance will refund the tax to the consumer upon notification of the buy back amount.

The tax applies on the subsequent selling price of the vehicle.

Ref. Bulletin PST-18 - Motor Dealers/Leasing companies

## 5.0 SASKPOWER RECONSTRUCTION FEES

SaskPower reconstruction fees invoiced to customers on power billings are intended to finance capital improvements to real property and, therefore, are not subject to tax.



- Reg 5(1)(b) - Books
- Bulletin PST-9 - Books, Magazines and Periodicals

## **8.0 CAKE DECORATIONS**

Cake decorations sold with a cake are not subject to tax. However, cake decorations sold as separate items are subject to tax.

## **9.0 COMMUNITY AIRPORT TRANSFERS**

The “no cost” transfer of airport assets from the federal government to the municipal government is not subject to tax.

## **10.0 CHEMICALS**

**10.1 Sewage Treatment** — see Bulletin PST-41

### **10.2 Drinking Water Treatment**

All chemicals used as oxidizers, coagulants, or which become a component part of treated drinking water are tax exempt. This includes such chemicals as ferrous sulphate, lime, ferrous chloride, aluminum sulphate, sodium aluminate, potassium permanganate, chlorine, sodium silica, fluorine, aqua nuchar, copper sulphate, copper carbonate, soda ash, high test hypochlorite, calcium hypochlorine, lump alum, activated carbon, processed coal and nalcolyte. Filters purchased by municipalities for mechanical water treatment technologies, such as electro-dialysis reversal, reverse osmosis or nano-filtration are exempt. (See *The Water Treatment Filter Membranes Exemption Regulations*.)

## **11.0 CONTAINERS AND LABELS**

### **11.1 Returnable Containers**

Returnable containers are subject to tax whether a deposit is charged or not. Thus, the container is taxable in the hands of the wholesaler, distributor or manufacturer who retains ownership or title to the container. Returnable containers include beer bottles, milk bottles, soft drink bottles, drums, reels, shipping dividers, containers for videotapes and video equipment, and returnable containers shipped into or out of the province.

Returnable containers filled and used by the Saskatchewan owner time after time are taxable on cost.

A non-resident firm may ship products into Saskatchewan with returnable

containers; if the containers do not remain in Saskatchewan, tax is not payable on the containers.

### **11.2 Non-returnable Containers**

Tax does not apply to non-returnable containers sold with the product, such as wrapping materials, bags, twines, tapes, non-returnable shipping pallets (no deposit or charge), and clothing garment bags sold with clothing.

In instances where a vendor makes a separate charge for a non-returnable container, the charge forms part of the total consideration paid to acquire goods. Therefore, if the article sold is a taxable item, the tax applies to the total selling price, including the charge for the non-returnable container. If the article sold is non-taxable, the tax does not apply to the selling price including any charge for the non-returnable container. The tax does not apply to the purchase cost of non-returnable containers whether the customer is charged separately for the container or not.

Containers used in rendering a taxable or exempt service are subject to tax in the hands of the person providing the service. Paper products used by locker plants are included in this category.

Purchases of containers, labels, hangers, plastic covers, pins, tags and similar supplies provided to customers by launderers and dry cleaners are tax exempt.

### **11.3 Containers Used by the Restaurant Industry**

Exempt non-returnable containers and wrapping materials include straws, swizzle sticks, paper plates, paper cups for dispensing coffee, soft drinks and ice cream, plastic and wooden spoons, knives, boxes, paper butter dishes, paper liners for ice cream dishes. In addition, paper labels used only once and not returned are exempt. However, coffee mugs, jugs, and all other returnable containers are subject to tax. The tax also applies to paper napkins.

### **11.4 Materials used by the Packaging Industry (*updated June 2010*)**

The charge for packaging and shipping services is not subject to tax regardless of the tax status of the goods being packaged and/or shipped. Tax must be paid on the cost of materials used to provide the packaging and shipping services.

Packaging and shipping service companies that make incidental retail sales of

packaging materials must collect tax on the sales. The difference between the tax paid at the time of purchase and the tax collected must be reported on their return form.

If the packaging and shipping company has large volumes of retail sales, the company may be issued a vendor number and maintain a tax-exempt inventory. Tax must be collected on sales of packaging materials sold to their customers.

Ref. Bulletin PST-46 Service Enterprises

## **12.0 NON-RESIDENT CONSTRUCTION EQUIPMENT** – see Bulletin PST-38

### **12.1 Equipment which has Partial Tax Paid to another Jurisdiction**

See Ruling 13 for trucks, power units and trailers registered under reciprocal agreements.

Equipment that has tax paid in full on the depreciated value or has tax paid in full by installments will be considered as coming from a taxing jurisdiction. Equipment on which partial tax (e.g. 1/36) has been paid will be treated as entering from a non-taxing jurisdiction. Equipment on which a province accepts less than the full rate of tax will be treated as coming from a taxing jurisdiction (e.g. British Columbia accepts 50% of tax on certain equipment).

### **12.2 The Sale of Partially Tax Paid Construction Equipment and Vehicles**

The sale/purchase of construction equipment and vehicles that were previously owned by a non-resident who had only made partial tax payments on the equipment is subject to tax in full on the selling/purchase price. If this equipment is eligible for prorate, tax may be paid on the basis of 1/3 or 1/36 depending on whether the purchaser has paid the tax in full to another province on the used equipment purchased.

### **12.3 Vehicle and Equipment Rentals**

Rental vehicles brought into the province by a non-resident contractor on a temporary basis are subject to tax on the rental charge. Similarly, the rental of equipment, i.e. heavy machinery, tools, etc., is subject to tax on the rental charge. The tax will apply to vehicle and equipment rental charges whether or not the lessor is licensed.

Associated company rentals are taxed as follows:

- (1) Tax may be remitted by the lessee on the rental charge; or
- (2) The associated company (lessor) may become licensed and collect tax on the rental charge. These charges must be fair and reasonable and in accordance with normal industry standards.

#### **12.4 U.S.A. Contractors**

Contractors from the United States are allowed to use the 1/36 formula if a state sales tax has been paid in full. If a state sales tax has not been paid in full, the 1/3 formula applies.

#### **12.5 Tax Rate On Prorate Payments**

Tax on prorate payments is based on the current tax rate rather than the rate that was in effect at the time of original entry.

#### **12.6 Freight Charges On Partially Tax Paid Equipment**

Freight charges on equipment brought into Saskatchewan are subject to tax on all subsequent entries until the equipment is fully tax paid.

Ref.	Act 5(9)(9.1)(9.2) (5.1 to 5.8)	- Taxing of tangible personal property brought into the province by firms carrying on business in the province
	Act 29	- Security for payment of tax in certain cases
	Reg. 4(2)	- Carrying on business
	Reg. 7	- A permanent place of business in Saskatchewan
	Reg. 17.1, 17.3	- Prorating of tax on equipment
	Ruling 52.1	- Mobile capital equipment (oil industry)

Ruling 63.0	- Rentals
Bulletin PST-18	- Motor Dealers and Leasing Companies
Ruling 122.0	- Casual use of equipment for taxable purchases.

### **12.7 – Equipment Brought in From Harmonized Sales Tax (HST) Jurisdiction (Updated February 2012)**

HST is a Federal Sales Tax that replaces the provincial sales tax when a province decides to harmonize with the federal GST program. The date of harmonization will have an impact on how the temporary use formula is applied to equipment brought into Saskatchewan.

- Equipment, vehicles and tools purchased prior to the implementation date of the HST in the home jurisdiction will typically have the provincial tax paid in that jurisdiction. In these cases, a non-resident contractor will use either the depreciated value or temporary use formula of 1/36 when calculating the tax due for term use in Saskatchewan.
- Equipment, vehicles and tools purchased after the HST implementation date in the home jurisdiction are no longer provincial tax paid. In these cases, a non-resident contractor will use either the depreciated value or temporary use formula of 1/3 when calculating tax due for term use in Saskatchewan.
- Rental or leased equipment, vehicles and tools brought into the province by a non-resident contractor, continue to be subject to tax on the total rental or lease charge for the period of operation in the province. See Ruling 12.3

## **13.0 PRORATED VEHICLE TAX**

### **13.1 Overview**

Effective January 1, 1997, Saskatchewan introduced a Prorated Vehicle Tax (PVT) to replace the previous method of accounting for Provincial Sales Tax (PST) on vehicles, parts and repairs purchased by interjurisdictional carriers.

Under the PVT, carriers registering vehicles anywhere in North America and displaying Saskatchewan as a registered jurisdiction will pay the PVT at their vehicle registration office. Subsequently, carriers who present

their valid apportioned vehicle registration (cab card), may purchase or lease their interjurisdictional vehicles, trailers and most repair parts, exempt of PST in Saskatchewan.

### **13.2 Eligibility**

All vehicles registering inter-jurisdictionally are required to pay the PVT at the time of licensing.

### **13.3 Permanently Mounted Equipment - Non-Oil Industry**

Equipment permanently mounted to an inter-jurisdictional vehicle forms part of the registered unit and is therefore eligible for the PVT. The value of the equipment must be included in the taxable value of the unit for PVT purposes.

If equipment is permanently mounted to a trailer used with an inter-jurisdictional vehicle, and that equipment is not used to facilitate the transportation of goods, the equipment and trailer would not be eligible for the PVT. In such situations, tax would apply in accordance with section 5 of *The Provincial Sales Tax Act*.

Examples of such equipment include:

- mobile cranes
- mobile drilling rigs including water well and hard rock rigs
- pile driver units
- mobile radio and TV production facilities
- gravel crushers and asphalt or concrete batch plants
- site construction equipment, including generator sets, accommodation, shop or shower facilities
- well-site trailers

With respect to equipment permanently mounted on trailers, a cab card cannot be used to purchase tax free parts for the equipment or the trailer.

### **13.4 Permanently Mounted Equipment - Oil Industry**

Order in Council 1436/67 continues to apply on oil and gas mobile capital equipment however, in situations where PVT was paid, 60% of the tax will be refunded with the balance retained to cover the tax on repair parts and labour. The taxpayer can use their cab card to purchase repair parts and labour tax-free.

Should a firm feel that the amount retained is excessive, they should maintain and submit records for review which support a lower taxable

parts ratio.

### **13.5 Value**

One of the four elements used to calculate the amount of PVT payable is the taxable value of the truck. If the vehicle is purchased, the taxable value of the vehicle is the purchase price of the truck prior to the deduction of any trade-in allowance. Capitalized additions to power units will result in an increase in the taxable value of the vehicle. This also applies to units that are exempt under O/C 1436/67.

If the truck is leased, the taxable value of the vehicle is the greater of the purchase price of the vehicle as described in the lease agreement, or the fair market value at the start of the lease. Fair market value will be established by the registration authorities through the use of a default value table. A more precise method may be used by auditors to calculate the present value of lease payments.

### **13.6 Registration by Status Indians**

All vehicles, including units owned by status Indians, when registered inter-jurisdictionally are required to pay the PVT at the time of licensing. Upon proof of status and PVT payment, a refund of the lower bus tax rate may be made to the taxpayer. Only if the status Indian has registered a truck and trailer can a full refund be provided.

Ref. Act 5(9)(9.1)(9.2) (5.1 to 5.8)	-	Prorate tax
Reg 17.4-17.7	-	Property used for transportation
RFS Act 71	-	Agreements with other governments
Bulletin PST-50	-	Tax on Inter-jurisdictional Vehicles

## **14.0 CONTRACTORS AND SUB-CONTRACTORS**

### **14.1 Manufacturing Contractor (Refer to Bulletin PST-37)**

### **14.2 Federal Government Construction Contracts**

The contractor is the consumer and user of materials consumed in real property contracts and therefore, must pay the tax on all materials consumed in federal government contracts.

### **14.3 Contracts for Supply and Install on Indian Reserves**

Generally, a contractor is the consumer of all materials used in a supply and install contract on an Indian reserve. An exception to this rule occurs when the contractor specifically excludes the tax portion of the contract with an Indian band. In these cases, the contractor may apply for a refund the tax paid on materials. If the contractor hires sub-trades, a refund of the tax paid by the sub-trades will be made to the contractor upon receipt of proper documentation verifying payment of the tax.

Ref. Act 3(1)(c)	- "Consumer" defined
Act 3(1)(m)	- "User" defined
Act 5(1)	- Consumer to pay tax
Act 5(2)	- User to pay tax
Act 5(5)	- Consumer or user to pay tax on manufactured goods for own use
Act 5(6)	- Tax applies to a contractor or manufacturer's fabrication costs
Reg. 4(1)(a)	- "Contractor" defined re Act 5(6)
Reg. 4(1)(b)	- "Contract" defined re Act 5(6)
Reg. 4(1)(c)	- "Manufacturer" defined re Act 5(6)
Bulletin PST-12	- Contractors
Bulletin PST-38	- Non-resident Contractors
Ruling 37.4	- Supply and install contracts on reserves
Ruling 37.5	- Off-reserve contracts with Indians and Indian Bands
Ruling 37.10	- Designated lands

## **15.0 ENVIRONMENTAL HANDLING FEES**

Environmental handling fees imposed by the Government of Saskatchewan (usually the Ministry of Environment) are not subject to PST when segregated on the customer's invoice.

Exempt environmental handling charges relate to the following:

- Tires
- Oil and Oil Filters
- Beverage Containers
- Paint - including latex, oil or solvent-based coating, stain, varnish, lacquer or other wood or masonry treatment products; any type of paint sold in a pressurized aerosol container but does not include paint manufactured for automotive or marine use, non-latex concrete sealant; or bottled paint for hobby, artistic or cosmetic use.
- Electronic equipment - including desktop computers, notebook computers, monitors, printers, peripherals and televisions.

Environmental handling charges imposed by industry or other government agencies (i.e. air conditioning charges for new vehicles) are subject to tax even when segregated on the customer's invoice.

Ref:

Bulletin PST-15 - Service Stations & Automotive Repair  
 Bulletin PST-18 - Motor Dealers/Leasing Companies  
 Bulletin PST-29 -Autobody Shops  
 Bulletin PST-48 -Recreation Vehicle Dealers

## **16.0 READY-MIX CONCRETE**

### **16.1 Delivery Charges (Refer to Bulletin PST-10)**

The exemption for delivery charges applies to ready-mix concrete sold by vendors in Lloydminster, Alberta and Flin Flon, Manitoba (see 29.2).

### **16.2 Other Charges**

#### (1) Waiting Time

Waiting time relates to the delivery charge. Waiting time incurred while delivering ready-mix concrete is not subject to tax when itemized separately.

#### (2) Small Load Charges, Holiday Charges and Winter Heating Charges

These charges are part of the selling price of the ready-mix concrete and are subject to tax.

#### (3) Additives

Additives to ready-mix (such as calcium) form part of the selling price of

the ready-mix concrete and are subject to tax even if charged separately.

(4) Washout Concrete

Charges for the sale of reject concrete and washout concrete (washed from delivery trucks) are subject to tax. Charges for crushing and loading are taxable.

Ref. Act 3(1)(b) - Consideration

Bulletin PST-10 - Ready-mix Concrete Producers

**17.0 DEPARTMENT OF NATIONAL DEFENCE**

**17.1 Messes, Institutes and Exchanges**

The purchase of consumer goods by messes, institutes and exchanges operated by the Crown under the *National Defence Act* are not subject to tax. However, they are required to collect tax on the sale of tangible personal property (e.g. hardware, dry goods, etc).

**18.0 DEMONSTRATORS**

**18.1 Dealer Demonstration Aircraft** (See 3.3 Aircraft)

**18.2 Demonstration Merchandise** (Other than motor vehicles and aircraft)

General merchandise, including software used for display purposes and short-term floor demonstration purposes is not taxable if the equipment remains in inventory and not capitalized to an asset account.

However, the tax applies:

- on purchase cost once the equipment is capitalized to an asset account or expensed in the company's records,
- on purchase cost if the equipment is used for continual demonstration purposes, or
- on the selling price if sold to a customer.

**18.3 Demonstration Equipment**

Demonstration equipment brought into Saskatchewan by non-residents and used for trade shows, private demonstrations and no-charge customer evaluations is not be subject to tax if the equipment is in Saskatchewan for

10 days or less. If the equipment remains in Saskatchewan for more than 10 consecutive days, the temporary use formula applies.

## **19.0 DENTAL MOULDS**

Dental moulds used to form dentures are tax-exempt direct agents.

Ref. Act 8(1)(k)	- Dentures (exempt)
Act 8(1)(j)	- Dental appliances prescribed by a dentist (exempt)
Reg. 5(1)(f)	- Dentures and dental appliances defined
<i>The Direct Agents Tax Remission (1992) Regulations</i>	
Bulletin PST-40	- Information For Dentists

## **20.0 DIESEL FUEL**

Diesel fuel used by manufacturers and processors is exempt from both Provincial Sales Tax and Fuel Tax when used in a direct manufacturing process. The Ministry of Finance will grant a Fuel Tax rebate only when fuel is an ingredient in a manufactured product.

Diesel fuel used in a stationary internal combustion engine is not subject to Provincial Sales Tax when used by industrial and commercial users including oil-drilling contractors; however, such fuel is subject to Fuel Tax.

Diesel fuel used in pipeline cleaning is not subject to Provincial Sales Tax; however, it is subject to Fuel Tax (also see Ruling 24.2).

Diesel Fuel added to a corrosion inhibitor is subject to Provincial Sales Tax and eligible for a Fuel Tax rebate.

## **21.0 VOLUME DISCOUNTS**

Volume discounts based on a customer's volume of purchases over time may occur subsequent to the sale and be considered a part of the terms of the sale. Therefore, the vendor shall calculate tax on the purchase price after deducting the volume discount amounts.

Discounts applied to promote purchases based on the amount of merchandise purchased are volume discounts.

Ref. Act 5 (17.2)

- Volume discounts

## 22.0 **DRY ICE**

All forms of dry ice are subject to tax including dry ice used to ship food commodities whether the commodity is placed in a non-returnable container or not.

Liquid nitrogen and carbon dioxide used by a poultry processor to flash freeze poultry products are considered direct agents and are exempt.

This ruling applies to dry ice used to coat food products such as poultry.

Ref. Reg. 5(1)(o)

- Definition of "ice"

*The Direct Agents Tax Remission (1992) Regulations*

## 23.0 **DRUGS, MEDICINES, APPLIANCES AND NON-PRESCRIPTION DRUGS**

### 23.1 **Drugs, Medicines and Appliances**

The following are examples of taxable and exempt items:

#### **Taxable**

- Clips used in performing tubal ligations and bowel resections
- Intra-uterine contraceptive devices
- Frames, head halters, etc. purchased by institutions
- Suspensories

#### **Exempt**

- Arcorail system and accessories including trays (bed rails and accessories for the handicapped)
- Braille terminals, accessories and software, speech synthesizers, accessories and software, and reading systems and software designed solely for the use of blind persons (except computers, monitors and printers that are subject to tax)
- Environmental controls, communication aids and vocational aids equipment which are specially designed for handicapped persons or chronic invalids are exempt when sold to individuals, schools or purchased by the Abilities Council and provided free of charge to individuals (taxable when sold to hospitals, nursing homes and medical centres)
- Injectable collagen and silicone

- Microvascular Anastomotic System implants (charges to the customer for instrumentation equipment are subject to tax)
- Nasal cartilage (silicone)
- Nostril retainer (silicone)
- "Provox Stomafilter" designed for cancer patients who have their voice box valved for breathing (includes heat and moisture exchanger, filters and special adhesives that are exempt from tax)
- Smoothtalker speech synthesizer and Audscan II software
- Specialized equipment acquired by school boards for Displaced and Disabled Program students
- Synthetic cartilage block
- Supply and install contracts of specially designed equipment for the use of blind persons, physically handicapped persons or chronic invalids (exemption includes contracts involving schools, churches and office buildings; however, contracts involving hospitals, nursing homes or similar institutions providing medical or palliative care are subject to tax). The refund of any tax paid on exempt contracts must be paid to the purchaser rather than the contractor.
- Telex communication system for the hearing impaired (battery chargers, carrying cases, harness pads are taxable when purchased separately)

### **Portable Oxygen Cylinders**

Portable oxygen cylinders, including concentrators, cylinders, liquid units, regulators, stands and hoses are not subject to tax when purchased or rented by a patient, however they are subject to tax when purchased or rented by institutions.

No tax applies to the purchase or rental of medical equipment supplied to the patient and funded by a non-profit or government agency such as Saskatchewan Aids to Independent Living (SAIL), whether there is a separate charge to the patient for the equipment or not.

In situations where a non-profit organization subsidizes or covers the cost of medical oxygen, the organization is a funding agency and not a consumer.

## **23.2 Dietary Tablets, Powders and Liquids**

Products consumed for nutritional purposes and specifically identified as a food *replacement* are exempt of tax.

Products designed and identified as a food or nutritional *supplement* are subject to tax.

Some products that are supplements when sold in tablet, capsule and pill form may also be ingredients for food or beverages. Examples of these products include herbs, herbal teas, and spices. These products are not subject to tax unless sold in tablet, capsule or pill form.

Products that indicate an effect on a person's mental or physical well-being are subject to tax. This includes such items as appetite suppressants, vitamins and similar products that claim to have a health benefit. Examples include Appedrine or Dexatrim tablets and ginseng, bee pollen, multivitamins and the like.

### 23.3 Prescription Drugs

Drugs that can only be obtained by prescription and are included under either the Provincial or Federal formulary qualifying for coverage are exempt of PST. Marijuana authorized by a doctor for medical use under the *Federal Medical Marihuana Access Regulations* is a drug that is only available by prescription and is tax-exempt.

Ref. Act 8(1)(b)	- Artificial limbs (exempt)
Act 8(1)(m)	- Prescription drugs and medicines (exempt)
Act 8(1)(o)	- Equipment designed solely for the use of blind persons, physically handicapped or chronic invalids (exempt)
Act 8(1)(y)	- Hearing aids (exempt)
Act 8(1)(ff)	- Optical appliances prescribed by an optometrist or physician (exempt)
Act 8(1)(bb.1)	- Medical devices and monitoring equipment
Act 8(1)(gg)	- Orthopaedic appliances (exempt)
Reg. 5(1)(h)	- Equipment defined re: Act 8(1)(o)
Reg. 5(1)(q.1)	- Medical devices and monitoring equipment
Reg. 5(1)(t)	- Orthopaedic appliances defined

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|-----------------|---|---|
| Bulletin PST-2  | - | Grocery and Drug Stores                   |
| Bulletin PST-42 | - | Vendors of Medical Equipment and Supplies |

## **24.0 ELECTRICITY**

### **24.1 Electricity used Solely for Heating**

The following rates apply in cases where companies use electricity solely for heating:

- (1) Tax applies to 40% of the total electrical bill for commercial users (other than manufacturers) and grain elevator companies that heat their offices and buildings solely with electricity. At the current tax rate of 5%, tax is calculated by multiplying the total electrical bill by 2%.

Example:             $\$150 \times 40\% \times 5\% = \$3$   
                           $\$150 \times 2\% = \$3$

- (2) Tax applies to the electrical bill for manufacturers who heat their offices or other places of business solely with electricity based on the results of a power survey.

### **24.2 Generation of Electricity by Stationary Internal Combustion Engines**

Electricity generated by stationary internal combustion engines is subject to Provincial Sales Tax on the manufactured cost, including Fuel Tax. If the company uses electricity for both manufacturing and non-manufacturing processes, the manufacturer may pay tax on 20% of their manufactured cost of electricity. If the manufactured costs exceed \$200,000 per year, a power survey will establish an appropriate ratio of manufacturing and non-manufacturing processes.

In lieu of calculating the manufactured cost of electricity, mining firms may remit Provincial Sales Tax on the purchase cost of the fuel, including Fuel Tax, used to generate electricity for both manufacturing and non-manufacturing purposes.

### **24.3 Electricity Consumed in a Manufacturing Process**

Electricity consumed by equipment and machinery in a direct manufacturing process is exempt from the Provincial Sales Tax. Electricity consumed for any other commercial purpose is taxable; this includes lighting of premises, ventilation, refrigeration, storage and maintenance of equipment.

A manufacturer is a business that is involved in the mass production of articles from raw or prepared material by giving these materials new forms, qualities and properties. The refining of ore is also considered a manufacturing process for the purpose of this exemption.

Electrical consumption is tax exempt when it causes a change to, or acts on a product; this includes the movement of goods between manufacturing stages or steps in the process. The packaging of goods as part of a manufacturing operation is part of the manufacturing process, but the packaging of goods in itself is not manufacturing.

Lighting, ventilation of the plant, extraction of ore, power consumed in maintenance, refrigeration and the movement of product from or to storage are examples of taxable power consumption.

In order to qualify for an exemption for electricity used in a direct manufacturing process, a business must have a reasonable amount of electricity consumed in the manufacturing process.

A power survey will establish the ratio of taxable and exempt power consumed by a manufacturer. However, manufacturers with power billings that do not exceed \$200,000 annually have the option of paying tax on 20% of their electrical billing rather than undergoing a power survey.

Meat processors and bakeries pay tax on 80% of their billings in lieu of completing a power survey. A meat processor is a business that manufactures goods, such as meat patties and sausages. A butcher or bakery that only cuts meat or only warms or cooks frozen product is not considered to be a manufacturer.

Many grocery stores have in-house bakeries and do meat processing. Such businesses pay tax on 96% of their electrical billing in lieu of a power survey.

The following types of businesses may qualify for a power exemption:

- Mining companies (refining of ore)
- Welding shops - involved in fabrication of goods
- Dairy plants
- Flour mills
- Breweries and soft drink plants
- Seed processing cleaning plants where further processing is done (e.g. splitting, pelletizing, etc.)
- Meat packers

- Coal company tipple operations (crusher)

The following are examples of businesses that do not qualify for a power exemption:

- Businesses that only utilize hand tools or small plug-in tools in the manufacturing process and have an insignificant amount of power consumed in direct manufacturing
- Photocopy shops
- Welding shops primarily involved in repair work
- Oil and natural gas producers (e.g. wells and pipelines)
- Restaurants and delicatessens
- Doughnut and sandwich shops

#### **24.4 Electricity used for Blast Freezing**

Meat plants “blast freeze” products in order to package meat in a manner that will allow the consumer to separate the meat product from the package without thawing out the entire package.

The process of blast freezing meat in conjunction with the cutting and wrapping process is part of a manufacturing or processing process and the electricity consumed in this process qualifies for the manufacturer’s exemption. In addition, Carbon Dioxide used in the quick freeze process qualifies as a direct agent.

#### **24.5 Electricity Produced for Sale**

Natural gas used to power a turbine for the production of electricity is exempt. This is similar to the exemption for electricity used directly in a manufacturing process.

#### **24.6 Electricity Used in the Common Areas of a Condominium Complex**

Electricity used for residential purposes is exempt. Electricity used in the common areas of a condominium complex (parking lots, hallways, recreation rooms, swimming pools, etc.) that is for the benefit of the residents is eligible for the residential-use exemption even if the electricity flows through a commercial-use electrical meter. The condominium board may obtain this exemption by filing a written certification with the Revenue Division that the electricity used in the common areas is for the benefit of the residents and not for other commercial purposes. This exemption is effective with respect to electrical billings dated after August 1, 2003.

Ref.	Act 3(1)(j)	-	Tangible personal property defined
	Act 3(1)(n)	-	Value defined
	Act 8(1)(n)	-	Electricity for heating (exempt)
	Bulletin PST-21	-	Manufacturers

## **25.0 FABRICATION** (Refer to Bulletins PST-21 and PST-37)

### **25.1 Printed Matter Produced For Own Use** (\$5,000 or over) (updated September 2010)

Businesses are required to account for the tax on the costs they incur to produce printed matter for their own use.

- All manufactured cost including direct materials, direct labour and overhead costs, excluding GST and PST paid on materials) are subject to tax when the total cost to create this material exceeds \$5,000 per year.
- When the total cost is less than \$5,000 per year, tax only applies to the direct material portion only (applicable to both vendors and consumers). Businesses that produce printed matter for their own use and **do not** produce similar printed matter for sale to others are eligible for the \$5,000 option.

Businesses producing printed matter in excess of \$5,000 must calculate the tax at the current rate on the manufactured cost (if specific cost records are available), or on the total of the following costs if specific cost records are not available (excluding GST and PST paid on direct materials):

- The laid-down cost of direct materials use (i.e. paper, ink, binding materials, and imaged articles such as printing plates, including electros, engravings, half-tones, negatives, and stereotypes); and,
- Two hundred and twenty percent (220%) of the cost of direct materials used.

### **25.2 Supply and Install Contractors**

Continuous eaves troughs made on the customer's site is not considered fabrication, therefore tax applies on the cost of materials only.

Drapes - manufacturers of drapes may take a deduction of 10% for

installation costs on installed contracts (where tracks are installed).

Asphalt contractors - see Bulletin PST-28

Some asphalt contractors have specialized equipment that is in the form of a "train" which performs the entire reclaiming and repairing procedure. The front of the unit comes along the highway and heats the existing surface to soften the asphalt. The second stage of the train is a windrow (blade) that then scrapes off the softened asphalt from the highway. The machine transfers the scraped off asphalt to a bin, which is the third component of the train. In this bin a rejuvenating agent and an "admix" material mixture blends with the reclaimed asphalt. The purpose of these materials is to bring the old asphalt specifications back to that of new asphalt. Once the blending is complete, the mixture transfers back to the paving machine, which then lays the rejuvenated asphalt back on the road surface.

This entire procedure is one continuous process and takes place entirely on the highway. The company does not stockpile or remove asphalt from the site. This on-site process is not manufacturing.

Ready-mix concrete - vendor only - collects tax on selling price.

Ref. Act 3(1)(i), (iii) & (iv)	- Sale means production, fabrication, processing, etc.
Act 5(5)	- Consumption or use tangible personal property manufactured, processed, etc.
Act 5(6)	- Consumption or use of tangible personal property manufactured, processed, etc. by a contractor concerning a supply and install contract
Act 8(1)(kk)	- Exemption re tangible personal property purchased for the purpose of being processed, fabricated, etc. into property for resale
Reg. 4(1)(c)	- "Manufacturer" defined in section 5(6)
Reg. 3(1)	- "Production, fabrication, etc." defined
RFS 65.1	- Tax collected in error

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| Ruling 14(2)    | - | Manufacturing contractor  |
| Bulletin PST-37 | - | Manufacturing Contractors |

## **26.0 FARM PRODUCTION EQUIPMENT, MACHINES AND PARTS**

The tax exemption applies to certain equipment used for primary farming activities on farmland regardless of ownership. Non-farmers must pay the tax on any equipment that requires the completion of a *Farm Exemption Certificate* or equivalent. They can apply for a refund if they are engaged in a primary farming activity.

### **26.1 Exempt When Sold for Use in Primary Farming Activity:**

- "AGRI Plan 500 Guidance System" - used mainly in spraying aircraft but can also be used in ground field sprayers
- "Calc-an-Acre" - digital acre counter and speedometer
- Econoblocs
- Electric oil refiner - when installed on a farm implement by dealer
- Feather-off
- "Field Gymmy" off-road fertilizer units (Willmar Manufacturing) are exempt even if licensed under *The Vehicles Act*.
- Fork lifts - exempt when used as part of the bale handling equipment
- Gopher getters (all models)
- Grain and fertilizer bin ladders including shrouds (bin attachments)
- Grain bin lid openers
- Grain bin safety fills
- Switches, connectors, etc. supplied by a contractor under a supply and install contract for an irrigation power unit.
- Load cells for farm scales
- Poultry equipment - includes nest eggs, "trough-o-matic" water systems, deicers, chicken catchers, and "Commander" proportioner pumps
- Photographs, crop infrared (farmyard portraits are taxable)
- "Rockwell Vision System" and all software, accessories and replacement parts - attached to a farm implement and it uses a satellite receiver, computer and accumulated data to aid the farmer in attaining higher crop yields via fertilizer and chemical applications
- Reelway dugout applicator
- Safety-hoe (crop-handling equipment)
- Sanitizers
- Special trenching equipment required to install a drainage system- tax is refundable if the equipment is used solely in primary farming activity
- Styroblocks
- Texas gates
- Tree sap and maple syrup collection and processing equipment
  - Collection equipment including pails, lids, taps, plugs and tubing

- Processing equipment including evaporators, burners, filters, filter tanks, refractometers, thermometers and all grade testers
- Tire pumper II (used to pump calcium chloride)
- Transcorral portable handling units (*Farm Exemption Certificate* required).
- Water well pumps including wire and control box for non-residential use (*Farm Exemption Certificate* required).
- Welders, gas and diesel powered - (*Farm Exemption Certificate* required) - these units are combination welding and lighting plants with the primary purpose being welding

Note: Livestock means animals raised for sale as food, pet stock, racing or for the products they produce (*PST Regulations* s.5(1)(p)).

## **26.2 Taxable When Sold for Use in Primary Farming Activity:**

- All-terrain vehicles sold to farmers are subject to tax whether equipped with a PTO or not. However, the tax does not apply to attachments (grass mower, snow blower, etc.) for those all-terrain vehicles equipped with a PTO if the farmer completes a *Farm Exemption Certificate* or equivalent.
- Computer systems, including farm-specific software such as Rationmaster II Printer, Herdmaster Management computer, printer and other software packages
- Energy recovery units such as the Della Therm II , which recovers heat from refrigeration to heat water (agricultural heat recovery/ventilation systems are exempt)
- Farmscan alarm systems
- "Gordon-Ray" gas heater (not considered to be a brooder)
- Hog barn pumps
- John Deere ATM 600 or "Gator" trailers (and similar other brands)
- "Oil-Masters" (exempt when installed by the dealer on a farm implement)
- Plastic coated egg baskets, egg brush cleaners and "Kleneggs" galvanized metal poultry feed scoops
- Scarecrows and other scaring devices (bird scare cannons are exempt)
- Tex fence (portable fence designed to eliminate damage caused by cattle to oil wells and drilling rigs)
- Plasma cutters

## **26.3 Miscellaneous**

### **(1) Snowplow Clubs**

Purchases of equipment and parts by snowplow clubs are taxable as snowplowing is not primary farming activity.

### **(2) Provincial Government, Universities and Other Authorities**

- (a) The experimental farm at the University of Saskatchewan is a farm for Provincial Sales Tax purposes; tax does not apply to qualifying farm purchases.
  - (b) A farm at a provincial government hospital such as at North Battleford is a farm for Provincial Sales Tax purposes; tax does not apply to qualifying farm purchases.
  - (c) Insecticides, fungicides and herbicides are exempt when used by the Wascana Centre Authority or any other similar authority.
- (3) Sewage Effluent Irrigation Projects - See Bulletin PST-41
- (4) Mushroom Farms - mushroom farms may qualify as farmers.

<b>Mushroom Farm Equipment and Supplies</b>	<b>Tax Status</b>	<b>Cross-Reference</b>
Compost turner	Exempt	Reg 5(1)(v)(ii) cultivation equipment, specifically designed equipment
Tractor/loader	Exempt	Reg. 5(1)(v)(ix)(A) farm tractor and attachments
Forage wagon	Exempt	Reg. 5(1)(v)(iv)(B) forage and hay harvest and handling equipment
Misc. composting	Exempt	Attachments and components specially designed for #1 does not include hand tools and interchangeable repair parts
Loading platform	Exempt	Specialized equipment
Dumping platform	Exempt	Specialized equipment
Elevating conveyor	Exempt	Specialized equipment
Net witch	Exempt	Attachment compost turner
Bed nets	Exempt	Attachment compost turner
Spawing and tamping machines	Exempt	Reg. 5(1)(v)(vii)(B) vegetable planting equipment
Technical equipment:		
a) Electronic remote temp	Exempt	Reg. 5(1)(v)(xi)(E) electric monitor
b) Gas and moisture testing equipment	Exempt	
c) Thermometers and	Taxable	

<b>Mushroom Farm Equipment and Supplies</b>	<b>Tax Status</b>	<b>Cross-Reference</b>
safety equipment		
d) Steam control	Taxable	
Watering equipment; pumps, hoses, nozzles, filters, etc.	Exempt	Irrigation equipment – requires completion of a <i>Farm Exemption Certificate</i> or equivalent
Portable auxiliary cooler	Taxable	Back-up unit
Shop tools	Taxable	
Picking equipment	Exempt	Reg. 5(1)(v)(iv) vegetable harvesting equipment
Packaging equipment	Taxable	Production equipment
Low pressure steam boiler	Taxable	Not crop handling (heating); repairs, piping equipment
High pressure steam boiler	Taxable	Not considered crop handling installation, piping equipment (pasteurization and sterilization)
Cropping beds	Exempt	If purchased assembled (the purchase of materials for the manufacture of this equipment is taxable, however, can apply for a refund)
Ventilation equipment	Taxable	
Fixed cooling	Taxable	
Mushroom storage cooler	Exempt	With <i>Farm Exemption Certificate</i> - if cooling unit specially designed
Growing room insulation, vapour sealing	Taxable	Building materials
Control system – thermo-meters thermostats, humid-istats, CO2 sensors, micro-processors, computer wiring, control valves, actuators	Taxable	

<b>Mushroom Farm Equipment and Supplies</b>	<b>Tax Status</b>	<b>Cross-Reference</b>
Harvesting Equipment - ladders, baskets, dollies, pallet jack, picking lights	Taxable	
Steam piping for compost injection	Taxable	
Irrigation Equipment - coils, piping, circulators, valves for delivery of water	Exempt	
Heat exchangers	Exempt	
Soil mixer	Exempt	
Casing machine	Exempt	
Electrical transformer and wiring for compost machine	Exempt	

### Production Supplies

#### Exempt:

Straw, manure, fertilizer, brewers' grains, soy meal, canola screenings, mushroom spawn, chemical pesticides, insecticides, disinfectants, disposable testing equipment, packaging containers non returnable containers - packing boxes, cartons), fuel, maintenance items designated as replacement parts for exempt equipment; specialty plastic sheeting used for disease control, but not regular plastic sheeting.

#### Taxable:

Peat moss, gypsum, and ground limestone, unless used as a growing base for crops by farmers.

- (5) Seed Cleaning Plants - on-farm, off farm, and related equipment, bagging supplies and electricity (Updated February 2012)

Seed cleaning plants owned by farmers who use them to clean grain for their own use, operate on a non-profit basis and do not sell or market the grain to third parties, qualify for the primary farming activity exemption. The plant does not have to be located on a farmer's land.

- (a) Seed cleaning plants located on farm land may receive the primary farming exemption for equipment, bagging supplies and electrical consumption when they are owned by farmers who clean grain for their own use. Labour services to repair, replacement parts and equipment are exempt from tax.

- (b) Seed cleaning plants located off-farm but solely operated by farmers for cleaning their own seed receive the primary farming exemption for equipment and bagging supplies. Labour services to repair, replacement parts and equipment are exempt from tax.
- (c) Seed cleaning plants located off-farm for profit are not entitled to the primary farming exemption for the equipment (even if a farmer is the operator and cleans their own grain). Bagging supplies are subject to tax if the farmer is cleaning their own seed. If the seed cleaning plant is purchasing seed for cleaning then the bags are exempt as a non-returnable container. Labour services to repair, replacement parts and equipment are subject to tax.
- (d) Commercial seed cleaning plants located on municipal property for the cleaning of grain for profit are not entitled to the primary farming exemption on the equipment. If the plant cleans and returns the customer's own seed, bagging supplies are subject to tax. However, if purchased seed is cleaned and resold, the bagging supplies are exempt from tax as a non-returnable container. Labour services to repair, replacement parts and equipment are subject to tax.
- (e) A portable seed cleaning plant purchased by a farmer is exempt from tax including any special trailers to transport the equipment but not the tow vehicle. Labour charges, repairs and replacement parts to the seed cleaning plants are tax-exempt.
- (f) Portable seed cleaning plants purchased by non-farmers are subject to tax including any special trailers. All parts and labour to repair the equipment are subject to tax.
- (g) Commercial (for profit) grain cleaning businesses are required to pay PST on their equipment, including repair parts and labour, regardless of whether the equipment is located on or off the farm.

Off-farm seed cleaning plants do not receive an electricity exemption; however, the Ministry of Finance may grant an exemption for electricity where manufacturing takes place. For PST purposes, cleaning, sorting and bagging seed is not manufacturing. Manufacturing includes the splitting, grinding and rolling of grains. If the plant qualifies as a manufacturer and the electrical billings are less than \$200,000 per year they may elect to utilize the 80% power exemption, in lieu of a power survey (see Ruling 24).

- (6) Soy oil sprayed on grain is subject to tax when used to reduce dust and prevent combustion.

## (7) Corral Rails, Corral Slabs and Rough Cut Lumber

Corral rails are lumber rails cut to length for use in building corrals; they may or may not be de-barked. Corral slabs are from the first cut on a log and usually have bark on one or two sides. Generally, farmers use corral slabs and rails for the construction of corrals or other enclosures used in farming. Tax applies to uses other than for a primary farming operation.

Rough-cut lumber - cut dimensionally on all sides but not planed. While a farmer may use rough-cut lumber in constructing farm pens and enclosures, they may also use it for a variety of other purposes. Therefore, rough-cut lumber is subject to tax in all cases, like other multiple-use building materials.

Ref. Act 8(1)	- Exemptions Clause (a), (p), (m), (q), (t), (n), (v), (x), (z), (pp)
Reg. 2(e)	- "Fence pickets" defined
Reg. 5(1)(a)	- "Agricultural products" defined
Reg. 5(1)(i)	- "Farm" defined
Reg. 5(1)(j)	- "Fertilizer" defined
Reg. 5(1)(k)	- "Food and drink" defined re livestock
Reg. 5(1)(l)	- "Forage crop seed" defined
Reg. 5(1)(n)	- "Grain" defined
Reg. 5(1)(p)	- "Livestock" defined
Reg. 5(1)(y)	- "Weed control chemicals" defined
Reg. 5(1)(u)	- "Primary farming activity" defined
Reg. 5(1)(v)	- "Farm production equipment and machines" defined
Bulletin PST-4	- Beekeeping Supply Dealers
Bulletin PST-16	- Farm Implements and Farm Supply Dealers

**26.4 Custom Corral Cleaning Equipment (updated June 2010)**

Corral cleaning is considered a primary farming activity; therefore corral cleaning equipment is exempt when sold to a farmer for this purpose. A Farm Exemption Certificate is required.

A non-farmer engaged in this practice may also purchase corral cleaning equipment exempt when this service is provided to farmers. As a farm exemption certificate is required to purchase this equipment, a non-farmer must pay the tax and apply to the Revenue Division for a refund.

When custom corral cleaners provide services to farmers (including feedlots) and non-farmers (e.g. livestock auctions and slaughterhouses), they are required to assess tax based on the percentage of their services provided to non-farmers. A business that only occasionally cleans corrals (e.g. a construction company or landscaper) may not purchase the above equipment exempt. The company's primary business must be corral cleaning.

Ref.	Act 8(1)	Exemptions Clause (p)
	Reg. 5(1)(u)	"Primary Farming Activity" defined
	Reg. 5(1)(v)(vi)	"Livestock Handling Equipment" defined
	Bulletin PST-16	Farm Implements and Farm Supply Dealers Section A2

## **27.0 FILM AND TRANSCRIBED PROGRAMS USED BY THEATRES, TV AND RADIO STATIONS, AND SCHOOLS**

Radio and TV stations are not required to pay the tax on the rental of or "right to use" transcribed syndicated programs. Also radio and TV stations are not required to pay tax on the internal production costs to produce commercials sold with airtime. When the production costs are billed to their customers, tax applies to this charge.

Movie theatres are not required to pay the tax on the rental of films.

Schools, excluding post-secondary institutions, are not required to pay the tax on the rental of films obtained from the National Film Board and similar organizations. However, schools must pay the tax on videotape rentals and films purchased outright.

The sale of the "right to use" a documentary film to a school, television station or to the Saskatchewan Communications Network (SCN) is not subject to tax.

## **29.0 TRANSPORTATION CHARGES**

### **29.1 Transportation Charges on Repaired Items**

Tax does not apply to any portion of the transportation costs for an item transported to an out-of-province destination for repair and then transported back to the province.

### **29.2 Transportation Charges from Lloydminster, Alberta or Flin Flon, Manitoba**

The tax does not apply to transportation charges on goods delivered into Saskatchewan from Lloydminster, Alberta or Flin Flon, Manitoba.

### **29.3 Freight Charges on Special Order Goods**

When businesses “special order” goods for their customers, the charge to have the goods delivered into the province is subject to tax as part of the “laid down cost.” Tax does not apply to delivery charges on “special orders” when the goods originate within Saskatchewan.

Ref. Act 3(1)(b)	-	"Consideration" defined
Act 5(9)	-	Tangible personal property brought into the province
Act 5(10.4) and (10.5)	-	Goods sent out of province for repair
Act 5(12)	-	"Price" defined re section 5(9) and (9.1)
Act 8(1)(jj)	-	Exemption re goods shipped by common carrier for delivery outside the province

## **30.0 FUNERAL HOMES**

### **30.1 Cemetery Memorials and Markers**

The following guidelines apply to the sale of memorials, grave covers and markers:

- Retail sale - tax on selling price
- Supply and install contract – collect tax on retail selling price (installation labour, if shown separately, is exempt)

Perpetual care or maintenance of a gravesite is exempt.

### **30.2 Casket Rentals**

Tax applies on the funeral home's cost of caskets rented to a customer as part of the funeral home service.

- |                  |   |  |
|------------------|---|--|
| Ref. Act 3(1)(j) | - | Tangible personal property defined (no exemption provided for funeral caskets, etc. in section 8(1)) |
| Bulletin PST-52  | - | Funeral Homes and Funeral Home Supplies  |

### **31.0 GASES**

The following, when sold in gaseous form, are exempt from PST: oxygen, acetylene, nitrous oxide, carbon dioxide, and nitrogen. The exemption applicable to carbon dioxide does not apply to dry charge carbon dioxide used to recharge or refill fire extinguishers. Halon 1301 fire extinguishant is taxable (labour to recharge a fire extinguisher is taxable as a repair service effective March 30, 2000).

The sale of cylinder gases and gas mixtures for medical purposes and for testing purposes in private laboratories, medical laboratories and hospitals is exempt from PST.

Hydrogen chloride, liquid nitrogen, potassium chloride, and similar gases are subject to tax when used by the oil industry for well fracturing and acidization (see Bulletin PST-13).

Carbon dioxide used in enhanced oil recovery projects is exempt effective March 31, 2001 (see *The Carbon Dioxide (Provincial Sales Tax) Exemption Regulations*).

Liquefied hydrogen used in a generator for cooling purposes and liquefied carbon dioxide used to prevent scaling in condensers is subject to tax.

Natural gas used to operate stationary internal combustion engines is subject to PST (see Ruling 24.4 regarding natural gas used to produce electricity). The tax applies to the purchase cost or alternatively, on the produced cost, for gas obtained from a consumer's own wells (see Bulletin PST-13).

Natural gas used for heating purposes in the operation of steam boilers in oil field steam flood projects is not subject to tax.

Propane injected into natural gas pipelines is exempt. Butane used for this purpose is also exempt of PST

Propane is exempt when used for cooking, heating homes and buildings and in

manufacturing. In addition, propane used for such purposes as barbecues, heating asphalt and as a "premix" for welding is not subject to PST.

<b>Tax status for propane consumed in the following situations:</b>	<b>PST</b>	<b>Fuel Tax</b>
Fork lift	Exempt	Taxable
Tractors and Ice Cleaning Machines (above considered as off-road use)	Exempt	Taxable
Irrigation Systems – farm use (including experimental farms)	Exempt	Exempt
Irrigation Systems for non-farmers (such as provincial government, crown corporations)	Exempt	Taxable
Operation of lighting plants	Exempt	Taxable
Operation of elevators	Exempt	Taxable
Operation of refrigeration units	Exempt	Taxable
Operation of heaters and burners (laying/removing asphalt)	Exempt	Exempt

Propane used as an injection agent to enhance oilfield production is exempt of Provincial Sales Tax, however propane used as an injection agent is subject to Provincial Fuel Tax.

Effective, April 1, 2005, chemicals and injection agents (including propane) used in approved enhanced oil recovery projects are no longer subject to tax. Please see PST-14 for details.

All propane sold through vendor facilities normally used to dispense propane for automotive purposes is taxable regardless of its intended use, including sales to persons with valid Fuel Tax Exemption Permits. Propane not dispensed through automotive dispensing facilities but sold by weight and dispensed into tanks capable of holding 45.35 kg (100 pounds) or less is exempt of tax, regardless of its use.

All propane sold and dispensed into tanks of more than 45.35 kg (100 pounds) is taxable.

### **32.0 GIFT WRAPPING SERVICES**

Gift wrapping is a tax exempt service, however, tax is payable by the gift wrapping supplier on the cost of the paper, ribbons, etc.

If a vendor of merchandise includes a free gift wrapping service as a part of the price paid by the customer for the merchandise, the vendor is not required to pay tax on the purchase cost of the wrapping materials.

### **33.0 SCOTCH GUARD SERVICE**

Scotch guard services provided to a Licensed Vendor (LV) on goods used in their business operations are subject to tax, as the LV is the consumer.

Scotch guard services provided to a LV on taxable goods intended for resale are not subject to tax. In these cases, tax does not apply to the scotch guard treatment as it forms part of the cost of the resale inventory and the LV will collect tax on the full selling price to a retail customer.

35.0 **SAND AND GRAVEL** (*updated September 2010*)

Effective January 1, 2001, tax applies on the selling price of sand and gravel less the delivery charge. If the delivery charges are not segregated on the customer invoice, tax applies to the total selling price. Prior to January 1, 2001, when delivery charges were not separated from the selling price of sand and gravel, they were subject to tax on the basis of a minimum charge of 65¢ per cubic meter (50¢ per cubic yard).

Sales of sand, gravel and crushed/screened bases to the federal government, Ministry of Highways and Infrastructure (HI) and municipalities are not subject to PST, however tax does apply to sales of crushed rock, red shale and similar products used for landscaping or decorative purposes.

A contractor is required to pay tax on the cost of sand and gravel consumed in supply and install contracts even when they are under contract to the federal government, a municipality or HI.

The charge to crush customer-owned gravel is subject to tax unless the customer is a municipality or the HI.

Sales to Status Indians and Indian bands are not subject to tax providing the goods are delivered to a reserve.

When a contractor purchases sand/gravel on a casual basis from a farmer, the farmer is not required to become licensed. The contractor is required to self-assess PST on the purchase price.

The tax does not apply to the manufactured cost of crushed/screened base owned by a municipality or HI. This policy applies whether the base is crushed by a municipality or HI using their own equipment or when the base is crushed by a contractor hired by either of them.

“Pit run” gravel and “fill gravel” sold in the form of gravel are subject to tax. If the “impurities” are such that it is no longer gravel, it may be exempt as fill dirt.

Sales of stone and rock are subject to tax. When these are purchased from an unlicensed vendor (i.e. a farmer) tax must be assessed on the purchase price.

Sales of fill dirt, topsoil, clay and manure are not subject to tax.

Conversion rates provided by the HI:

1m<sup>3</sup> = 1.66 tonnes

1m<sup>3</sup> = 1.31 yards<sup>3</sup>

1m<sup>3</sup> = 1.831 tons

### 35.1 Belly Dumping

Belly dumping is a means of delivering and unloading sand and gravel to a site by lifting and opening the truck box while the truck is in motion. This delivery method may reduce the necessity of spreading, levelling or compacting. It is the delivery of tangible personal property rather than the installation of materials into real property. The vendor is required to collect PST on the selling price of materials and the delivery charge is not subject to PST when segregated on the invoice.

In order for a vendor to treat belly dumping as the supply and install of materials into real property, the work must also involve levelling, grading, spreading or compacting in addition to the delivery of the materials. These contracts typically involve the use of graders, front-end loaders, skid steer loaders, packers or other road building equipment. In these cases, the contractor is responsible for PST on the cost of the materials.

Ref.	Act 3(1)(j)	- "Tangible personal property" defined
	Act 8(1)(g)	- Exemption for “clay and earth”
	Act 8(1)(ii.1)	- Sand and gravel exempt to municipalities and the Ministry of Highways and Infrastructure

**36.0 COUPONS, MONEY COUPONS AND AWARDS POINTS PROGRAMS**

Coupons, reward programs and manufactures' rebates can take a variety of forms. The PST implications will depend on whether the particular incentive:

- (1) is considered a "money's worth" equivalent that may be applied to the purchase of the specified goods;
- (2) states a specific price at which a product may be purchased;
- (3) provides for financial reimbursement after a purchase has been made.

PST applies to the total consideration paid to acquire taxable goods or services. In situation (1), the coupon forms a part of the consideration paid and PST applies to the cash paid plus the value of the coupon. Examples of this type of coupon are Canadian Tire Money or coupons that include statements such as "this coupon entitles the bearer to \$X off their next purchase of...."

Coupons used in situation (2) allow the holder to buy a product at a specified price. These coupons do not form part of the consideration therefore PST applies to the price specified on the coupon.

Situation (3) includes mail-in rebates and cash-back programs. In these situations the rebate is not payable until after the customer has purchased the product. Therefore, PST applies to the price payable excluding any rebated amount. This rule applies even if the rebate is provided at the time of purchase and used to effectively reduce the amount payable by the customer. Note that volume discounts are treated differently (see Ruling 21.0).

**36.1 Manufacturer's Coupon**

These are typically the type of coupon described in situation (1) above (e.g. \$1.00 Off). Tax applies to the price of the taxable item before the deduction of the value of the coupon.

**36.2 Retailer's Coupon**

These coupons may be in the nature of those described in situation (1), but some retailers will consider them as a reduction in the price they charge for a taxable item rather than a substitute for the consideration payable. Consequently, retailers have the option of levying tax on the net price or the gross price of the item depending on how they have elected to treat the coupons they issue.

**36.3 Fixed Price Coupon**

These include coupons described in situation (2) above. The tax applies to the amount shown on the coupon.

**36.4 Percentage Off Coupon**

These coupons have the effect of reducing the stated price at which the product may be purchased. They are included in situation (2) above. The tax applies to the reduced price.

**36.5 Free Merchandise Coupon**

If a licensed vendor or Saskatchewan manufacturer offers free merchandise upon presentation of a coupon, the vendor or manufacturer is required to pay tax on their cost of the merchandise. This is promotional distribution. No tax is payable by the recipient of the free merchandise or service.

**36.6 Money Coupon**

Money coupons are cash equivalents and tax applies to the full selling price of the merchandise. These coupons are applied to the purchase price as though they were cash (e.g. Canadian Tire Money).

**36.7 Awards Points Programs**

When earned points cover the entire cost of the merchandise, the supplier of the item must pay tax on their cost of the merchandise (promotional distribution). If the customer uses both points and cash to purchase the merchandise, tax applies to the cash paid, providing the cash price is greater than or equal to the cost of the merchandise. If the cash value is less than the cost of the merchandise, the supplier of the item should pay tax on the difference between the cash paid and their cost of the merchandise.

**36.8 Option to Collect Tax**

Because of the varying rules applicable to coupons, vendors who wish to simplify the PST application have the option of collecting tax on the suggested retail-selling price of the merchandise in all of the situations outlined in 36.1 to 36.7.

**37.0 INDIANS – STATUS****37.1 Band-Empowered Entities**

The Revenue Division recognizes the GST exemption that the Canada Revenue Agency (CRA) allows relating to on-reserve activities of “band-empowered entities”. These are corporations or other organizations formed for non-commercial purposes related to band administration or for providing on-reserve services through health centers, churches, schools, etc.

The CRA's definition of a band-empowered entity is as follows:

*For GST purposes, a “band-empowered entity” is a corporation, board, council, association, society, or other organization that is owned or controlled by a band, a tribal council or a group of bands other than a tribal council. This policy is applicable to those band empowered entities that are situated on a reserve. A band-empowered entity is considered to be situated on a reserve when the entity maintains a presence on a reserve. A band-empowered entity must be situated on a reserve, i.e., maintain a presence on a reserve in order to qualify for tax-free treatment. The tax exemption only applies to purchases made by the band-empowered entity for band management activities.*

*Common examples are schools, hospitals and social service entities.*

The PST exemption applies only to band-empowered entities that are comprised solely of exempt status Indians and/or Indian bands for expenses incurred on a reserve for band-management activities. Band management activities do *not* include commercial activities.

Unless purchases are made by a band-empowered entity for band management activities, the following rules apply:

Corporations – A corporation is a distinct legal entity; purchases made by corporations, even if solely owned by exempt status Indians and/or Indian Bands, are subject to PST.

Tribal Councils - Occasionally, several Indian bands will group together as a “tribal council”. A tribal council is usually formed to minimize the duplication of services or administration costs for the member bands and to achieve greater economies of scale. Most tribal councils remain unincorporated however in some cases tribal councils may incorporate as non-profit corporations or co-operatives. Similarly, an unincorporated tribal council or a group of tribal councils may create incorporated “subsidiaries” for band management or economic purposes. Purchases by unincorporated tribal councils made on the reserve are exempt from the PST. Purchases by incorporated tribal councils and incorporated subsidiaries are subject to the PST.

General Partnerships – A general partnership is treated in the same manner as Indians and Indian Bands. That is, where all members of the partnership consist of Indians and/or Indian Bands, the sales tax exemption flows through to the partnership. In cases where one or more of the partners do not qualify for an exemption (i.e. non-Indian or a corporation) purchases made by the partnership do not qualify for the tax exemption.

Limited Partnerships - A Limited Partnership (LP) is more closely aligned with an “entity” (corporation) when one looks at the ownership interest of the unit holders. The unit holders have limited liability with respect to LP operations and there is no direct link to the ownership of assets, which in most instances are held in a trust capacity by the general partner (which is typically a corporation). In this regard, unit holders of a LP can change, similar to a shareholder in a corporation, without identifying a change in the ownership interest of specific assets. With respect to First Nations Bands, the exemption from PST that might otherwise apply to an individual is not considered to flow through to business operations maintained under a LP, unless the LP is wholly owned and controlled by the Band and its members.

### **37.2 Remote Stores**

The Revenue Division has adopted as policy the concession allowed by Canada Revenue Agency for GST at “remote stores”. The administrative policy pertaining to Indians and remote stores is contained in *GST Technical Information Bulletin B-039*. It allows vendors who qualify as “remote stores” to waive the delivery requirement, allowing them to operate as if they were located on a reserve.

There are two possible ways for vendors to qualify for the delivery requirement waiver:

- (1) Vendors who sell exclusively to Indians (at least 90%) and are within 10 km of a reserve, or,
- (2) Vendors who, during the previous year, made more than 50% of their sales to Indians and are in a remote location, with a reserve within their regular trading zone. A remote location is over 350 km from the nearest established community with a population of 5,000 or more by the most direct route normally traveled or surface transportation is not available year-round on paved or gravelled roads linking the vendor with the nearest established community.

Qualifying vendors who choose to use this provision are required to notify CRA, Excise/GST of their circumstances and that they wish to operate

under the remote stores provision. A store must have elected to operate as a remote store for GST purposes before they will be recognized as a remote store for PST purposes. If a store loses or elects to discontinue its remote store status for GST purposes, it also loses its remote status for PST purposes. Remote stores are also required to retain documentation that the purchaser was an Indian or Indian band.

### **37.3 Supply and Install Contracts on Reserve**

- If the contract is with a status Indian, Indian band, band-empowered entity or unincorporated tribal council, the contractor may apply for a refund of tax on any contract that was bid “excluding tax”. This applies to both commercial and non-commercial projects. The Revenue Division no longer requires separate contracts for materials and labour services as long as the contract was bid excluding the PST.
- If the contract is with an Indian-owned corporation that is not a band-empowered entity, tax applies whether the project is commercial or non-commercial.

### **37.4 Supply and Install Contracts off Reserve**

A contractor is required to pay tax on the purchase of materials used in a supply and install contract that pertains to property located off the reserve. The one exception relates to materials purchased directly by a status Indian, Indian Band or an unincorporated business owned entirely by status Indians or Indian Bands and delivered on the reserve. The Ministry will require satisfactory evidence that the materials are unloaded and delivered into the possession of the Indian purchaser at the reserve.

#### **Delivery to Reserve**

To qualify as delivered to reserve, the goods must be taken by the seller or by a common carrier under contract with the seller, unloaded and left in the possession of the Indian purchaser at the reserve location. The transaction between the seller and common carrier is completed when the Indian purchaser accepts receipt of the goods. It must be evident that the delivery is to the reserve and not to an offsite location by way of the reserve.

### **37.5 Off Reserve Commercial Operations**

All sales made off reserve are subject to tax.

Refer to Bulletin PST-18 for the special rules that apply to commercial vehicles and repair parts sold to exempt Indian purchasers.

### **37.6 Supply of Tangible personal property Only**

- Status Indians do not have to live on the reserve to receive the exemption. The sale and delivery of the goods must be made to a reserve and the goods must be invoiced to and paid for by the status Indian or Indian band.
- Purchases made on or off a reserve by an Indian-owned corporation that is not a band-empowered entity are subject to tax. Purchases made off a reserve by a band-empowered entity are subject to tax.
- If an item is purchased tax exempt by an Indian, Indian band, band-empowered entity or unincorporated tribal council and that item is subsequently transferred to an Indian-owned corporation that is not a band-empowered entity, the tax applies provided the goods remain as tangible personal property and have not become real property prior to the transfer.

### **37.7 Indian Lotteries**

Indian organizations occasionally conduct lotteries. An organization that purchases goods awarded as prizes in a lottery is the consumer of those goods and is liable for the tax. Therefore:

- An unincorporated Indian organization that is comprised solely of status Indians may purchase goods tax-exempt for use as prizes in a lottery if the goods are purchased on a reserve. Sports teams, booster clubs and other organizations that are not comprised entirely of status Indians, as well as incorporated Indian organizations, must pay tax on goods awarded as prizes. All purchases of goods made off a reserve are subject to tax.
- Saskatchewan Liquor and Gaming Authority rules make it a condition that a lottery licence holder must award prizes that entail no expense to the winner. The SLGA has interpreted this rule to mean that all prizes awarded in a lottery must have the PST paid on them.
- The Revenue Division requires that tax be paid on vehicles awarded as prizes in an Indian-run lottery. As a general rule, the Indian organizers will pay the tax as a requirement of their lottery licence. The winner of the vehicle will not be required to pay the tax on the vehicle, the lottery licence holder will.

### **37.8 Non-resident Indians**

A vendor is not required to collect Provincial Sales Tax on the sale of tangible personal property to a status Indian upon presentation of a Certificate of Indian Status identification card number issued under the *Indian Act (Canada)* providing the goods are delivered by the retailer to the reserve. An Indian who is a non-resident of Canada will not have Canadian status as defined by the *Indian Act (Canada)* and is, therefore, subject to tax.

### **37.9 Designated Lands**

The sale of personal property to an Indian on "designated lands" is exempt from tax. The personal property of an Indian situated on "designated lands" is entitled to the tax exemption set out in section 87 of the *Indian Act*. The exemption applies to the personal property of an Indian "situated on a reserve". "Reserve" is defined by section 2(1) of the *Indian Act* as including designated lands.

- |                  |   |   |
|------------------|---|---|
| Ref. Ruling 14.4 | - | Contracts for supply and install on Indian reserves |
| Bulletin PST-18  | - | Motor Dealers                                       |

### **38.0 INDIAN SCHOOLS — see Ruling 37.2**

### **39.0 LICENCE APPLICATION FORMS**

Signatures on licence applications are not required. This change in procedure enables the licensing staff to complete the application by telephone and also reduces the turn-around time to issue account numbers. The change does not reduce the amount of information required, rather, it is a mechanism to help simplify the process and provide improved taxpayer service.

Licence applications are still required when accountants and lawyers apply for a licence on behalf of their clients and instances when the owner advises that the business is sold and the successor requires a licence. In these cases, a Business Asset Declaration and the application form is mailed out to the successor to obtain first hand information.

Signed licence applications will continue to be required from individuals who come into the field offices. The applicant should complete a licence application and forward it to the Revenue Division for a number.

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|-----------------|---|-------------------|
| Ref. Reg. 12(1) | - | Vendor's Licences |
|-----------------|---|-------------------|

### **40.0 GLIDER KITS - Deleted**

## **41.0 LODGING**

### **41.1 Monthly Accommodation**

Accommodation rented by the month is tax exempt regardless of whether the accommodation is occupied for the full month or not. The only stipulation concerning this exemption is that the monthly charge be paid in full with no portion of the monthly charge refunded.

Accommodations rented continuously (more than a month) to a firm for different employees to stay at for various times are tax exempt.

### **41.2 Salvation Army**

Regulation 3(2)(a) provides an exemption for lodging supplied as charity by the Salvation Army and other similar institutions. This exemption applies to all accommodations supplied by the Salvation Army, which includes hostel bed and room rentals for which a charge is made. This does not include charges for rooms supplied in hotels, etc. not owned by the Salvation Army or similar institution but paid for by them.

Lodging supplied by the YWCA, YMCA and the Canadian Hostelling Association is exempt. The rental of student residences to organizations in summer months is also exempt; however, student residence rooms that are rented to the public on a daily or short-term basis during the summer are subject to tax since these accommodations are competing directly with local hotels and motels.

Lodging provided by retreat facilities is exempt from tax.

### **41.3 Federal Government**

Federal government employees (including RCMP officers) on official business who are on an expense account and are reimbursed for the cost of a motel/hotel room paid by them are required to pay the tax on the charges for accommodation. However, in instances where the motel/hotel charges are invoiced directly to a federal government department, tax does not apply to the accommodation charges.

### **41.4 Vacation Farm Accommodation**

Vacation farm accommodation is usually bed and breakfast provided in a farm home. This accommodation is subject to tax on the accommodation. If the charges for the accommodation are not segregated, the tax should be collected on 50% of the total charge for the accommodation and meals.

Effective March 2003, lodging and meals sold as a package and invoiced to the customer as a single charge is subject to tax on the entire charge. Where the charge for meals is segregated on the invoice, tax applies only to the lodging.

Ref. Act 3(1)(k)(i)	-	"Taxable service" defined re lodging
Reg. 3(1)(2)	-	Lodging further defined
Ruling 101.0	-	Diplomatic Personnel
Bulletin PST-31	-	Tourist Outfitters, Vacation Farms
Bulletin PST-47	-	Lodging

#### **41.5 Guarantee No Show Fee (updated February 2012)**

Guarantee no show fees are imposed by a hotel when a guest reserves a room and wants assurance that it will held for their use. This fee is non-refundable regardless of whether the room is used, unless the reservation is cancelled by the guest within the time period imposed by the hotel. If not cancelled, the sale of a taxable service is deemed to have taken place once the hotel imposes the fee and guarantees that the room will be held for the guest. The total charge is subject to tax.

### **42.0 MANUFACTURERS AND PROCESSORS**

#### **42.1 Chemicals and Direct Agents**

Chemicals used as reagents or catalysts to transform or manufacture a product are exempt from PST. Reagent and catalyst are defined in Information Bulletin PST-21.

As a general rule, items that last more than a year before refurbishing or replacement are often not considered direct agents but rather might be viewed as equipment repairs. The useful life of most direct agents (consumables) would normally be less than one year. As well, consumables whose contact with products being manufactured is only incidental and not part of the manufacturing process would not be considered direct agents (e.g. bearings, seals and gaskets).

Filters are considered direct agents when used in the transformation of a product and are acting on the product being manufactured. For example, breweries will use filters to extract micro-organism from beer. This filter would be considered a direct agent. The tax status of filters is reviewed on a case-by-case basis.

Liquid nitrogen and carbon dioxide used by a poultry or meat processor or to flash freeze poultry or meat are considered direct agents and are tax exempt.

(1) **Pulp and Paper Industry**

A. **General**

- (a) Taxable - Poly-floc, salt, calgon, resin, alkatrol, canarad, and firescale.
- (b) Exempt - Saltcake, limestone, quicklime, caustic soda, chlorine, sulphuric acid, sodium chlorate, sulfur dioxide, rexal, klarmine, and defoamers.

B. **Pulp Mill**

(a) Direct agents include the following:

- chipper
- cut off blades
- dies, jigs, mould, abrasives, water treatment chemicals
- disc filter bags
- rechipper knives, debarker arm tips, anvil, bed knives and counter knives
- refiner plates
- rolls used in forming products
- screw feeder
- thune screen
- thune screen baskets (old style – labour and materials to drill out baskets)

(b) The following are **not** considered to be direct agents:

- air filters and screens
- bale press auxiliary cylinder
- bale press wear strips
- boiler treatment chemicals
- cleaners and solvents
- conical screen plates
- conveyor belts and chains
- feed roll spikes
- forte plate
- hand tools
- Hooper screen

- laboratory supplies
- production equipment and repairs
- refiner bolts
- side hill screen
- slab press cylinder
- thune screen baskets (style that is discarded when plugged – 4 year life)

### C. Pulp and Paper Mill

(a) Direct agents:

- dies, jigs, moulds, abrasives
- forming felts
- press and suction rollers
- re-facing rollers
- rollers for breaking fibers
- sizing rollers

(b) The following are **not** considered to be direct agents:

- chemicals for treatment and cleaning of equipment
- cleaners
- felts designed for absorbing water
- felts for conveyance
- hand tools
- production equipment and repairs

(2) **Oil Industry** (Other Than Refining Chemicals)

(a) Taxable

- Acidizing chemicals
- Biocides
- Boiler house chemicals
- Cleaning concentrates
- Condensate used for the purpose of de-waxing oil wells
- Corrosion inhibitors
- Cyanatrol 940LS (a polyacrylamide polymer) mixed with water and injected into the oil bearing formation to stimulate production
- Ethylene Glycol
- Foaming agents
- Load oil used for fracturing purposes - no adjustment will be allowed in cases where some of the oil is recovered as the original oil loses its identity upon use

- Methanol
- Oxygen scavengers
- Paraffin inhibitors
- Rust inhibitors
- Salt (exempt if used as a catalyst)
- Salt water disposal system chemicals
- Scale inhibitors
- Sludge solubilizers
- Solvents
- Surfactants
- Demulsifiers
- Dispersants and anti-foaming agents
- Monoethanolamine
- Processing chemicals
- Waterflood treating chemicals

(b) Non-Taxable

Crude oil blends used by a company for purposes other than well fracturing and de-waxing (priming, reducing viscosity, etc.) and are 100% recovered are not subject to tax as they become an integral part of the produced product.

(3) **Oil Refining Chemicals**

(a) Taxable

- Boiler treatment chemicals
- Conditioning treatment chemicals (treatment for circulating cooling water)
- Corrosion inhibitors (added in process to protect equipment)
- Laboratory water testing chemicals
- Methanol - (anti-icing addition for plant air)
- Salt - removal of water from refined product
- Scale inhibitors
- Water treatment chemicals - sulfuric acid, caustic soda flake, salt, liquid chlorine, sodium sulfite, lime, soda ash, etc.

(b) Exempt

- Anti-foulants
- Catalytic cracking refining chemicals
- Dispersants and defoamers
- Fifty percent liquid caustic - used to remove hydrogen

sulfide plus mercaptans in the refining of gasoline

- Fuel oil additives
- Gasoline additives - motor anti-knock ignition control compounds, icing preventatives, etc. (this includes corrosion inhibitors added to finished product)
- Gasoline dyes
- Methanol - (anti-icing addition for premium gasoline)
- Propane additives
- Solvent and kerosene additives

(4) **Vegetable Oil Industry**

(a) Taxable

Mineral oils (not a reagent or catalyst and not incorporated into the product)

(b) Exempt

Activated bleaching clay (used as a reagent)

(5) **Optical Industry**

Polishing compound, glues used to adhere alloy chucks to lens surfaces and alloy chucks used by optical businesses are not chemical reagents or catalysts and therefore are subject to tax.

(6) **Nitrogen Fertilizer Plants**

Direct agents include chemicals that:

- cool the water
- remove impurities
- control foaming
- control air in the drying process

The following are not considered to be direct agents:

- all production equipment and repairs
- raw water treatment chemicals
- water softener chemicals
- purifying chemicals
- treatment chemicals added to maximize life of equipment
- corrosion chemicals

Note: Chemicals used to remove impurities from water to recycle it are taxable. Chemicals used to remove impurities from ore are

exempt (e.g. ferrous sulfate).

(7) **Alfalfa Processing Plants**

Direct agents include the following:

- Hammers and screens (hammers work in unison with the screens by pounding the raw alfalfa against the screens until the alfalfa is chopped into pieces small enough to fall through the screens). Rods are not direct agents.
- Dies (chopped alfalfa hay is forced through the dies to create pellets). Stabilizer rings used to support the dies are not direct agents.
- Roller Shells (compresses the chopped alfalfa hay and forces it through the dies). Bearings and other parts contained within the roller shells are not direct agents.

(8) **Liquid Nitrogen and Carbon Dioxide**

Liquid nitrogen and carbon dioxide are a direct agent when used by a rubber recycler to freeze old tires in order to breakdown the rubber.

Ref. Act 8(1)(kk)	- Tangible personal property incorporated into property for resale - exempt
Bulletin PST-14	- Oil and Gas Producers
Bulletin PST-39	- Direct Agents

*The Direct Agent Tax Remission (1992) Regulations*

**42.2 Prototypes Used for Research and Development (Updated February 2012)**

Clause 8(1)(kk) of the Act exempts, “tangible personal property purchased for... use as prototypes for research and development purposes.” Therefore, to be eligible for the exemption the tangible personal property (TPP) must be both a “prototype” and it must be intended for research and development purposes.

A prototype is an original model or test version of TPP from which copies are intended to be produced. A prototype may consist of a single piece of equipment or several pieces of equipment that are used in a process. A single model of a new or novel design is not eligible for an exemption of PST since the main purpose of its construction is commercial use and not the intention for the equipment to be replicated for sale.

Raw materials, component parts, design services and labour services used to construct prototype equipment are not subject to tax. If, however, the original prototype equipment is subsequently sold, tax must be collected on the selling price of taxable equipment.

Original equipment developed for own use may be considered prototype equipment only up to the point that research and development cease and the primary purpose of the equipment becomes commercial production.

When original equipment is developed for own use, research, testing and development may be required to determine whether a new design will do what is expected. This may require of a series of models to be designed, constructed and tested until a final design is determined and prepared for production. Generally, the costs to produce the final design are higher than the final production costs and, therefore, the purchase of raw materials, component parts, design services and labour services may be purchased exempt up to the point of final production.

Prototype equipment may have some commercial production, however, as long as its predominant purpose is research and development it is exempt. Once commercial production becomes the predominant use, the exemption is lost and PST must be self-assessed on the value of the equipment.

**Ref. Act 8(1)(kk) - Prototypes**  
**Act 5(5) - Tax on Consumer or User**

#### **43.0 CLAY**

The exemption for "clay" under section 8(1)(g) of the Act is for natural clay. Pottery clay is subject to tax as it is no longer natural clay but a new product manufactured from natural clay. Consequently, pottery clay is taxable unless the clay forms part of the raw material directly incorporated into a finished product.

Activated bleaching clay used as a filter is subject to tax. However, when used in the bleaching of vegetable oils, it is a reagent and exempt from tax.

Sodium Bentonite is a form of natural clay removed from the ground, dried and ground or formed into pellets or grains of various sizes. Bentonite is used in drilling mud, cat litter, metal casting and for sealing ponds and dugouts. Because it generally undergoes minimal processing, Sodium Bentonite is natural clay and is exempt.

**Ref. Act 8(1)(g) - Clay and earth exempt**

Ruling 42.1 - Reagents and catalysts

#### **44.0 ASPHALT MANUFACTURING COSTS**

*(updated March 2011)*

The total manufactured cost of asphalt includes three major components as noted below (excluding GST).

##### Direct Materials

- the cost of all raw materials processed or incorporated into the manufactured goods, whether purchased or produced internally, including liquid asphalt, oil, gravel and other aggregate, and additives such as enhanced polymers and emulsifiers;

##### Direct Labour

- direct labour for operators of the asphalt plant and loader;

##### Manufacturing Overhead

- the cost of hauling raw materials to the asphalt plant;
- indirect labour including benefits for the foreman and other employees who operate the asphalt plant and loader;
- equipment costs for the asphalt plant and loader including rental, insurance, gasoline, oil, repairs, maintenance and depreciation;
- fuel used for heating raw materials (heating oil, propane);
- power costs for the asphalt plant;
- testing costs; and
- municipal taxes or rent for the property the asphalt plant is located on.

Ref. Bulletin PST-28 - Asphalt Paving Contractors & Suppliers Of  
Asphalt Paving Mixtures

#### **45.0 COMPUTER SERVICES**

##### **45.1 Allocation of Services**

Where a non-resident software company provides a software licence to a non-resident parent of a Saskatchewan location to allow all locations to access data, the company must make a reasonable allocation for the Saskatchewan portion of the services and pay the tax accordingly.

##### **45.2 Remote Services**

Tax is payable on charges to accesses a remote server to use software or data when the use and benefit of the service is received in Saskatchewan. When an unlicensed non-resident supplier operates the remote server, the

user of the service must self-assess the tax. Conversely, tax will not apply to a non-resident accessing a remote server in Saskatchewan as long as the use and benefit of access to the server was outside of Saskatchewan.

### **45.3 Changing Computer Environment**

Services relating to changing a system environment, custom software development and updating a database population are subject to tax. This includes charges for supervising staff performing these duties. Training of staff is not taxable if billed separately.

### **45.4 Computer Consulting**

Labour charges that relate to computer system modifications are taxable. Consulting services that provide analysis or recommendations but does not provide services to implement the recommended changes is exempt from tax.

### **45.5 Domain Name Registration**

Fees charged to purchase or register an internet domain name are exempt if shown separately on an invoice. Domain names are intangible property rights and do not fall into the definition of “computer services.”

### **45.7 Access Charges**

Online search fees are exempt (e.g. Personal Property Registry) as the fee is paid to obtain a piece of information that happens to be delivered through the facilities of an online database. In the case of the Personal Property Registry, the user pays a fee for each search (e.g. they pay a \$3 search fee to find out if a particular vehicle has any liens against it). They are not really paying for the right to use or access the database. This same information could be obtained by going to the Personal Property Registry and paying the staff there the same fee to look up this information. However, if a user pays a subscription to fee that allows them to directly access a computer database in order to conduct searches, that subscription fee is subject to tax.

Some databases charge a periodic licence fee for unlimited use of a computer database. Others may charge a fee based on the time spent online accessing the database. Unlike the foregoing example, these charges are for the “right to use or access a computer program”, which is specifically included in the definition of “computer services” and are therefore taxable.

Ref.	Act 3(1)(a.1)	- Computer services
	Bulletin PST-7	- Computer Hardware and Software

#### **46.0 LABORATORY SPECIMENS**

Although the Act makes no provision for the exemption of living or dead laboratory specimens, living specimens are exempt from tax and dead specimens are subject to tax. Generally, living organisms are not subject to tax.

#### **47.0 WIPING RAGS - Deleted**

#### **48.0 NATIONAL RESEARCH COUNCIL GRANTS**

Purchases of taxable commodities with National Research Council grant funds are subject to tax in the same manner as any other purchase. In order for the purchases to be tax exempt, a Federal Government Department would have to obtain title to the tangible personal property and pay the supplier directly.

#### **49.0 FEDERAL SALES TAX REFUNDS - Deleted**

#### **50.0 GOLD AND SILVER**

All gold and silver items such as bars, bullion and tokens are subject to tax when sold. Dental gold for making dental appliances and jewellers' gold for fabricating into jewelry for resale will continue to be sold tax-free to properly licensed firms.

Ref.	Act 3(1)(j)	- "Tangible personal property" defined
	Act 8(1)(i)	- Coins made by the Royal Mint of Canada sold at face value - exempt
	Bulletin PST-32	- Antiques, Stamps, Coins and Paper

Money

#### **51.0 CONSIGNMENT, COMMERCIAL AND SALVAGE VEHICLES**

##### **51.1 Consignment Sales**

When a dealer sells a customer's car, usually for a percentage of the selling price it is a consignment sale. Vehicles are brought to the dealer's lot and the sale is made and recorded in the dealer's records. The buyer makes payment to the dealer who after deducting commission and costs makes payment to the owner. This is a commercial sale, tax is levied on the total selling price and the \$3,000 reduction does not apply.

In some situations, a legitimate dealer may earn a fee by making a sales referral. To qualify as a referral versus a consignment sale the following conditions must be present.

- There is no formal agreement between the dealer and owner
- The vehicle is not advertised on the dealer's lot
- The buyer makes no payment to the dealer
- The sale is not recorded in the books of the dealer
- The sale is completed by the owner

The dealer takes payment of the referral fee from the vendor. The selling price of the vehicle includes any referral fee (between vendor/purchaser). SGI collects the tax at the time of registration. The \$3,000 allowance only applies to private sales between non-commercial entities.

### **51.2 Commercial Vehicles**

A commercial transaction is any agreement for sale, exchange or barter where the seller, the purchaser, or both, are in business and making a retail sale or purchase of a motor vehicle. The business does not have to be a motor dealer or business whose primary activity is selling vehicles (sheriff's sales are also commercial sales).

Commercial bills of sale are not subject to Red Book Value at SGI issuers.

Commercial vehicles are taxable business assets and cannot be gifted tax exempt.

The \$3,000 reduction from the value for tax purposes does not apply to commercial vehicles. F-plated vehicles qualify for the \$3,000 reduction when it is a private transaction or a transaction that takes place between two farming corporations.

### **51.3 Salvage Vehicles**

#### **Prior to March 30, 2000**

#### **Parts Obtained by Stripping Taxable Salvage Vehicles**

The vendor must collect the tax on the selling price of the parts. However, as the sales of these parts are usually insignificant, the vendor may elect to pay the tax on the cost price of the salvage vehicle in lieu of collecting tax on the selling price of the parts.

#### **Parts Purchased by the Vendor from a Non-resident Supplier**

The vendor must collect the tax on the selling price of the parts. These are

generally special order parts.

See Bulletin PST-58 for the current taxation rules on the sale of used parts.

### **Effective March 30, 2000**

Salvage vehicles are eligible for the \$3,000 reduction on private sales, even if the vehicle is not roadworthy. Salvage vehicles sold by a wrecker are considered commercial sales and not eligible for this reduction.

#### **51.4 Red Book**

The Revenue Division has used the Red Book for determining vehicle values for tax purposes on private transactions since 1994. Until the March 30, 2000 Budget changes, the Red Book was used primarily to value vehicles brought into Saskatchewan from out of province. The tax applied on the greater of purchase price or average wholesale value as listed in the Red Book.

The intention in using the Red Book wholesale value is to arrive at the fair market value of a vehicle. The Red Book value is a base unit value and it does not include options. This practice generally means that the Red Book value rarely applies to commercial transactions but provides a fair and reasonable value for tax purposes when utilized.

The methods used in Saskatchewan to determine the value of a vehicle for PST purposes are similar to those of most other provinces. In instances where an individual does not accept the value provided, an appraisal by an accredited Saskatchewan appraiser or licensed motor dealer is accepted. An individual has the opportunity to discuss his or her situation with Revenue Division staff who considers each case individually. If it can be substantiated that a price lower than the Red Book value was paid for a vehicle, (e.g. high mileage, damaged vehicle) that price will be accepted for tax purposes. If the issue cannot be resolved, the taxpayer has the right to appeal.

A taxpayer may receive a refund of overpaid tax if the individual provides a bill of sale, cancelled cheque, loan agreement, etc. to support their purchase price.

#### **51.6 Vehicles Purchased Outside of the Province**

The \$3,000 reduction applies to vehicles purchased by a private sale outside of Saskatchewan. Vehicles purchased outside of Canada are not allowed the \$3,000 reduction.

### 51.7 Total Loss Vehicles

A vehicle involved in an accident resulting in a total loss insurance settlement is not considered a sale and no change in ownership is deemed to have taken place regardless of whether the insured chooses to keep the salvage or not. Similarly, a dealer demonstrator written off as a total loss is not a sale and tax is not payable on the insurance settlement.

Ref.	Ruling 63.0	- Rentals
	Ruling 67.0	- Gifts and estate bequests
	Ruling 73.0	- Settler's effects
	Ruling 74.0	- Refund of tax on motor vehicles
	Bulletin PST-18	- Motor Dealers

## 52.0 OIL INDUSTRY

### 52.1 Mobile Capital Equipment – see Bulletin PST-13

Order-in-Council 1436/67 provides for a remission of tax paid on certain mobile capital equipment used by the oil and gas or potash industries. This remission of tax applies to any unit of equipment that operates directly in exploration, development, testing or servicing activities within these industries. Equipment that performs a function subsidiary to the direct activities is taxable.

### 52.2 Testing Equipment

Testing equipment is considered to be in the category of mobile capital equipment and typically includes any piece of equipment capable of being used in developing or servicing of oil wells. The testing equipment must be capitalized in the records of a company in order to qualify for the remission of tax under the terms of the Order-in-Council 1436/67.

Steam injection equipment is not considered testing equipment and is subject to tax. Steam injection equipment includes water storage tanks, water treatment equipment, pumps and boiler packages, fire ignition unit, light plant, injection lines or portable enclosure.

"Portable one well heavy oil test units" were a type of pump jack; in spite of the name, they do not fall into the "testing" category and are subject to tax unless the producer can document that the equipment is used exclusively for testing and not production.

Pipeline inspection equipment is subject to tax, as this equipment does not work directly in exploration, development or servicing of oil or gas wells.

### **52.3 Propane Gas Used in Oilfield Treaters and Pumps**

Propane gas used as an open flame heating fuel in oilfield treatment units is not subject to Provincial Sales Tax or Fuel Tax.

Propane used in powering oilfield pumps is not subject to Provincial Sales Tax but is subject to Fuel Tax.

### **52.4 Levelling Oil Rigs**

The charge to anchor and level oil rigs is not subject to tax. However, tax must be paid on the cost of the equipment used to provide this service.

Ref.	O/C 1436/67	Mobile capital equipment
	Act 3(1)(g)	"Rent" defined
	Act 5(7)	Rentals subject to tax
	Reg 5(1)(x)	Remanufactured or reconditioned tangible personal property
	Ruling 12.2	Equipment for temporary use
	Ruling 42.1(2)	Oil industry chemicals other than for refining
	Ruling 42.1(3)	Oil refining chemicals
	Bulletin PST-13	Oil, Gas and Potash Drilling and Service Contractors

### **53.0 POTASH INDUSTRY**

Ruling 52.0 applicable to the oil industry also applies to the potash industry but is not applicable to minerals other than potash.

The "Pulse EKKO III Ground Penetrating Radar System", and "Radar Cart" used in the potash industry to map structures adjacent to mining openings are exempt from tax in accordance with the remission of tax provided by Order-in-Council 1436/67. However, the software for the above, identified as "Pulse EKKO III Standard Data Processing Software," is taxable.

Ref. Bulletin PST-59 - Mining Industry

## **54.0 PENALTY AND INTEREST**

### **54.2 Penalty and Interest on Different Statutes**

Maximum Penalty - see Bulletin PST-5

### **54.3 Penalty and Interest Applied to Payments Made in Anticipation of an Audit**

If a taxpayer has remitted overdue tax as soon as he or she has learned of an upcoming audit in an attempt to avoid penalty and interest charges, the taxpayer's return is adjusted and the overdue tax treated as a payment on the audit. Penalty and interest applies to the tax due.

### **54.4 Federal Crown Corporations**

The federal government and federal crown corporations are not subject to provincial taxes; however, through negotiated reciprocal taxation arrangements with the province, prescribed federal agencies (federal crown corporations) have agreed to pay provincial sales taxes. This agreement does not address penalty and interest; therefore, they cannot be applied on audit assessments or delinquent returns.

### **54.5 Guidelines to Follow on a Voluntary Disclosure**

The following guidelines are provided regarding the Revenue Division's policy with respect to voluntary disclosures of taxes owing. Please note that the Revenue Division retains the discretion to deviate from these guidelines where circumstances warrant a waiver of both penalty and interest.

The Ministry of Finance encourages taxpayers to make voluntary disclosures relating to taxes that should have been paid or remitted pursuant to the tax legislation administered by the Revenue Division.

The effective administration of these taxes is based on a system that requires taxpayers to self-assess taxes owed and on vendors to collect and regularly remit the taxes they collect from their customers on behalf of the government. In order to ensure that this system functions successfully, it is necessary to maintain effective deterrents that apply to those who break the rules. In order to promote compliance with Saskatchewan's consumption taxes, tax laws provide for prosecution, as well as the application of penalty plus interest, when taxes have not been paid or

remitted when required.

On the other hand, honest mistakes, omissions and misunderstandings can occur that result in a taxpayer failing to pay tax when it is due. Therefore, Revenue Division has adopted an administrative policy of allowing taxpayers to avoid prosecution and the application of the penalty when they voluntarily report taxes owing in accordance with the following conditions.

### **1. The Disclosure Must Be Voluntary**

The taxpayer or vendor must initiate the disclosure. If a taxpayer or vendor makes a report of taxes owing in response to contact by the Revenue Division related to an audit or other enforcement activity, the disclosure may not be voluntary.

### **2. The Disclosure Must Be Complete**

The disclosure must be complete and accurate. The taxpayer or vendor shall provide, or allow access to, any books and records related to the taxes owing. The Revenue Division will verify the amount of the taxes owed. This includes filing any outstanding tax returns and making disclosure of any other consumption tax types that are payable. For example, a person who makes a disclosure of Tobacco Taxes owing, but deliberately withholds information relating to Provincial Sales Taxes owed, has not made a complete disclosure.

### **3. Payment of the Taxes Owing**

Full payment of the taxes owing, including the applicable interest, should accompany the disclosure. However, if this creates undue hardship for the person making a voluntary disclosure, it may be possible to arrange a reasonable repayment schedule with the Revenue Division.

### **4. The Taxpayer or Vendor Must Have An Acceptable Filing History**

Taxpayers or vendors who have a poor record of paying or remitting their taxes on time may not be eligible for relief under the Voluntary Disclosure Policy. This includes taxpayers or vendors who have failed to pay or remit tax in spite of contacts from the Revenue Division requesting their compliance.

Taxpayers may contact the Revenue Division to make a voluntary disclosure. A detailed description is not required during the initial contact. A representative of the Revenue Division will explain what additional information or action is required to complete the voluntary disclosure.

A person may withhold their name at the time of initial contact in order to determine whether their circumstances qualify for the relief available under the Voluntary Disclosure Policy. However, the effective date of a voluntary disclosure does not occur until the taxpayer has been identified. Therefore, persons who make an anonymous disclosure or who ask for a ruling based on hypothetical facts may not be eligible for relief under the Voluntary Disclosure Policy if the Revenue Division contacts them for audit or enforcement purposes prior to identifying themselves.

All disclosures will be treated as confidential by the Revenue Division. However, most other jurisdictions in Canada offer similar Voluntary Disclosure programs and it is often in a taxpayer's or vendor's interest to make a disclosure to other jurisdictions. While we will not share a voluntary disclosure with anyone else, the Revenue Division encourages taxpayers and vendors to make voluntarily disclosures to other jurisdictions in order to avoid prosecution or civil penalties. The Revenue Division will provide assistance and contact information to taxpayers who may wish to make a voluntary disclosure to the Federal Government or to any other province.

Saskatchewan's Voluntary Disclosure Policy applies to taxes owed under the following tax statutes:

*The Provincial Sales Tax Act*  
*The Liquor Consumption Tax Act*  
*The Tobacco Tax Act, 1998*  
*The Fuel Tax Act, 2000*  
*The Corporation Capital Tax Act*  
*The Insurance Premiums Tax Act*  
*The Motor Vehicle Insurance Premiums Tax Act*  
*The Fire Prevention Act, 1992 (Tax on Fire Insurance Premiums)*  
*Part II of The Litter Control Act (Beverage Container Fees and Deposits)*  
*The Horse Racing Regulation Act (Tax on Pari-mutuel Wagers)*

#### **54.6 Application of Penalty and Interest**

Refunds involving tax paid in error will generally attract interest. Refunds of tax on Indian contracts are not eligible for interest.

The remission of tax on permanently mounted equipment used in the oil and potash industry is authorized in accordance with Order-in-Council 1436/67. No interest will apply on such refunds, as this is not tax paid in error.

Assessments raised against a principal under section 29 of *The Provincial Sales Tax Act* are subject to penalty and interest.

- |                    |   |                                |
|--------------------|---|--------------------------------|
| Ref. RFS Act 57(1) | - | Penalty for late payment       |
| RFS Act 58.1       | - | Waiver of penalty and interest |

## **55.0 DIRECT SELLERS**

### **55.1 General Information**

A direct sales company may assume the responsibility of collecting and remitting tax on behalf of its distributors or sales agents. The head office obtains a vendor licence and collects tax from its distributors or agents on the suggested retail price. Any tax credits (overpayments) must be handled by the head office (i.e. sales to Indians, returned goods, out-of-province).

An independent distributor or sales agent must have a licence if the direct sales company refuses to collect and remit the tax.

If a distributor or sales agent purchases inventory from another out-of-province distributor, the Saskatchewan distributor or agent must have a license.

## **56.0 EQUIPMENT TRANSFERRED INTO THE PROVINCE**

Non-resident firms may transfer equipment to their Saskatchewan branches for either permanent or temporary use.

### **56.1 Permanent Use**

Tax applies to the depreciated value. Depreciation of 1½% per month or part month to a maximum of 60% from date of purchase to first date of entry into the province is allowed in determining value. Depreciation applies to the original purchase price before deduction of a trade-in.

The term “month” refers to the anniversary date and not the calendar date (i.e. June 15 - July 14 is one month).

Fair market value may be used providing the taxpayer submits information acceptable to the department.

### **56.2 Temporary Use**

Tax applies on the original purchase price (excluding GST) before

deduction of a trade-in, using the 1/3 or 1/36 formula (see Bulletin PST-38 for details of when to use the 1/3 or 1/36 calculations).

Ref.	Ruling 12.0	-	Non-resident construction equipment
	Ruling 13.0	-	Interprovincial carriers
	Ruling 112.0	-	Dismantling charges
	Bulletin PST-13	-	Oil, Gas and Potash Drilling and Service Contractors
	Bulletin PST-38	-	Non-resident Contractors
	Act 5(9)(12)	-	Goods brought into the province
	Act 5(9.1)(9.2)	-	Taxation of equipment brought into the province
	Reg 17.1, 17.3	-	Prorating of tax on equipment
	Ruling 122.2	-	Non-resident contractors and non-resident vendors

## **57.0 BROKERAGE FEES**

Brokerage fees are charges levied by a customs broker on goods imported into Canada.

A customs broker's full charge will be subject to tax in cases where the customer's invoice includes duty and excise taxes along with brokerage fees. In this case, the brokerage fees form part of the consideration paid by the customer in order to obtain the goods. However, if the customs broker's fees are simply a service for preparing the importation documents or the invoice includes GST only and there is no charge for duty and excise taxes, tax will not be applicable.

Ref. Act 3(1)(b) - "Consideration" defined

Act 3(1)(i) - "Sale" defined

## **58.0 SNOWMOBILES - Deleted**

## **59.0 POPPIES AND WREATHS**

The Royal Canadian Legion distributes poppies and wreaths as a symbol of support for voluntary donations. The poppies and wreaths are not subject to tax

either on the donations received or on their purchase price.

**60.0 VAN CONVERSIONS** – see Bulletin PST-18

**61.0 ENGRAVING CHARGES**

Tax applies to the total selling price of an engraved article, including the engraving, notwithstanding the fact that the charge for engraving may be shown as a separate item on the invoice. If an engraver works on an article owned by a customer, tax applies to the charge for engraving, as a repair service.

Ref.	Act 3(1)(b)	-	"Consideration" defined
	Act 3(1)(i)	-	"Sale" defined
	Regs 3(6)	-	"Repair or installation services" defined

**62.0 VETERINARY SERVICES AND SUPPLIES**

**Effective March 30, 2000**

**A. Definition of Veterinary Services**

Taxable "veterinary services" means those services provided by a person who is registered to practice veterinary medicine pursuant to *The Veterinarians Act, 1987*. This includes services that are provided by any assistants or other support staff who provide those services under the supervision, authority or direction of a veterinarian. Taxable services provided by veterinarians include charges for professional veterinary services, vaccinations, diagnosing, anesthesia, dentistry and surgery. Taxable sales of tangible personal property by veterinarians include such items as drugs, pet food and pet supplies.

Excluded from the definition of taxable veterinary services are any services provided with respect to commercial livestock or by a person who provides services to that person's employer in the course of employment. Exempt services include pet grooming and kenneling (these charges must be invoiced separately).

"Commercial livestock" means an animal raised in a primary farming operation that is intended to be sold for food, as pet stock, for racing or for the sale of products produced by the animal.

**B. Veterinary Service, Veterinary Drugs and Medicines and Pet Food**

Fees charged by a veterinarian for veterinary services, drugs and medicines, pet food, including vitamins and dietary supplements, are subject to tax. Fees

charged for veterinary services, feed and drugs and medicines administered to commercial livestock are exempt. Drugs and medicines purchased by a farmer for commercial livestock are exempt from tax, providing the farmer provides a land location and certifies that the medicines are being purchased for use in a primary farming activity.

### **C. Consumables and Items Sold as Part of a Veterinary Service**

The application of tax to purchases made by veterinarians depends on whether the veterinarian or the client is considered to be the consumer of the product. The veterinarian is considered to be the consumer of consumable items purchased for use in the course of providing veterinary services. This includes such items as syringes, bandages, gauze, sutures, and disinfectants. Veterinarians are required to pay tax on these consumable items.

Items that pass to the veterinarian's client may be considered as sale items. These include items like splints, prosthetics, orthopedic appliances, pacemakers, artificial eyes and intraocular lenses. Veterinarians may also elect to bill separately for anesthetics and drugs administered at the clinic. Items for resale may be purchased tax exempt by providing the vendor's licence number to their suppliers. The veterinarian must segregate these items on the client's invoice and collect tax on the selling price.

Ref.	Act 3(1)(k)(xi)	Veterinary services
	Bulletin PST-26	Veterinarians

## **63.0 RENTALS**

### **63.1 General**

*The Provincial Sales Tax Act* requires a person who leases goods to pay tax on the amount of rent payable [subsection 5(7)]. The *Act* defines "rent" as including "any royalty, franchise, maintenance, service, installation, financing or insurance in respect of tangible personal property that is the subject of a lease." The *Act* includes these charges as part of the tax base even if they are shown or billed for separately from the main rental charge [clause 3(1)(g)].

A common issue that arises in the rental industry is helping businesses distinguish the rental of goods from the provision of a service.

- (1) The following list has examples of businesses that do not collect tax on the rental of goods. As service providers, they pay tax on the purchase of goods used to provide these services:

Garbage Disposal Service (pickup & disposal service included)  
 Hot Tub Rentals (delivery, set-up and removal service included)  
 Portable Signs (“Display Advertising Services” - see Ruling 63.19)  
 Incidental Recreation Equipment Rentals:

- Bowling shoes
- Curling brooms and sliders
- Golf courses (range balls)
- Boats

Storage facilities

Table and chair rental services (setup and removal service included)

Toilet Rental Services (pickup and disposal service included)

- (2) The following businesses are involved in renting goods and are required to collect the tax on rentals (this list is not exhaustive):

Adding & Calculating Machines

Addressing Machines

All Terrain Vehicles

Audio Visual Equipment

Carpet & Rug Cleaning Equipment

Cheque Protectors

Concrete Construction Forms

Concrete Mixers

Costumes

Cranes (charges for an operator are exempt if shown separately)

Data Processing Systems

Excavating Equipment (without operator)

Fire Extinguishers

Fishing Tools

Floor Machines

Garbage Disposal Equipment (industrial)

Gas, Propane & Oil Tanks

Golf Courses – (motorized golf cars, pull carts, bags, and clubs)

Houseboats

Lighting Plants & Equipment

Musical Instruments

Office Furniture

Photocopy Machines

Printing Equipment

Radio Communication Equipment

Scaffolding (see Ruling 63.15)

Service Station Equipment

Signs (excluding portable signs)

Ski Equipment Rentals

Snow Removal Equipment (without operator)

Sound System and Equipment (without operator)

Spraying Equipment  
 Televisions (including hospital rentals)  
 Tents (without set-up and tear-down services)  
 Toilet Rentals (pickup and disposal service not included)  
 Towel and linen service  
 Trailers (mobile offices)  
 Trampolines  
 Typewriter Rentals  
 Video Machines and Tapes  
 Water Coolers  
 Water Heaters  
 Water Purification Equipment and Softeners

The rental of goods does not normally include charges for services to set-up, operate or tear down the goods rented. When additional services do form a significant part of a “rental” agreement, the transaction may be a service rather than a rental of goods.

### **63.2 Automotive Leasing**

Businesses may not remit tax on lease payments made to a non-resident vendor on their regular returns. The motor licence issuer will collect tax on the vehicle value when it is licensed in Saskatchewan.

When a lessee registers a vehicle from a licensed vendor without obtaining the proper documentation\* to substantiate that Provincial Sales Tax will be collected on future lease billings, the motor vehicle issuer will collect tax on the value of the remaining term of the lease not including the buy out amount. The motor vehicle issuer will collect tax on the buy out at the time the option to purchase is exercised. The Saskatchewan Government Insurance (SGI) registration system has special features to control for the collection of tax on leased vehicles.

\*SGI requires the lessee to produce the lease agreement along with an addendum to the lease or a letter of intention from the lessor showing that the lease billing includes the Provincial Sales Tax. Usually the SGI issuer will confirm with the Ministry of Finance that the documentation is in order. Often, the lessee already has the documentation, as the lessor is required to sign a power of attorney that allows the lessee to register the vehicle.

### **63.3 Repairs to Rental Equipment**

Rental businesses are not required to pay tax on repairs to equipment in their taxable rental inventory on the basis that tax applies to the rental of that equipment. The business must quote the Provincial Sales Tax vendor

licence number in order to purchase repairs tax exempt.

All repairs that are the responsibility of the lessee are subject to tax on the purchase price of the parts and labour.

#### **63.4 Termination Charges**

Lease termination charges that are in the nature of a penalty or compensation for the early termination or breach of a lease are not subject to tax if:

- the charges are the result of the breach, repudiation or early termination of the lease;
- the leased property is returned to the lessor; and
- the termination charges are made in compensation for breaching the remaining term of the lease and are not payment for the past (lease payments in arrears), present or future use of the leased property.

Lease termination charges that meet these criteria are not subject to tax because they only come into existence after the lease has been terminated and do not form part of the consideration paid for the use of the leased property.

#### **63.5 Lessee-Lessor Vehicle Sale Agreements**

A leasing firm may enter into a contract whereby the lessee, upon termination of the contract, is bound to dispose of the leased vehicle on behalf of the lessor. The lessor has predetermined the vehicle disposal price. The invoice to the purchaser of the leased vehicle is at the agreed price plus tax. If the selling amount is below the predetermined price the lessor bills the lessee for the difference; likewise, if the selling amount is in excess of the predetermined price the lessee is credited with the difference.

Consequently, any amounts charged back or credited to the lessee will be deemed to be an adjustment of the lease charge and tax will in turn be adjusted accordingly.

The following illustrates the case of a predetermined price of \$3,000, with a tax rate of 5%.

- (1) The vehicle is sold for \$3,500 plus tax of \$175 that is paid by the purchaser. In view of the fact that the vehicle sold for \$500 in excess of the predetermined price, the lessee would receive a lease credit adjustment of \$500 plus \$25 tax.

- (2) The vehicle is sold for \$2,500 plus tax of \$125, which is paid by the purchaser. In view of the fact that the vehicle sold for \$500 less than the predetermined price, the lessee would receive an additional lease charge of \$500 plus \$25 tax.

### **63.6 Goods Purchased and Subsequently Leased ("Lease backs")**

Businesses often finance the purchase of high-value goods or equipment by arranging to lease them from a third party leasing company, financing company or bank. The business maintains the use and possession of the goods, but the leasing company obtains legal title or another legal interest that allows them to take possession of the goods if the business defaults on the lease payments. These "sale and lease back" transactions are used for financing purposes and are different from traditional leases.

Where goods are purchased and a lease back arrangement is entered into within 60 days of the business acquiring the goods or before any significant use of the goods has occurred, the business should apply to the Revenue Division for a refund of the tax paid on the original purchase price. The financing company is required to collect tax on the lease payments. No distinction should be made between capital leases or operating leases.

If a business has owned the goods or equipment for longer than 60 days, and enters into a lease-back financing arrangement, no tax is payable on the lease payments if:

- tax has been previously paid in full on the goods by the business; and
- no significant repairs or modifications are made to the goods at the time of entering into the lease back transaction, (however, if the business can prove that they have paid tax on all repairs or modifications, the lease payments will be tax-exempt).

### **63.8 Leasing of Plants and Trees**

Plants and trees installed in homes and buildings on a lease basis are subject to tax on the total charge including installation, ongoing care and removal if the plants remain as tangible personal property. Charges to maintain the plants (pruning, fertilizing, watering, etc.) are subject to tax.

### **63.9 Crane Rentals**

Crane rentals receive differential treatment from other situations where rented equipment comes with an operator. Charges for rig-down, rig-up and travel time with respect to crane rentals are subject to tax in accordance with the definition of "rent" in clause 3(1)(g) of the Act.

Charges for the services of an operator are not subject to tax when billed separately.

Generally, equipment rented with an operator is a service rather than a rental of tangible personal property (see Ruling 63.1). However, a series of Court cases in the 1980's resulted in crane rentals being treated as a rental of tangible personal property even when the crane is rented with an operator.

As per rulings from *Highlift Equipment v. Minister of B.C. Finance* (B.C. Court of Appeal, 1980) and *Dick Crane Service v. Minister of B.C. Finance* (B.C. Court of Appeal, 1988), crane rentals should be taxed as tangible personal property. The court ruled that the crane operator is essentially an extension of the crane since he or she does whatever the lessee directs them to do.

These BC Court decisions were made in the context of inter-provincial rentals and to rule that the crane owner is liable for tax would have resulted in the tax payable on the crane exceeding the amount receivable under the rental contract. This likely resulted in the Courts making a decision that arrived at a fair result, even though the ruling is inconsistent with many other rental/service contract situations.

### **63.10 Damage Repair Charges for Equipment (excluding vehicles)**

The definition of rent [clause 3(1)(g)] does not include the charge to the customer for damages as these types of charges are not a standard component of a rental charge. They only apply when the customer returns the equipment in a damaged condition.

In these cases the rental business is required to pay tax on the charges to repair the damages caused by the customer.

### **63.11 Other Vehicle Rental Charges**

Taxable vehicle rental charges do include mandatory cleaning charges.

If leased goods exclude charges such as cleaning, delivery and repairs, these charges do not form part of the rental agreement and are exempt from tax. However, repair charges invoiced to the customer are taxable.

### **63.12 Late Return Charges**

Late return charges (e.g. movie rentals) are subject to tax since they are considered to be payment for the extended use of the rented goods.

### **63.13 Permit Charges on Rentals**

Often leasing companies will charge their customers directly for permits they are required to obtain for their rental equipment. If these permit charges are billed as a separate item to the customer, no tax applies on these charges.

### **63.14 Scaffolding Rentals and Rentals with a Service Component**

All charges with respect to rentals are subject to tax in accordance with the definition of “rent” in the *Act*. One exception relates to the rental of scaffolding, which is labour intensive with respect to the services for erection and tear down. Since the labour charges make up most of the cost of the contract, tax does not apply to the labour component for setup, dismantling or sustenance related to the scaffolding contract when these charges are reasonable and shown separately on the customer's invoice.

Service company contracts often contain a rental element for a piece of equipment rented with an operator. In these cases, other than crane rentals (see Ruling 63.9), equipment rented with an operator is considered to be a service and tax does not apply to the rental charge.

Other examples of a service include garbage disposal (with bin rental) and portable toilet rentals (including pickup and disposal service); tax does not apply on the “rental” charge for these services. The firm supplying the service is responsible for paying tax on their equipment.

### **63.15 Security Deposits**

Security deposits paid on a rental or lease contract are subject to tax in the following manner at the option of the lessor:

- Collect tax on the security deposit at the beginning of the lease. Upon termination of the lease, refund the tax to the customer at the time the security deposit is refunded. Tax is refundable to the customer on any portion of the security deposit refunded.

*Or*

- Do not collect tax on the security deposit at the beginning of the lease. Any portion of the security deposit held by the lessor is subject to tax if/when applied to the lease. The amount of the security deposit refunded to the customer excludes the tax as no tax applied to the security deposit at the beginning of the lease.

### **63.16 Personal Property Security Agreement (PPSA) Registration Fees**

PPSA registration fees are not subject to tax if they are identified

separately on the customer's invoice. These are administration fees that are often charged in connection with leased and financed vehicles and are not subject to tax if they are identified separately.

### **63.17 Portable Signs and Display Advertising Services**

The application of tax to portable sign rentals depends on the nature of the rental agreements.

- Tax is paid by the owner on the cost of portable signs, when they perform the setup, display and control the location of the sign. The charges billed for portable sign is an exempt advertising service and not a rental of tangible personal property.

*Or*

- Where the portable sign and accompanying equipment are rented to a lessee who decides where to place the sign and who is responsible for set-up and tear-down, display, and content, such an arrangement may be treated as a rental of tangible personal property and not an advertising service.

### **63.18 Rentals between Related and Unrelated Companies**

#### Rentals between Parent and Wholly Owned Subsidiaries

A parent company may lease/rent equipment to its subsidiaries exempt of tax provided the parent company has paid tax on the purchase price of the equipment.

For PST purposes a parent/subsidiary relationship exists where a parent corporation beneficially owns 95% of the outstanding share capital of the subsidiary corporation, or has 95% of the outstanding shares of each class of share capital [Reg. 7.3(1)(a)].

#### Rentals between Companies with Common Shareholders

Leases/rentals of tax-paid equipment are exempt of additional PST when transactions occur between corporations wholly owned by the same group of shareholders continuously maintaining the same degree of beneficial ownership in the two companies.

#### Rentals between Companies without Common Shareholders

Typically, the lease/rental of equipment between companies not related by common ownership is subject to tax even when the equipment is tax-paid. The Ministry of Finance may grant an exemption if equipment is leased or rented in an exclusive arrangement between the companies, characterized by:

- entities that share a common interest;

- rentals are provided exclusively to one party;
- the company is not in the business of leasing/renting equipment.

Holding or management companies created to provide the use of equipment through lease/rental agreements to an operating company does not need to collect tax on the lease/rental charge when all of the following conditions apply:

- the equipment is tax-paid;
- the assets are leased/rented within the related group or exclusively to another;
- the assets are leased/rented on a cost recovery basis.

If the holding or management company does not pay PST on the laid-down cost of the leased asset, it must account for tax on the fair market value of the lease/rental charge (including mark-up) to the operating company.

PST must be collected by the holding or management company on the lease charge when there are incidental rentals provided to another company.

Ref. Reg. 7.3(1)(a) - "Parent Corporation" defined

### **63.19 Vehicle Lien Charges**

When a vehicle traded in on the purchase of a new, leased vehicle still has outstanding debt, the amount added to the overall lease charge is a "lien charge." Tax does not apply to this charge since it is a financing charge, for the debt outstanding on the trade-in and not part of the lease.

### **63.20 Subsistence Charges/Training Charges**

Subsistence charges associated with rental or lease charges are exempt when shown separately on the customer invoice. This also applies to any charges for training that may be required.

### **63.21 Hotel and Motel In-Room Movies**

The charge for in-room movie services transmitted directly by Hospitality Services Network Partnership (HSNP) to hotel guests is subject to tax. This service involves a movie transmitted directly from the HSNP transmitter to a set-top receiver in the guest room. This is a taxable telecommunication service along with the Internet services provided by Hospitality Services Network Partnership.

Movie services that involve the rental of a DVD by the guest should be treated as a rental of tangible personal property.

### **63.22 Rental Charges Bundled With Other Services**

When taxable and exempt items are bundled together and charged on the same invoice, tax applies to the fair market value of the taxable good or service, when that amount can be reasonably determined.

For example, a golf course may bill a single amount for green fees (exempt) and a cart rental (taxable). In this case, tax will apply to the normal fair market value of the cart rental alone. The golf course also has the option of segregating the actual charges on the invoice and collecting tax on the actual amount billed for the cart rental, providing the amounts are reasonably allocated.

Ref. Act 3(1)(g)	- "Rent" defined
Act 5(7)	- Leasing of tangible personal property
Act 5(13)(14)(15)	- Leasing of tangible personal property from non-resident vendors
Act 5(17.1)	- Late payment charges
Ruling 12.5	- Vehicle and equipment rentals, non-resident contractors
Ruling 27.0	- Film, transcribed programs, discs, tapes, etc. used by theatres, TV and radio stations, etc.
Bulletin PST-13	- Rentals of Equipment (oil industry)
Bulletin PST-18	- Motor Dealers and Leasing Companies
Bulletin PST-47	- Lodging

## **64.0 DAMAGE CLAIMS**

### **64.1 Goods Damaged in Transit and the Carrier or Insurance Company Makes a Cash Settlement**

(1) Vendor purchase for resale (tax not paid)

No tax has been paid and no sale has been made, therefore, the carrier is not obliged to pay the tax. However, if the salvaged goods are resold, the tax must be collected.

(2) Consumer purchase (tax paid to supplier)

The consumer did not receive the goods and is not liable for the tax. Carriers and insurance companies will not refund the tax since they contend there is no use or consumption. Therefore, the tax must be refunded to the consumer (the carrier must collect tax on salvage value if resold).

(3) Consumer purchase (tax not paid at the time of purchase)

The consumer did not receive the goods nor pay the tax, therefore, no tax refund is necessary. However, the tax must be paid on the purchase of the replacement goods by the consumer and collected by the carrier on the salvage.

**64.2 Goods Damaged in Transit and the Carrier or Insurance Company Replaced the Damaged Goods in Lieu of a Cash Settlement**

## (1) Vendor purchase for resale or consumer purchase (tax not paid to supplier)

The carrier is not purchasing for resale and must, therefore, pay the tax on the replacement goods and also collect the tax on the salvage if resold. In cases where it can be substantiated that the replacement goods were for resale by a vendor, the tax will be refunded.

## (2) Consumer purchase (tax paid at the time of purchase)

The carrier must pay the tax on the purchase price of the replacement goods as the goods are purchased for someone else at their expense. In addition, if the salvaged goods are resold, tax is payable as used goods are subject to tax. The \$300 exemption for used goods applies to goods sold to individuals.

**65.0 SCHOOL AGENDAS AND DAY PLANNERS (Updated February 2012)**

A school agenda or day planner contains monthly calendars and/or timetables for each day, typically from September through to June with blank spaces for the teacher/student to record information. They contain less than 20% literary content which is required to be considered an exempt book or magazine. School agendas and day planners are subject to tax.

Ref: Reg. 5(1)(b) – “Books” defined  
 Reg. 5(1)(q) – “Magazines and periodicals” defined  
 Bulletin PST – 9 – Books/Magazines  
 Bulletin PST – 20 – Printers  
 Bulletin PST – 27 – Boards of Education

**66.0 MICROFILMING - see Bulletin PST-7****66.1 Microfilming Process**

The microfilming process consists of receiving the documents from the customer, preparing the documents, filming, processing, rewinding and providing the processed microfilm cartridges and documents to the customer. The full microfilming procedure or portion thereof, is a taxable service.

The charge to transfer or manipulate data into a form readable by a computer is taxable as a computer service.

Ref. Bulletin PST-25 - Photographers/Photofinishers

**66.2 Microfilming of Accounting Records**

Permission will be granted to use microfilming for storage of accounting records providing assurance can be given that the records will be reasonably accessible for audit purposes. In the case of sales invoices, a microfilmed copy of the destroyed sales invoices should be available. It is acceptable for taxpayers to retain records in electronic or other form as long as they are easily accessible and readable by Ministry of Finance auditors.

**67.0 GIFTS AND ESTATE BEQUESTS****67.1 Gifts – Prior to March 30, 2000**

Tangible personal property purchased by a Saskatchewan resident and subsequently given away as a gift is subject to tax in all cases. In addition, tangible personal property purchased by a non-resident of Saskatchewan from a non-resident firm or individual and subsequently given to a Saskatchewan resident is technically taxable.

**67.2 Gifted Vehicles - Effective March 30, 2000**

Only eligible used light vehicles on which the Saskatchewan PST is paid in full can be gifted PST exempt between qualifying family members. Gifted vehicle's that are not previously tax paid are subject to tax on the Redbook value less the \$3000 exemption. In these situations, low value transactions are not accepted.

Eligible used light vehicles include:

- Cars;
- Sport utility vehicles;
- Light vans (mini-vans, passenger vans and cargo vans that are rated one ton or less); and,
- Light trucks (quarter ton, half ton, three quarter ton and one ton).

Qualifying family members (first-degree relatives) are able to gift other used vehicles to one another exempt of tax under the conditions as noted below. Previously tax paid vehicles that qualify for the gift exemption, include the following:

- Buses (but not commercial use buses);
- Motorcycles and mopeds;
- Motorhomes;
- Trailers (recreational and utility);
- Snowmobiles; and,
- Leisure vehicles such as ATV's, boats and personal watercraft.

Note: Heavy vehicles (including heavy farm and commercial vehicles over one ton) are not eligible for the gift exemption

To qualify for the gift exemption, the vehicle must be registered in Saskatchewan by a resident donor for at least 30 days, or a bill of sale in the donor's name, showing PST paid, must be provided. Vehicles gifted by a non-resident donor must be registered by them in their home province for at least 30 days.

Low value transactions between qualifying family members are not subject to tax assessment using the *Red Book* value, as the price listed on the bill of sale is used to determine the taxable value. The \$3,000 reduction also applies.

A complete list of qualifying first degree family members is as follows:

- Spouse
- Parent and Stepparent
- Child and Stepchild
- Grandparent
- Grandchildren and Step-grandchildren
- Legal guardian
- Foster parent
- Father-in-law and Mother-in-law
- Son-in-law and Daughter-in-law
- Common law spouse (including same sex couples)
- Brother and sister (including stepbrothers and stepsisters)

Gifting provisions only apply to personal use vehicles and not commercial equipment. Please review PST-60 to determine the application of tax to the transfer of business assets between related parties.

The gift exemption applies to transfer of ownership as a result of a divorce or legal separation settlement.

### **67.3 Estates**

Vehicles received as an estate bequest are tax exempt provided the following two conditions are met:

- (1) The vehicle must have been registered in the deceased's name or estate of the deceased.
- (2) The vehicle must have been left specifically to the individual or disposed of by the executor with no consideration paid for the vehicle.

A vehicle purchased from an estate is considered a private sale and the \$3,000 reduction applies.

In the situation where a vehicle was registered commercially in the deceased's name and not a company name, the vehicle may be willed to another individual tax exempt.

The term "living will" refers to an individual's intention to bequeath goods while that person is still alive. Prior to March 30, 2000, if a person was given a vehicle, as a bequest further to a living, the vehicle was considered a gift and subject to tax. The estate exemption did not apply.

Effective March 30, 2000, if a person is gifted a vehicle through a living will, and the gift is between qualifying family members, no tax applies. If it is not between qualifying members, tax applies.

### **67.4 Charitable Donations**

The Director of Audit or the Director of PST may grant an exemption from PST for vehicles, as well as other assets and services donated to a charitable and non-profit organization (e.g. schools, hospitals and service clubs) for their use. The Director will determine whether the gift is effectively a transfer for zero consideration or whether it is appropriate to apply a deemed value to the donation. The Ministry of Finance will provide an exemption letter for vehicle donations allowed as a tax-exempt transfer. The exemption is valid even when the recipient receives an

income tax receipt for the value of the assets or services.

When members of an oblate (those dedicated to missionary work who make no money) are given or sold a car at a low value this is a gift and no tax is payable. Similarly, missionaries, Fathers and Pastors may receive vehicles through an estate or for zero consideration or below market value; the Ministry of Finance will generally accept the value as stated in the transfer document.

Ref. Act 3(1)(b) - "Consideration" defined

## **68.0 REPAIRS - see Bulletin PST-57**

### **68.1 Tire Section Repairs**

All charges are taxable as a repair service.

### **68.2 Locksmiths**

Labour services to “pick” or open locks are not taxable.

### **68.3 Restoration of Wooden Furniture and Fur Coats**

All sales are taxable as repair services.

Ref.	Ruling 12.4	Non-resident construction equipment repairs
	Ruling 63.3	Repairs to rental equipment
	Bulletin PST-57	Repair Services

## **69.0 RETURNED MERCHANDISE**

### **69.1 Restocking Charges**

A restocking charge is an amount levied by a vendor to cover the handling expense of restocking merchandise returned within a specified period of time.

The tax should be refunded on returned merchandise on the basis of the net sales credit to the customer.

The following example will illustrate the proper invoicing procedure:

Merchandise sold	\$10.00
Tax @ 5%	<u>.50</u>

Total paid	<u>\$10.50</u>
Merchandise returned	\$10.00
Less: restocking charge 10%	<u>1.00</u>
Net sales credit	9.00
Tax @ 5%	<u>.45</u>
Total refund	<u>\$ 9.45</u>

## 69.2 Cancellation Charges

A supplier may impose a cancellation fee in certain situations where an order for goods is cancelled or refused. These charges are not subject to tax as no sale took place.

## 70.0 BAD DEBT WRITE-OFFS

### 70.1 Payments on Account

When firms receive payments on delinquent accounts or previously written off accounts they often first apply the payment to outstanding interest on the debt and apply the remainder to principal. Revenue Division accepts this as normal industry accounting practice.

### 70.2 Recourse and Non-Recourse Accounts

Businesses are allowed to recover the PST on uncollectible accounts that are assigned on a “with recourse” basis. “With recourse” means that the business still owns the account receivable and has hired someone to try to recover the debt on their behalf.

Accounts receivable sold or assigned on a “without recourse” basis means that the company assigning the accounts gives up all legal rights to the receivable and all liabilities related to the receivable. This prevents the person who buys the receivable from suing the assignor if they are unable to collect the account receivable. This is the most common arrangement between companies. Revenue Division permits no tax adjustment on uncollectible accounts in this situation.

When accounts receivable are sold or assigned on a with recourse basis, the seller remains liable for, and retains rights in, the receivable. The person buying the receivable only buys a limited right in the receivable, usually just the right to take collection action. Amounts collected are usually turned over to the seller (less a fee or percentage). If collection action is unsuccessful, the receivable usually reverts to the seller and it is written off the seller’s books. At this time, tax may be written off on the bad debt.

### 70.3 **Bad Debt incurred by a contractor on a Real Property Contract**

A contractor is not allowed a refund of tax paid on the materials portion of an unpaid supply and install contract. The contractor can place a lien on the property and secure payment of any amount owing when the property is subsequently sold.

Ref.	RFS Act 49.1	-	Deduction for bad debts
	RFS Reg. 20.1	-	Deduction for bad debts
	Bulletin PST-5	-	Bad Debts

## 71.0 **MINIMUM ORDER CHARGES AND DEFERRAL FEES**

### 71.1 **Minimum Order Charge**

A minimum order charge is a charge made by a retailer in cases where it is not economical to fill orders of small value. The entire minimum order charge is subject to tax as this charge forms part of the consideration paid to acquire the taxable goods or services.

The following example will illustrate the proper invoicing procedure:

Merchandise sold	\$3.25
(the \$3.25 is not extended)	
Minimum order charge	\$5.00
Tax @ 5%	<u>.25</u>
Total Paid	<u>\$5.25</u>

### 71.2 **Deferral Fees**

Businesses will often add an additional charge to goods sold under certain programs (e.g. "No Payment Till Next Year"). These deferral fees are a financing charge and are not subject to tax as long as they are billed separately to the customer and are in addition to the usual (cash) selling price of the goods.

Ref. Act 3(1)(b)	-	"Consideration" defined
Act 3(1)(i)	-	"Sale" defined

## 72.0 **SAMPLES**

Samples utilized for the purpose of demonstrating, displaying or selling merchandise are subject to tax on the vendor's purchase price. Included in this

category are rug, tile and wallpaper samples.

Charges for the processing and mounting of rock and mineral core samples are subject to tax effective March 30, 2000.

Ref. Act 3(1)(c) - "Consumer" defined

Act 3(1)(m) - "User" defined

### **73.0 SETTLER'S EFFECTS**

Subsections 5(9) and (9.1) impose tax on residents or persons carrying on business in the province. However, the personal effects of an individual brought into the province as settler's effects are not subject to tax. The settler's effects exemption is not applicable to leased goods or business assets.

In order to qualify for a settler's effects exemption, the following guidelines apply:

#### **Personal Effects Other Than Vehicles**

- (1) The person must have been a full time resident outside the province for at least six months. (A Saskatchewan resident on an extended vacation would not qualify for a settler's effects exemption.)
- (2) The person must have purchased the personal effects prior to taking up residence in the province.

#### **Personal Vehicles**

- (1) The person must have owned the vehicle for at least 30 days prior to moving. SGI requires the vehicle to have been registered in another jurisdiction for their settler's effects on inspection.
- (2) The person must have been a full time resident outside the province for 6 months and must submit proof such as a health card, insurance, utility stub to verify that they were a non-resident.
- (3) The person must take out a Saskatchewan driver's licence. Students are allowed to maintain their driver's licence from another jurisdiction.
- (4) The vehicle must be registered in the LV class.
- (5) A spouse can register the vehicle in his/her name and claim the tax exemption under the settler's effects exemption. However, the

Ministry of Finance must approve this arrangement. A copy of the marriage certificate is necessary where the couple does not have the same last name.

- (6) A non-resident student is eligible to claim the settler's effects exemption based on the same rules as any other individual moving into the Province. The only time a student would be eligible to qualify is in his or her first year due to the six month limit on settler's declaration.
- (7) A new resident does not have to register their vehicle prior to trading it in to receive a credit for the trade as a tax paid vehicle. New residents can request a settler's effects exemption letter to present to the dealer. A vehicle exempted as settler's effects is considered a tax paid unit when traded-in.

**Not eligible for Settler's Effects Exemption**

- (1) Residents of Saskatchewan, including temporary residents or residents temporarily absent
- (2) Anyone who registers a commercial vehicle, such as Class C, D, etc.
- (3) Leased vehicles are not eligible for settler's effects.

**74.0 REFUND OF TAX ON MOTOR VEHICLES**

Section 24 of *The Revenue Collection Administration Regulations* provides for a refund of tax to a resident who intends to establish residence in another province, if the vehicle is removed from the province within 30 days of the sale.

In order to qualify for a refund, the taxpayer must register the vehicle in the new jurisdiction and provide a copy of the new registration along with the following additional documentation:

- SGI document showing the plate cancellation
- Registration in the new jurisdiction and proof tax was paid in the new jurisdiction (except for Alberta)
- Proof the individual has taken up residency in the new jurisdiction, e.g. driver's licence, health card or utility bill.

No refund is available for tax paid on goods other than motor vehicles to a resident who subsequently moves to another province.

**74.1 Recovery of Stolen Vehicles**

A purchaser may unknowingly buy a stolen vehicle. The police may subsequently identify the vehicle as stolen, and return it to the original owner. In this situation, a sale has not occurred because the purchaser was not able to acquire legal title to the stolen vehicle and the purchaser is eligible for a refund of the tax paid in error.

Ref. RFS Reg. 24	-	Refund of tax on motor vehicles
RFS Act 56(1)	-	Refunds
Bulletins PST-18, and PST-48	-	Exempt Motor Vehicle Sale Certificates

## **75.0 TAXIDERMISTRY**

In the event a customer supplies an animal, the taxidermist must account for the tax on the materials consumed, as this is not a taxable service.

However, the outright sale of a mounted animal (animal supplied by the taxidermist) is subject to tax on the full selling price. The taxidermist is not required to pay tax on the materials incorporated into the mounted animal when it is for resale.

Ref.	Act 8(1)(kk)	-	Exemption for tangible personal property incorporated goods for resale
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## **76.0 TELECOMMUNICATIONS**

### **76.2 Telecommunication Charges Which Do Not Originate or Terminate Within the Province**

Tax is payable on telecommunication services between one or more points in the province and one or more points outside the province where the fees for the service are charged to and payable by a person residing in the province. Thus, transferred accounts or credit card accounts paid for by a Saskatchewan resident are subject to tax. However, tax does not apply to transferred or credit card accounts paid for by a Saskatchewan resident in cases where the telecommunication service did not originate or terminate within Saskatchewan. This is known as the “two out of three” rule.

### **76.3 Central Terminals**

Telecommunication services include the monitoring of burglar and fire alarm systems providing the system is tied into a central terminal. In cases where the system is not tied into a central terminal, the charge is considered a rental and is subject to tax.

### **76.4 Cable Television Equipment**

Initial subscribers to a cable television service may be required to make a contribution for the purchase of the original cable equipment. This charge is not a taxable telecommunication service. The cable company is required to pay the tax on the purchase cost of this equipment.

Charges to new subscribers for the purchase of equipment are subject to tax. Co-operative member share units are not taxable.

### **76.5 Fax Charges**

Businesses that provide a fax machine for public use are providing a taxable telecommunication service in accordance with clause 3(1)(l) of *The Provincial Sales Tax Act*. The suppliers of this service are not required to pay tax on line charges for public-use fax machines as they collect tax on the service. If the fax machine is for personal use and customer use, tax will apply to the line charges if personal usage is greater than 50%.

Businesses that provide mass faxing or emailing services are the consumers of telecommunication services and are required to pay tax on their line charges. They should not apply tax to amounts charged to their customers. Similarly, hotels that supply fax or email services to their guests are the consumers of the telecommunication services and should not apply tax to amounts billed separately for these services.

### **76.6 Toll-free Telephone Numbers**

The exemption for 1-800, 1-877, 1-888 and similar toll-free telephone numbers applies to the monthly service charge and the minimum charge for the service. Other charges relating to toll-free numbers such as installation, routing charges, dialed number identification, call prompter, area code restrictions and courtesy responses are taxable.

**76.7 Network Alarms**

Network alarms are made of certain equipment and computers that monitor and provide data on the traffic carried on the telecommunication network and lines. This equipment is not part of the user network and is subject to tax.

**76.8 Facility Charges**

As the carrier (SaskTel) has paid tax on the facilities, charges for the use of facilities to other carriers are exempt from tax as charges related to real property.

**76.9 Transaction Charges**

Charges for one-time connection fees may or may not be passed on to the customer by the carrier. If the carrier indicates the transaction charges will be invoiced to the customer and provides a vendor's licence number to their supplier for resale purposes, the charges are exempt from tax. If the charges are not passed on to the customer by the carrier, the connection/hook-up fee is subject to tax.

**76.10 Contribution, Switching and Aggregation Charges**

Charges for contribution, switching and aggregation are based on a per-minute rate for the use of a telecommunication network. These charges are not subject to tax as they relate to the use of real property lines.

**76.11 Translation Services**

Translation services are not subject to tax when identified separately from the telecommunication charge.

**76.12 Cellular Telephone Charges**

Cellular telephone services are subject to tax on the total charge to the customer including activation fees, annual system access fees, monthly access fees, equipment and telephone rental and airtime.

**76.13 Calling Cards**

Telephone calling card services are subject to tax in the same manner as telephone long distance services (two-out-of-three rule).

**76.14 Bundled Goods and Services**

Telephone, cable and satellite companies often provide “bundled packages” of goods and services to their customers. An example of this would be cellular phones provided free or below cost with the purchase of cellular services. This is the sale of two taxable items and no tax applies on the vendor’s cost of the cellular phone.

Another example is a cable company providing modems and Ethernet cards with their Internet services. As the taxable goods and services provided are outlined in the sales contract, the cable company does not have to separate the various charges on their sales invoice. This is the sale of two taxable items.

#### **76.15 Telecommunication Services Billed to a Mailing Address Outside of Saskatchewan**

When using the two-out-of-three rule, if charges are segregated or attributed to a location in Saskatchewan, the billing location is considered to be Saskatchewan even though the telecommunication services are billed to a mailing location (i.e. a business head office) outside the province.

#### **76.16 Air to Ground Communication**

Telecommunications transmitted through a ground station in Saskatchewan are subject to tax based on the "two out of three rule."

If a telephone call is charged to a credit card other than a telephone credit card (i.e. Master Card, Visa) and the residence of the individual is not known, PST will be collected as the charge originated in Saskatchewan.

Telecommunication services passed on to another carrier outside of Saskatchewan are subject to the sales tax imposed by that jurisdiction.

#### **76.17 Monitoring Charges**

Telecommunications acquired by a security company are subject to tax; the security company is the consumer. The same premise applies to a telephone answering service. In both situations, the companies are providing a taxable service. The telecommunication charges are incurred in order to supply the taxable service and are not being resold. There is no exemption for goods or services acquired for the purpose of providing a taxable service.

Ref.	Act 3(1)(k)	-	"Taxable Service" defined
	Act 3(1)(a)	-	"Channel" defined

Act 3(1)(l)	-	"Telecommunication Service" defined
Act 3(1)(m)(iii)	-	"User" defined
Act 5(3)	-	Taxable service subject to tax
Act 5(4)	-	Telecommunication "value of the service" defined
Act 7	-	Use of private telecommunication channel
Bulletin PST-8	-	Vendors Providing Telecommunication Services

**77.0 PHONOGRAPH RECORDS, PRE-RECORDED TAPES AND CASSETTES AND COMPACT DISKS - Deleted**

**78.0 WATER SOFTENERS**

All water-softening compounds are subject to tax; the *Act* provides no exemption. Salt used for water softening purposes is subject to tax since it not consumed as food.

**79.0 PEAT MOSS AND VERMICULITE**

Regulation 5(1)(j) defines fertilizer to be any substance or mixture of substances containing nitrogen, phosphorus, potassium or any other plant food manufactured, sold or represented for use as a plant nutrient. Consequently, soil conditioners such as peat moss and vermiculite are subject to tax, as they do not fall into the definition of a fertilizer. However, a greenhouse that qualifies as a farm may purchase these products without tax.

Ref. Bulletin PST-23 - Florists/Garden Centers

**79.1 Compost**

Compost is an exempt fertilizing substance.

**80.0 WOOD SHAVINGS AND SAWDUST**

Section 8(1)(qq) exempts wood used as a fuel. Compressed sawdust logs (Dura-Flame, etc.) are used as a fuel and tax exempt. However, wood shavings and wood sawdust are subject to tax when used other than as a fuel; e.g. insulation, bedding for pets, landscaping, packing materials, etc. Wood chips, shavings or sawdust sold to farmers for use as bedding for livestock is exempt.

Sawdust used by manufacturers or processors involved in the smoking of meats is a direct agent.

Ref. Act 8(1)(qq)	-	Wood - exempt
Reg. 5(1)(z)	-	"Wood" defined

### **81.0 CORE CHARGES**

Reconditioned or remanufactured items such as motors, generators, armatures, batteries, re-treaded tires, brake shoes, water pumps, fuel pumps, etc., are sold on an exchange basis. These items are normally invoiced with a separate charge commonly referred to as a core charge. The core charge will be credited upon receipt of an exchange unit (trade-in) that is in suitable condition for rebuilding.

When an exchange unit is traded-in, the tax is calculated on the cash difference. A refund of tax is permitted on core credits.

Ref. Act 3(1)(b)	-	"Consideration" defined
Act 3(1)(i)	-	"Sale" defined
Act 5(21.1)	-	"TPP accepted on trade"
Bulletin PST-15	-	Service stations

### **82.0 SALES OF TAXABLE AND NON-TAXABLE GOODS/SERVICES IN THE SAME PACKAGE**

The following ruling applies in cases where taxable and non-taxable goods/services are sold in the same package:

- (1) If the taxable value of goods in a package is specifically indicated on the package the tax applies on the indicated taxable portion.
- (2) If the taxable and non-taxable value of goods are not indicated on the package (segregation not possible or practical):
  - (a) Tax applies on the total value of the package when the estimated value of the taxable portion of the package is 50 percent or greater.
  - (b) Tax is not applicable to any portion of the package value when the estimated value of the taxable portion of the package is less than 50 percent. Goods in this category must be packaged by the manufacturer and not by the vendor as a means to avoid collecting

the tax.

- (3) Often businesses such as fast food restaurants will give a taxable item away with a food purchase. This is not considered a sale of two items and tax is payable on the cost of the promotional item. If a taxable item is sold and a taxable item is given away, it is considered a sale of two items and tax is not payable on the cost of the "giveaway" item. (See Ruling 76.14 regarding free cell phones.)

### **Goods Attached to or Incorporated into Goods for Resale**

Generally, goods are exempt if they are included as part of the goods for resale, or if they serve some purpose integral to the use of the goods for resale. Therefore, promotional items included with the product are subject to tax on the cost of the items.

### **Two Items for a Single Price**

Where two taxable items are sold as a package, tax applies to the total selling price on the presumption that the consideration paid by the purchaser applies to both items. Where a taxable item is bundled with an exempt item, the tax status generally depends on whether the package is predominantly the sale of an exempt item or a taxable item.

### **Gifts and Premiums**

Gift and premium items are provided to the recipient for no cost. Generally, gifts are given unconditionally. However, premiums may be subject to conditions, such as the purchase of another item or the purchase of a number of items over a period of time. Premiums are often in the nature of a "reward" for repeated patronage. Persons providing gifts or premiums as part of a promotional distribution are responsible for paying tax on the value of the gift or premium.

### **Promotional Distribution**

The tax status of promotional items is dependent on the manner of distribution of the items. Promotional items may be distributed alone or with other goods.

## **83.0 FISHING BAIT**

Sales of frozen or preserved minnows for bait purposes are subject to tax because the fish consumes little, if any, of the minnows. Live bait is not subject to tax.

**84.0 FREIGHT CAR PAPER LINERS**

Paper used to line freight cars is subject to tax, as it is not considered a packaging material used in the sale of a product.

**85.0 HAY AND STRAW**

Hay and straw are subject to tax except when sold as livestock feed, or by the producer thereof.

Hay and straw are exempt when sold for animal feed or primary farming activity. This includes hay and straw purchased as feed as well as straw used for bedding in a primary farming operation. Straw that is purchased for bedding in a non-farm commercial operation such as a livestock auction facility or a kennel is subject to tax. However, if the non-farm commercial operation is using the hay or straw purchased for both feed and bedding, a reasonable allocation of the amount of hay or straw being used as feed will be accepted. Tax must be self assessed on the portion of the straw that is used as bedding.

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|------------------|--|
| Ref. Act 8(1)(a) | - Agricultural products (including livestock) when sold by the producer thereof (exempt) |
| Reg. 5(1)(a.1)   | - Agricultural products includes hay and straw   |

**86.0 RAILWAY ROLLING STOCK**

Tax applies to any railcar that makes stops to pick up or unload freight or passengers in Saskatchewan. Tax does not apply on railcars if there are no pick-ups or deliveries in Saskatchewan. If a firm has railcar pick-ups or deliveries in Saskatchewan, all railcars are taxable. The firm need not have a presence (e.g. branch office or property) in Saskatchewan to be taxed on railcars, including railcar leases.

Subsection 17.1(4) of *The Provincial Sales Tax Regulations* allows a firm to make an election with respect to reporting tax on railway rolling stock. Section 17.1 of the regulations does not require, nor does it provide for, a written election to be made in order for a taxpayer to file on a fleet basis. It authorizes a taxpayer to file on this basis if they so choose. A taxpayer exercises their option to file in this manner simply by filing on this basis. However, once a taxpayer elects to file in this manner, subsection 17.1(4) makes the election to file in that manner irrevocable with respect to the periods in which the taxpayer has filed. The taxpayer may not retroactively change the manner in which they have determined the tax payable pursuant to section 17.1.

Ref Act 5(9.1)	- Pro-ration of tax on equipment entering the province
Reg 17.1	- Railway rolling stock

## **87.0 ACCOUNTING SERVICES**

### **87.1 Management Companies**

When a management company provides services to a shareholder's companies with salaried employees, no tax applies for internal accounting, rent and employee maintenance and consumption charges apportioned to member companies. The management company must pay the tax or self-assess tax on office supplies, laundry services, computer equipment, advertising costs, telecommunication or other taxable goods and services.

Management fees that include taxable services such as accounting services are also exempt when provided:

- by a parent corporation to its wholly owned subsidiary,
- by a wholly owned subsidiary to its parent, or
- by a wholly owned subsidiary to another wholly owned subsidiary.

The operating partner of a joint venture will often charge operating, administration or accounting fees to the venture partners. These charges are not taxable.

### **87.2 Tax Discounters**

Firms (e.g. H & R Block) often prepare an individual's tax return and provide them with their tax refund immediately at a discounted amount. By law, a discounter is required to pay at least 85% of the first \$300 of refund and 95% of the remainder.

### **87.3 Tax Consultants**

Businesses that provide a review of company records in order to determine if the appropriate amount of taxes have been reported are providing a consulting service and not taxable accounting services. Therefore, the services provided by tax consultants are not subject to tax if they do not include services that fall within the definition of "accounting services."

### **87.4 Credit and Debit Card Processing Fees**

Merchants sometimes sell the credit and debit card vouchers they accept to a third party for a discounted price. The third party will then clear and settle the transaction to obtain payment for the merchant. The third party

provides numerous services in order to collect the payment. These services include reconciling transactions, processing and collecting charge backs, preparing and mailing billings, issuing statements, and providing processing forms ordered by merchants.

The service provided is not a taxable service; however tax is due on the cost of materials consumed in providing the service.

Ref.	Act 3(1)(k)(xii)	-	Accounting services
	Bulletin PST-62	-	Accounting Services

### **87.5 Property Management Services**

Comprehensive service contracts for property management are likely to include a combination of accounting, janitorial or security functions. Each contract should be examined to determine the actual nature of services sold to the client, giving consideration to the following:

1. the predominant nature of the services provided;
2. if the contract identifies individual services;
3. if the taxable services are material in relation to the contract; and
4. if there is a separate charge made for the taxable services.

Exempt property management services:

Property management contracts are generally associated with property servicing, building maintenance and secondary components that may involve the collection and deposit of rent or the payment of bills. These secondary activities are viewed as incidental. In these cases, the property manager is not required to segregate duties or collect tax on their services. However, the property manager will be considered the consumer of taxable services. As the consumer of taxable services, property managers are not subject to tax when an employee of the firm provides the services (in-house). They are required to pay tax on these taxable services when they are purchased from another firm or individual.

Taxable component to property management services:

When a property management firm provides a combination of services and the contract includes a material component that can be identified as taxable (i.e. accounting, janitorial or security services), the property manager is required to identify the charges on the customer's invoice and collect tax on the taxable portion.

Ref.	Reg 3(7)	-	Security & Investigation Services
	Reg 3(1.4)	-	Commercial Building Cleaning Services
	Reg 3(1.1)	-	Accounting Services
	Bulletin PST-54	-	Security & Investigation Services
	Bulletin PST-61	-	Businesses Providing Commercial Building Cleaning Services
	Bulletin PST-62	-	Businesses Providing Accounting Services

## **88.0 SALES TO NON-RESIDENTS**

### **88.1 Sales to Non-Resident Individuals**

Goods sold by a Saskatchewan vendor to a non-resident individual are exempt of tax when the goods are delivered by the vendor or by common carrier to an out-of-province address. The vendor is required to keep a record of such deliveries (e.g. vehicle log, waybills).

### **88.2 Resale to Non-Resident Vendors**

Goods sold to non-resident vendors for resale are exempt providing:

- (1) The goods are shipped by common carrier and the vendor retains evidence of shipment.
- (2) The Saskatchewan vendor delivers the goods and retains the non-resident vendor's purchase order with shipping address.
- (3) The vendor retains the purchase order of the non-resident firm for goods picked up in Saskatchewan. (Note: This only applies to goods for resale and not to goods for the purchaser's own consumption.)

Ref. Act 8(1)(jj)	-	Tangible personal property sold to non-residents
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## **89.0 HANDLING CHARGES**

"Handling charge" commonly refers to a charge billed to a purchaser that is in addition to the stated selling price of the goods or services. Tax applies as

follows:

- (1) If the charge is for delivery of the goods from the seller's premises in Saskatchewan, the tax would not apply to the charge if:
  - (a) the charge is specifically described as delivery;
  - (b) the charge is in addition to the regular selling price; and
  - (c) the charge is segregated on the billing.
- (2) If the charge is for delivery of goods from outside Saskatchewan, extra packaging, special attention to an order, etc. then this charge is part of the selling price or laid down cost of imported goods and subject to tax, whether or not it is segregated on the billing or billed separately.
- (3) Internal handling charges are not subject to tax, even if the goods are transferred in from outside the province (e.g. material transfers).

Ref. Act 3(1)(b) - "Consideration" defined

## **90.0 PLANTS AND TREES**

Exotic or tropical plants and trees for use in homes or buildings are subject to tax whether sold outright or by supply and install contract (installation costs are exempt if shown separately on the customer's invoice, prior to March 30, 2000).

Trees and plants installed in homes and buildings on an annual lease basis are taxable on the total charge including installation, ongoing care and removal.

The maintenance of plants (i.e. pruning, fertilizing, watering) that are planted in the ground or in containers that qualify as real property, such as built-in-planters, is exempt from tax as the plants have become real property. This applies regardless of whether the plants are indoors or out of doors.

The maintenance of plants that are planted in containers that do not qualify as real property, i.e. potted plants placed on furniture or on the floor and in above ground containers out of doors, is subject to tax.

Natural Christmas trees previously fell into the exemption provided for trees however, they are taxable effective March 30, 2000.

Businesses involved in reforestation will often supply seeds to nurseries and contract them to grow seedlings for them to be used for reforestation. The charge for the growing of the seedlings would be an exempt service, as the customer supplied the seed. Nurseries that sell seedlings must charge tax on them.

Ref. Bulletin PST-23 - Florists/Garden Centres

## **91.0 REBATES PROVIDED BY A MANUFACTURER**

Purchasers of vehicles and appliances may be eligible for a rebate directly from the manufacturer. The sale of the vehicle or appliance triggers the rebate; it is not payable until the conclusion of the sale. Therefore, the tax is payable on the total selling price prior to deducting the rebate from the manufacturer. This includes rebates that the vehicle purchaser signs over to a motor dealer to allow for the direct payment of the rebate to the dealer from the manufacturer.

The purchaser may not receive a refund of the tax paid on the rebate amount as the manufacturer provides the rebate after the sale and it is not a trade or cash discount. This includes the dealer portion of the manufacturer's rebate.

Ref. Act 3(1)(b) - "Consideration" defined

Bulletin PST-18 - Motor Dealers and Leasing Companies

## **92.0 LEGAL SERVICES**

### **92.1 Contingency Fees**

Tax applies to legal services at the rate in effect at the time of billing even when the services were contracted for prior to legal services becoming taxable or at a different tax rate. This includes contingency fee agreements.

### **92.2 QuickLaw/Legal Database Computer Programs**

QuickLaw charges, which are charges or subscription fees for researching a computer database of legal documents and Court decisions are taxable when purchased by a lawyer or law firm. These types of programs are considered taxable computer services (fees or charges to access a computer database). When these charges are billed to the customer on a cost recovery basis, they are an exempt disbursement.

### **92.3 Investment, Financial and Estate Planning**

Where a lawyer provides advice relating to investments, financial planning or estate planning, these services are exempt when no other taxable legal services are provided. Where taxable services are provided, the charges must be billed separately to be exempt.

A law firm that provides services on behalf of or pursuant to the

instructions of an executor would not fall within the exemption and are subject to tax. The exemption only applies to carrying out the duties of the executor.

#### **92.4 Legal Services Paid by Government**

Legal services that are similar to Legal Aid services paid for by the government are exempt. In order to be eligible for this exemption, the legal services must be paid for by a department, branch or agency of the government pursuant to a statutory obligation and the government must not be the recipient or beneficiary of those legal services. Usually, the recipient will be a person who is not able to obtain those services and therefore receives them pursuant to a government program (e.g. the Public Trustee's Office).

##### **Lawyers Under Contract with the Province**

###### Dependent Contractors

Lawyers working as dependent contractors that work exclusively for the Province are considered to be employees of the provincial government for purposes of the *Income Tax Act* and the Canadian Pension Plan, but not for purposes of Employment Insurance. As such, tax does not apply to legal services provided by dependent contractors to the Province.

###### Independent Contractors

The Province may hire a lawyer to provide a particular service for a short term. Such independent contractors are not considered to be employees of the Province. Legal services provided by independent contractors are therefore subject to tax.

#### **92.5 In-House Lawyers**

Legal services provided by a person to that person's employer in the course of employment are not subject to tax.

Where accounting firms, trust companies or other firms have in-house lawyers doing legal work as employees or partners and their advice is incorporated into the service provided to the client, tax applies as follows:

- If there is a separate charge on the client's bill for services that qualify as legal services, then the legal services are subject to tax;

- If the legal services are not separately charged, they are not subject to tax, even if they form a part of the overall charge to the client.

## 92.6 Legal Research

Legal research that only involves the provision of factual information does not constitute a taxable legal service, even if performed by a lawyer. These charges are considered to be a disbursement.

However, if the legal research also involves the provision of legal advice, the charge for legal research is part of the purchase price for the legal service on which tax applies. A law firm or lawyer may purchase taxable legal services exempt if they are acquiring them for the purposes of resale.

## 92.7 Foreign Legal Services

Members of the legal profession with residency outside Canada are not required to be members of the *Law Society of Saskatchewan* however they must be members of the bar in their home country. Accordingly, their services constitute legal services and would be subject to tax when they are acquired by a Saskatchewan resident and they relate to Saskatchewan.

## 92.8 Legal Services provided to Indians or Indian Bands

Legal services that do not pertain to on-reserve business, real property, reserve activities (such as injury claims as a result of business practices), or treaty and land claims are subject to tax. This includes personal lawsuits such as abuse claims against residential schools whether the residential school was located on or off the reserve.

## 92.9 Patents

Under the *Patent Act* services provided by a patent and trademark agent are not restricted to lawyers; therefore where a lawyer acts as a patent or trademark agent the service is not subject to tax.

However, legal advice, opinions or services related to defending a patent, preparing submissions or documents in support of a patent should be treated like any other kind of legal service and are subject to tax when they relate to Saskatchewan.

Ref.	Act 3(l)(k)(xviii)	-	Legal Services
	Bulletin PST-64	-	Lawyers

### **93.0 HOCKEY AND BASEBALL CARDS**

#### **Prior to March 30, 2000**

Hockey and baseball cards purchased originally in Saskatchewan were not subject to tax when subsequently sold by a vendor. If these cards were purchased outside of Saskatchewan by a vendor, the tax applied to the selling price. **Effective March 30, 2000**, sales of these cards are now taxable in all instances (used cards sold to individuals are allowed the \$300 deduction).

### **94.0 PRINTING TRADE – Deleted**

### **95.0 EXTENDED WARRANTIES**

#### **95.1 Sales to Status Indians**

Effective March 30, 2000 warranty and maintenance contracts sold to a status Indian or an Indian band are not subject to tax when the contract is included as a component of the sale of tangible personal property (TPP) and the related TPP is delivered to the reserve.

Warranty and maintenance contracts sold after the related TPP is delivered to the reserve are subject to tax, unless the contract is completed and signed on the reserve.

#### **95.2 "Service - Insurance Contracts"**

Service - insurance contracts sold with a new or used paymaster cheque writing system are not considered to be an extended warranty. Therefore, the tax does not apply to these contracts.

#### **95.3 Extended Warranty Contracts**

##### **Prior to March 30, 2000**

Extended warranty contracts are normally sold for motor vehicles and household appliances. The contract usually provides that the service of the equipment is the responsibility of the owner who is required to service the item as a condition of the warranty. These contracts are subject to tax as a taxable service.

Extended warranties sold to status Indians or non-residents are not taxable. The warranty sold to a non-resident must be registered in the non-resident's name and must indicate an out-of-province address.

Deductible charges to a customer are not subject to tax. However, charges

to a customer for materials or repairs not covered by the warranty are taxable (e.g. lubricants, etc.).

Transfer charges to subsequent owners are subject to tax.

#### **95.4 Maintenance Contracts**

##### **Prior to March 30, 2000**

Maintenance contracts are normally sold for office equipment such as photocopiers, typewriters and computers. The contract must provide that the preventive service of equipment is the responsibility of the provider of the warranty who is required to service and/or inspect the equipment on a regular or periodic basis.

Maintenance contracts for customer owned equipment are not subject to tax unless the parts are invoiced at retail to the customer. Repair parts covered under the terms of the warranty are not taxable.

Maintenance contracts for rental equipment or telecommunications equipment are taxable if serviced by the same firm that provides the equipment. However, if the maintenance contract and equipment are obtained from separate firms, the maintenance contract is not taxable.

See Bulletin PST-6 for the taxation rules effective March 30, 2000.

Ref. Act 3(1)(c11)	-	Extended warranty defined
Act 3(1)(k)(iv)	-	Extended warranties and maintenance contracts are a taxable service
Act 8(2)	-	Parts for extended warranties and maintenance contracts are exempt
Bulletin PST-6	-	Extended Warranties and Maintenance Contracts
Bulletin PST-20	-	Printers

#### **96.0 TANGIBLE PERSONAL PROPERTY PURCHASED OUTSIDE OF SASKATCHEWAN AND ASSEMBLED IN SASKATCHEWAN**

**Prior to March 30, 2000**

The tax did not apply to labour charges to assemble tangible personal property in Saskatchewan at a job site, except at an on-site fabrication shop, when the tangible personal property had been purchased outside of Saskatchewan by a consumer. These labour charges were subject to tax if performed at an off-site location.

**Effective March 30, 2000** such charges are taxable (except for labour to erect or dismantle scaffolding – see ruling 63.14).

**97.0 TAXABLE USED VEHICLE PARTS - See Ruling 51.3****98.0 BRONZING BABY SHOES - Deleted****99.0 WEED CONTROL CHEMICALS**

Herbicides are weed control chemicals exempt to all users.

Soil sterilizers are exempt to all users.

Insecticides and fungicides are exempt when purchased for farm use or railway right of way or when purchased by a municipality for use on road allowances or roadways.

Ref.	Act 8(1)(z)	-	Insecticides, fungicides (exempt)
	Act 8(1)(pp)	-	Weed control chemicals (exempt)
	Reg. 5(1)(y)	-	Weed control chemicals (definition)

**100.0 CLOTHING**

The following are typical examples of accessory items that are sold with or subsequently attached to clothing:

- (a) Crests, monograms and silk-screening are included with the price of the sportswear and the billing is lump sum - taxable except when purchased for children age 14 and under.
- (b) Itemized charges billed for crests, monograms, silk-screening and the uniforms but all are purchased from the same supplier - taxable.
- (c) Uniforms and crests are purchased at one supplier. Silk-screening and installation of crests is done by another firm - taxable (uniforms and crests); taxable (silk-screening).

- (d) Subsequent to the sale, the uniforms are taken to a supplier of crests and silk-screening who charges for their services by itemizing materials and labour - taxable on total selling price.
- (e) Uniforms are repaired by a vendor with charges for materials and labour segregated on the invoice - taxable.
- (f) As above in (e), except the vendor charges "Labour to Repair" and covers the material consumed in the labour charges - taxable.
- (g) Clubs, etc. from time to time undergo changes, i.e. due to sponsors, consequently, crestring and silk-screening is added to older uniforms - taxable.
- (h) If a customer supplies clothing, monogramming is considered to be the manufacture and sale of a monogram and subject to tax on the total charge to the customer.
- (i) Organizations such as scouts, cubs, girl guides and brownies purchase all clothing articles and accessories out of province. As the youngster progresses through these organizations, different ranks are achieved and crests and sew-on badges are provided free as a result of their achievements – these badges and crests are taxable.
- (j) Strand beads, strand sequins and appliqué that are sewn on clothing by a customer - taxable.

Ref.	Act 8(1)(g.1)	Children's clothing and children's footwear
	Reg. 5(1)(d)	Children's clothing and children's footwear defined
	Bulletin PST-1	Children's Clothing, Footwear and Yard Goods

#### **101.0 TAX EXEMPTION FOR DIPLOMATIC PERSONNEL**

The request of the Canadian Department of Foreign Affairs and International Trade that Saskatchewan grant tax exemptions for diplomatic personnel at the time of purchase from vendors has been accepted. They will include the tax exemption entitlement in identity cards issued by them. However, the black identity card for administrative/support staff does not apply to Saskatchewan and the honorary consuls in the province are not eligible. The exemption applies only to foreign diplomats who have been issued official identity cards by the Canadian Government and who produce this card at the time of purchase.

### **101.1 Tax Exemption for Visiting NATO Military Personnel**

PST no longer applies to visiting NATO military personnel who import a personal use vehicle during the term of their assignment in the province.

In the federal *Visiting Forces Act* Section 25(b), it states: “A member of a visiting force may, in accordance with the regulations, import, free of duty and tax, his private motor vehicle for the personal use of himself and his dependants temporarily, ....”. Dependant means with reference to a member of a visiting force or to a member of the armed forces of a designated state, a person who forms part of the member’s household and depends on the member for support. Therefore, an eligible dependant can register the vehicle temporarily.

For this ruling, the individual is not required to own the vehicle for 30 days prior to registration, as many military personnel import goods to take advantage of favourable tax treatment while on assignment.

Note: the exemption only applies to imported goods. Visiting NATO military personnel who purchase vehicles in Canada after the move are not entitled to the exemption.

## **102.0 SECURITY AND INVESTIGATION SERVICES**

### **102.1 Other Services**

Fees charged for airport security and screening services are not subject to tax when regulated by the federal *Canadian Air Transport Security Authority Act (CATSA)* and not subject to the licensing requirements under *The Private Investigators and Security Guards Act*.

Freight insurance charges, provided with armored car service, are exempt when segregated on the customer’s invoice. If the customer is invoiced a lump sum amount, tax must be collected on the total charge.

Charges for services that relate to the seizure of tangible personal property or real property in order to collect or enforce a debt are taxable (e.g. repossessing vehicles). However, court-ordered seizures or seizures conducted pursuant to a Writ of Execution are not subject to tax.

Charges for towing, cleaning or storing seized property are not subject to tax if segregated on the customer’s invoice.

The following clarifies the tax status of certain security services:

- Boiler checks with no other security services are exempt.
- Boiler checks in combination with other taxable security services are taxable.
- Suicide watch is a taxable security service.

## **102.2 Fees for Serving Documents/Bailiff Services**

Generally, fees billed for the service of legal documents are exempt. However, the charge to locate an individual in order to serve the legal document is subject to tax. This interpretation is supported by the definition of “security and investigation services” which refers to services provided by persons licensed under *The Private Investigators and Security Guards Act, 1999*. This Act makes specific reference to services provided by a licensee to locate missing individuals or property.

Bailiff services provided in accordance with a Court order that pertains to the seizure of real property or a combination of real property and tangible personal property (TPP) pursuant to a legal process (i.e. Writ of Execution), are exempt of tax.

Bailiff services that are provided in accordance with a contractual arrangement, at the request of a lender or financiers such as bank for the repossession of TPP or real property are subject to tax.

## **102.3 Services by the Canadian Corps of Commissionaires**

An urban municipality will often contract for “parking meter” services from the Canadian Corps of Commissionaires. The Corps is responsible for enforcing the city parking bylaws by marking tires, issuing tickets, etc. This is not a taxable security service. Other security and investigation services provided by the Canadian Corps of Commissionaires are taxable.

Commissionaires hired to perform regular store clerk duties, are exempt.

Ref. Act 3(1)(k)(viii) - Security and Private Investigation Services

Bulletin PST-54 - Security and Private Investigation Services

Security and Investigation Services became taxable effective March 30, 2000.

**103.0 TV MOBILE EQUIPMENT**

TV mobile equipment based outside of Saskatchewan and brought into the province on a temporary basis for the telecasting of sporting events, etc., is not subject to tax providing the equipment remains in the province for no more than one month. If this equipment is in the province for a period greater than one month, tax applies to 1/36 of the original value for each month or part month the equipment is in Saskatchewan.

**104.0 SATELLITE COMMUNICATION SYSTEMS AND TRANSMISSION TOWERS – see Ruling 109.0****105.0 RAFFLES AND LOTTERIES**

Organizations sponsoring raffles and lotteries must pay the tax at the time they purchase taxable goods given away.

When an individual wins a new vehicle, the winner typically will receive a letter from the lottery along with the new vehicle inspection certificate. Only the winner is able to register the vehicle exempt of the tax upon presentation of the letter and the new vehicle inspection certificate.

If the individual turns the vehicle back to the dealership or sells the vehicle privately, a change of ownership has occurred and tax applies.

If a non-status Indian or non-Indian wins a vehicle on a reserve and it can be established that the Indian band did not pay the tax on acquisition of the vehicle, the winner shall pay the tax upon registering the vehicle. Tax is payable on book value and the \$3,000 deduction is not allowed, as the transaction is not considered to have occurred between two private parties.

**106.0 REUPHOLSTERED FURNITURE**

Prior to March 30, 2000, reupholstered furniture was considered to be a remanufactured item and subject to tax on the total selling price. When a customer's own furniture was reupholstered, it was considered a repair only.

Since March 30, 2000, reupholstering is a taxable repair service.

Ref. Bulletin PST-57 - Repair Services

**107.0 CRAFT SALES**

Revenue Division does not generally require a license for home-based businesses with annual sales less than \$10,000. The home based business must pay tax on

the purchase cost of the materials incorporated into the finished product.

The \$10,000 sales exemption does not apply when the business or individual participates in a craft show. Craft show participants are required to collect the tax on the selling price of items sold at shows/flea markets.

Unlicensed craft show participants may obtain a temporary licence/casual return, from the Ministry of Finance to file their tax collections. The craft show vendor may deduct any tax paid to the supplier on raw materials (on items sold at the show) from the tax collections reported on the casual return. Revenue Division will issue a temporary licence/casual return either for a particular craft show or for a calendar year.

Revenue Division will issue a regular vendor licence for a craft business with sales of less than \$10,000 upon request.

Licensed vendors will file their tax collections on their regular returns.

#### **108.0 TRANSITION RULES – March 30, 2000**

Written contracts entered into before March 30, 2000 for lease/rental of used tax paid tangible personal property will be exempt, providing the contract is for a fixed amount and a specified period of time. This includes the buyout that will be exercised after March 30, 2000.

Where a contract is entered into prior to March 30, 2000 for a per-unit price that fluctuates based on the number of units, it is still considered to be a fixed amount.

#### **109.0 TANGIBLE PERSONAL PROPERTY VS REAL PROPERTY**

##### **109.1 General**

Use the following guidelines to determine if Provincial Sales Tax (PST) applies to tangible personal property (TPP) or to real property contracts such as “supply and install” or “supply and place” contracts.

To properly apply the PST to goods and repair labour charges, it is necessary to distinguish between TPP and real property. The Ministry of Finance follows Common Law rules to distinguish real property from TPP. These are the rules that have been established by many years of court decisions.

Property that is sunk into, bolted onto, cemented to, or otherwise “permanently” affixed to the land is normally considered real property. As well, goods that are so large and heavy that they can not be moved are often considered to be real property, even if they are not otherwise affixed

to the land. Examples of items that become real property when installed in a building or attached to land include furnaces, water heaters, central air conditioners, underground sprinklers and fences. Most production machinery and equipment is considered to become real property after installation.

Goods that are affixed to the land or building may be viewed as TPP in circumstances where they are periodically moved or are subject to repossession by a creditor.

## **109.2 Tangible Personal Property and Real Property Examples**

*(updated September 2010)*

The following list is a guideline to assist in identifying items that remain **TPP after installation.**

### **Tangible Personal Property**

Air compressors  
 Appliances  
 Closed circuit TV (CCTV)  
 Data processing equipment  
 Dishwashers – portable  
 Display cases (even if bolted to floor for security or safety reasons)  
 Drapes  
 Drink machines  
 Drink machines plumbed to drain (the drain is real property)  
 Dryers – wired and vented (the wiring and vents are real property)  
 Electric stoves – wired to electrical box or plug-in  
 Electric fireplaces  
 Floor mats  
 Food service equipment  
 Furniture  
 Gas stoves  
 Generators  
 Hoists (above ground)  
 Ice machines in hotels and restaurants  
 Lamps  
 Light bulbs  
 Metal buildings (skid mounted)  
 Patio furniture  
 Photocopiers  
 Pictures  
 Portable hot tubs (generally soft-sided or easy to dismantle)\*  
 Refrigerators plumbed for icemakers  
 Satellite dishes\* (but not brackets or stands that become real property)

Shelving  
 Skid-mounted units  
 Slush machines  
 Stand alone control units  
 TV antennas  
 Video cameras, monitors, modems  
 Welders  
 Window air conditioners

\* Satellite communication systems (dishes) remain TPP after installation, although the brackets or stands they are affixed to may become real. The labour charge to install the bracket or stand into real property is not subject to tax when segregated on the customer's invoice.

### **Real Property**

The following list is a guideline to assist in identifying items that become real property **after installation**.

Air conditioning – Excluding window mount units.  
 Artificial ice plants  
 Automatic teller machines built into the wall of a bank or building  
 Awnings  
 Blinds  
 Boilers  
 Bridges  
 Buildings and structures affixed to land (even if purchased for removal)  
**Built-in** dishwashers, vacuums, stoves, shelves, cabinets, counters, booths and tables  
 Carpeting and flooring materials  
 Chimneys  
 Doors, including electric door openers  
 Down-hole equipment pumps, tubing, valves and meters  
 Drapery tracks and rails  
 Elevators and escalators  
 Fences  
 Fire hydrants  
 Fireplaces – gas, wood (permanently installed)  
 Fuel tanks – above ground constructed on site (bulk plant)  
 Furnaces and piping  
 Gas pumps  
 Gas console and printers  
 Garbage compactors (built-in)  
 Heating systems  
 Hot tubs (not including portable hot tubs)\*  
 Hydraulic hoists (sunk into floor)

Insulation  
 Kitchen cupboards  
 Light fixtures  
 Metal buildings (when affixed to land)  
 Over-head cranes, including tracks  
 Plumbing and heating materials  
 Pump jacks  
 Range hoods  
 Security systems (home and business)  
 Signs (attached to buildings or land)  
 Sinks and counters  
 Tanks (not intended for removal and assembled on site)  
 Traffic poles and davits  
 Transmission towers  
 Underground fuel tanks  
 Underground septic tanks  
 Underground sprinkling system  
 Water and sewer lines  
 Water heaters - except rental/service contract between two parties  
 Water softeners - except rental/service contract between two parties  
 Windows

\*Hot tubs that are attached to the land or building in a permanent fashion are considered to become real property and are therefore a component of a supply and install (S&I) contract. This includes a hot tub that is delivered and placed onto a concrete pad or site where it is intended to be permanently located, which is consistent with the definition “goods that are so heavy that they cannot be moved... even if they are not otherwise affixed to the land or building”.

A supply only sale of a hot tub is not considered to be part of a S&I contract and is subject to tax on the retail selling price. Portable hot tubs (generally soft-sided or easy to dismantle) are considered, in all cases, to remain as TPP and are subject to tax on the retail selling price.

**109.3 Tangible Personal Property and Real Property in a Retail Store - Deleted**

**109.4 Refrigeration Equipment - see Bulletin PST-22**

**109.5 Supply and Installation of Sod**

The installation of sod is supply and install of real property and not subject to tax.

The planting and harvesting of sod is manufacturing of tangible personal property. Accordingly, the total cost including direct labour, overhead, and other related costs are part of the manufactured cost. Tax applies to the purchase amount or the manufactured cost of the sod.

#### **110.0 INSPECTION FEES**

Charges for the inspection of tangible personal property (including pipe inspection) are subject to tax when the manufacturer performs the inspection as this charge forms part of the manufactured cost. However, these charges are not taxable in instances where the purchaser of the property hires a third party to do the inspection of the goods manufactured.

#### **111.0 QUICK STICK POSTAGE STAMPS - Deleted**

#### **112.0 DISMANTLING CHARGES**

Dismantling charges pertaining to tangible personal property purchased and brought into Saskatchewan are subject to tax. Charges to dismantle tangible personal property for shipment to Saskatchewan on the transfer of company owned goods are not taxable.

#### **113.0 SALES TO NATIONAL RAILWAYS**

In view of the inter-provincial nature of their business, national railway companies are licensed and may purchase tangible personal property exempt of tax by quoting their licence number. Tax-exempt purchases include railway rolling stock, inter-model containers/trailers, flange-wheeled work equipment and the parts associated with any of the preceding equipment; railways are required to self-assess the tax on the portion used in Saskatchewan.

Effective July 1, 2003 the railways are required to pay tax to their supplier for accommodations and taxable services, including janitorial services, dry cleaning, laundry services, security services and repair services.

#### **114.0 RAW LEAF TOBACCO**

Raw leaf tobacco is subject to tax on the total retail selling price, including the Tobacco Tax. All tobacco products sold at retail are subject to PST.

#### **115.0 LLOYDMINSTER**

The following ruling only applies to businesses and projects located in Lloydminster, Saskatchewan.

Effective February 14, 2001, the PST no longer applies to construction materials,

related services such as architectural, engineering fees, real estate commissions or business assets for firms located on the Saskatchewan side of the City of Lloydminster.

The tax exemption is not retroactive. For materials or services purchased before February 14, 2001, tax applies. Tax continues to apply to licenced vehicles, hotel accommodations, telecommunication services (both commercial and residential), cablevision and electricity for business use.

Business assets such as off-road equipment, construction equipment and related tools remain taxable when used outside the City of Lloydminster.

Non-resident firms completing construction projects in Lloydminster, Saskatchewan will be exempt from tax on their material purchases but will be required to pay tax on their construction equipment.

(1) **Registration of Business**

Businesses located in Lloydminster, Saskatchewan are subject to the same licensing and registration requirements as other businesses located in Saskatchewan. Therefore, businesses will be set up on the tax roll and will receive returns.

(2) **Sales**

Licensed vendors are not required to collect Provincial Sales Tax on sales to individuals or businesses where the goods are delivered to, or picked up in, Lloydminster, Saskatchewan. This includes industrial equipment.

**Exceptions:**

- Car dealers collect tax from their customers on vehicle sales.
- Hotels and motels collect tax on accommodations.
- Tax is collected on telecommunication services both commercial and residential.
- Tax is collected on cable TV services.
- Tax is collected on electricity for business use.
- Licensed vendors are required to collect tax on goods delivered to customers located outside the City of Lloydminster.

(3) **Commercial Supply and Install Contracts**

Contractors are responsible for tax on their equipment used to complete a project within Lloydminster, unless the business (contractor) is located in Lloydminster, and the equipment is not used outside the city limits.

### **Residential Supply and Install Contracts**

Contractors/consumers are not responsible for tax on materials consumed in residential contracts within the city limits.

#### (4) **Fixed Assets**

Lloydminster businesses are not responsible for tax on fixed assets purchased on or after February 14, 2001, unless these assets are used outside the city limits. If the tax has been paid at the time of purchase, the Lloydminster business may apply for a refund.

Assets used by all Lloydminster based businesses will be eligible for the 1/3 method of calculating the tax when used outside the city limits.

### **Goods for Own Use**

Businesses are not required to account for tax on goods for their business use with the exception of fixed assets used outside the city limits.

Ref. O/C 622/93 - Sales to Lloydminster residents  
*The Lloydminster Provincial Sales Tax Exemption Regulations*

## **116.0 RECLAMATION OF LANDS**

Equipment used in the reclamation of farmland is tax exempt as a primary farming activity. Seed used for the reclamation of farmland is tax exempt.

Re-vegetation of pipeline right of ways on non-farmland is not primary farming activity.

Ref Act 8(1)(p) - Farm production equipment (exempt)

Reg. 5(1)(u) - Primary farming activity

## **117.0 PIPE COATING**

### **Prior to March 30, 2000**

Pipe that was purchased and coated outside of Saskatchewan was taxed on the total laid down cost to Saskatchewan, including pipe coating. Pipe that was

coated in Saskatchewan was exempt (coating exempt only). Pipe that was purchased in the province and subsequently shipped out of Saskatchewan to be coated and returned to the province, was not taxed on the value of the coating.

Effective March 30, 2000 all pipe coating is taxable.

### **118.0 USED GOODS**

Businesses selling goods to individuals on social assistance will often bill the Ministry of Social Services directly for payment. The \$300 reduction for personal goods applies to these sales.

Used goods purchased outside Saskatchewan are allowed the \$300 exemption (if purchased within Canada) as an administrative concession. Legally, personal goods are only entitled to the deduction if they are tax-paid goods. As a practical matter, it is difficult to trace the origin of most used personal goods. It is also unreasonable to require vendors and purchasers to keep track of the origin of used personal goods. Used business goods are not entitled to this deduction.

Used goods purchased outside the country are taxable on the full amount (Canada Customs is collecting the tax on goods entering on the traveler's side but not on commercial goods).

When used furniture and appliances are included in the sale of residential property they are exempt from Provincial Sales Tax as a matter of policy (it does not matter if they are included in the selling price or individually priced).

Personal used goods are only entitled to the \$300 deduction if they are fully tax paid. Previously rented videocassette and DVD's are not tax paid goods therefore, the deduction for personal used goods is not applicable and the tax applies to the subsequent sale of these goods.

Ref. Bulletin PST-58 - Used Goods

### **119.0 DESKTOP PUBLISHERS**

The following outlines examples of how tax applies to various sales made by desktop publishers:

#### **Effective March 30, 2000**

- If the customer receives a taxable finished product, the charge to the customer is subject to tax. Posters, business cards, flyers and advertising catalogues are subject to tax. Books, magazines and newsletters are exempt from tax.
- If the customer supplies a computer diskette for further processing or a hard

copy for scanning, the charge to the customer is subject to tax.

- If the customer receives a computer diskette and preprint materials, the charge to the customer is subject to tax.
- If the customer receives a computer diskette and a taxable finished product, the charge to the customer is subject to tax.
- If the customer receives a computer diskette or the same information via e-mail, the charge to the customer is subject to tax.

Home-based desktop publishing businesses will not be required to become licensed if annual sales are below \$10,000.

**Prior to March 30, 2000**

- (1) The customer receives a finished product; tax applies if the finished product is taxable.

*Rationale: Considered to be the sale of tangible personal property. i.e. Business cards are taxable, books are exempt.*

- (2) The customer supplies a disk for further processing or a hard copy for scanning, tax does not apply providing there is no printed taxable finished product (i.e. business cards).

*Rationale: Considered to be a service only.*

- (3) The desktop publisher provides the customer with a disk or information via e-mail or modem; tax does not apply to the charge.

*Rationale: Considered to be a service only.*

- (4) The customer receives a disk and a preprint product, the tax does not apply providing the customer only receives preprint materials that are exempt as direct agents if purchased by a printer i.e. artwork.

*Rationale: Considered to be in the same category as a direct agent purchased by a printer.*

- (5) The customer receives a disk and a finished product; the tax applies to the total selling price if the finished product is taxable.

*Rationale: Considered to be the sale of tangible personal property (i.e. Business cards are taxable, information brochures are exempt).*

- (6) The desktop publisher does the desktop portion and either subcontracts the printing or does the printing, tax applies to the total selling price if the finished product is taxable.

*Rationale: Considered to be the sale of tangible personal property .*

- (7) Craft businesses operating out of the home are not required to become licensed if annual sales are below \$10,000. Home-based desktop publishing businesses will be treated similarly.

Note: In summary, unless the customer receives a taxable finished product, no tax applies.

### **121.0 STUDIO RECORDING TIME**

The tax applies to the total selling price of production tapes including studio recording time and studio rehearsal time.

Schools using a recording studio as part of the school curriculum are not acquiring tangible personal property but rather an exempt service, similar to educational seminars. Even if the studio produces some tapes or compact disks, there would not be any taxable charge. Recording studios are responsible for tax on the cost of materials used to provide the services including tapes and compact disks.

### **122.0 CASUAL USE OF EXEMPT EQUIPMENT FOR TAXABLE PURPOSES**

#### **122.1 Farmers**

Farm equipment used for off-farm purposes is subject to tax on the equipment and repair parts. In lieu of assessing tax on repair parts, and on the depreciated value or temporary use of equipment, the farmer may self-assess the tax based on the hourly rental rates listed in the Ministry of Highways and Infrastructure Equipment Rate Books. Using these rates, the assessment covers all tax owing on equipment and repair parts. The farmer would self-assess the tax based on number of hours used in non-farming activity. If necessary, the farmer may apply for a registered consumer permit number.

#### **122.2 Non-Resident Contractors and Non-Resident Vendors**

Non-resident contractors who enter the province to carry out a contract are legally required to pay tax on either depreciated value or temporary use formulas as discussed in PST-38.

In situations where the usual rules result in an unreasonable amount of tax

being payable, we will allow the non-resident to base their PST liability on 5% of the total contract price. This is a one-time concession that covers the tax owing on equipment, and repair parts. If the business activity is substantial, the non-resident contractor should use the depreciated value or temporary use method to calculate the tax.

### **123.0 DONATED ARTWORK**

Museums, art galleries and similar institutions receive donations of artwork from both residents and non-residents of Saskatchewan. These donations are not subject to tax in the hands of the recipient organization. However, the donors are required to ensure they have met the tax obligations in their respective jurisdiction. As a matter of administrative policy, donated artwork that is purchased outside the province by a non-resident is not subject to PST.

### **124.0 COMMERCIAL BUILDING CLEANING SERVICES**

#### **Restoration and Cleaning Services**

Charges to restore damaged real estate to a pre-loss condition are not subject to tax. These services are repairs to real property and not commercial building cleaning services. Tax must be paid on all materials and equipment used in providing the service.

Commercial building cleaning such as janitorial services and carpet cleaning is subject to tax. The charge to restore tangible personal property to pre-loss condition may be taxable when dealing with the contents of a commercial building. It must be decided whether the services are intended as cleaning services or whether they are being provided to repair or restore the building to its condition before damage (fire, flood, etc.) occurred.

Charges to restore or repair tangible personal property to pre-loss condition are taxable as a repair service.

#### **Odour Control**

Odour control charges relating to real property are not subject to tax unless the services are in the nature of regular commercial building cleaning or janitorial services.

Odour control charges related to tangible personal property in a commercial building are subject to tax if they are cleaning or repair services.

#### **Mold Restoration**

Services to remove mold from a commercial building and its contents are subject to tax if the services involve janitorial or building cleaning services. The charge to remove mold from a residence and its contents is not subject to tax.

- |                      |   |
|----------------------|---|
| Ref. Act 3(1)(k)(xv) | - Commercial building cleaning services |
| Bulletin PST-61      | - Commercial Building Cleaning Services |

## **125.0 TRANSFER OF BUSINESS ASSETS**

### **125.1 General Information**

When used tangible personal property was added to the PST base in March 2000, the intent was to apply tax to arm's-length transfers of used goods, including transfers of used assets between businesses. However, in cases where a business reorganizes or changes its structure a taxable transfer of assets may not have occurred.

The exemptions detailed in PST-60 and in the regulations allow for the tax-free continuity of business through a change in the organizational structure. Therefore, in determining whether tax applies, it is important to establish whether there has been a change in the beneficial ownership of the assets.

Taxpayers may not use business reorganizations to avoid tax on transfers of assets that would otherwise be taxable. However, it may be overly punitive to apply tax in certain cases where there has been a technical breach of the criteria in place. The Ministry of Finance does not intend to prevent or discourage legitimate business reorganizations.

The Ministry of Finance will review the facts of each case to determine whether tax applies to a re-organization or a restructuring that does not involve payment of consideration for the transfer of assets or does not result in significant changes to the business operation.

### **125.2 Companies with the Same Shareholders**

The transfer of assets between corporations related only by common shareholders, are exempt when there is no consideration and no change in the ultimate or beneficial ownership interest of the asset, i.e. the transfer is part of restructuring where there is no actual sale of an asset.

For the purpose of this amendment, the term "common shareholders" means that the same shareholders own or control at least 95% of the shares in both corporations.

The purpose of the amendment is to address the smaller corporate structures where there is evidence of a common beneficial ownership of the assets but a formal parent-subsidary relationship does not exist because the group of shareholders did not create a parent corporation.

### **125.3 Intent**

When analyzing transactions involving the transfer of business assets between companies, one must consider the intent underlying the transactions. Intent is one factor used to determine whether or not the transaction qualifies for any of the exemptions laid out in the Regulations.

### **125.4 Eight Month Rule**

The eight-month rule, as outlined in Bulletin PST-60, is not intended to disrupt bona fide transactions. It will only be applied where it is determined that a transaction is artificial and intended primarily to evade a tax liability.

### **125.5 Asset Valuations**

The transfer of tax-paid assets that would otherwise qualify for an exemption under Bulletin PST-60 may attract tax if there is an increase in the value of the assets recorded in the books in relation to the value on which tax was originally paid. If the transfer occurs within a few years of the original purchase, tax may apply on the mark-up because it would appear that the value on which tax was originally paid was not the true value of the asset.

### **125.7 Businesses Purchased for Resale**

Tax is payable on the assets of a business at the time of the change in ownership. If a business is sold within six months of the purchase date, full tax will be refunded less 1/36 for each month of ownership. In order for this policy to apply, the purchaser must have purchased the business with the intention to resell it. This will apply to all business transactions but will usually be found with franchises. If the business is turned over within 7 to 10 days, the original purchase will not attract tax.

### **125.8 Liability of the Purchaser**

If a business is purchasing assets from a company that is ceasing operations, the purchaser is required to self-assess tax on the transaction. If the purchase agreement indicates that the seller collected tax, then the seller is liable for the collected tax.

### **125.9 Business Restructuring**

Businesses may move assets between companies in a restructure or reorganization; normally tax will not apply when the assets are tax paid and no consideration is involved in the transfer.

### **127.0 FLOWERS AND OTHER GIFTS ORDERED BY WIRE**

Florists offering “Flowers by Wire” or similar services must collect PST on these sales only when both the florist accepting the order and the florist delivering it are in Saskatchewan. The florist accepting the order is responsible for collecting the PST. Orders placed through a call centre when the location of the order cannot be determined are taxable if they are delivered in Saskatchewan.

Similarly, if a retailer in Saskatchewan receives an order for a gift item by either a resident or non-resident to be picked up by the recipient at a branch located outside Saskatchewan, no tax is payable on the purchase because the gifted item never enters Saskatchewan.

Ref. PST-23 Information For Florists, Nurseries and Lawn and Garden Centres

### **128.0 MAPPING SERVICES**

Businesses that purchase a map for their own use, from a mapping contractor, are responsible for tax on the total purchase price. Charges from the mapping contractor for ground surveys and consulting are not subject to tax when these amounts are reasonable and segregated from the taxable charges on the customer invoice. All other production and computer-related charges from the mapping contractor to the customer are subject to tax including aerial triangulation (the development of a computerized database), DEM and Orthophoto production (creation of base-maps).

Mapping contractors may purchase aerial photography tax exempt if the exclusive use of the photographs is as a direct agent to develop a map for resale purposes.

### **129.0 REAL ESTATE FEES**

Tax does not apply to a deposit forfeited to a real estate agent or broker when a sale or lease of property is not completed. There must be a completed transaction for PST to apply.

### **130.0 OBSOLETE INVENTORY**

Tax does not apply to inventory that becomes obsolete (i.e. software) and is reported to CRA as destroyed inventory. Obsolete inventory donated to a public institution or non-profit organization is not subject to tax.

Obsolete inventory kept by the owner or given away to anyone other than the above is subject to tax.

### **131.0 TAXES PAYABLE BY OTHER GOVERNMENTS**

Section 125 of the *Constitution Act, 1867* provides that “No lands or property belonging to Canada or any Province shall be subject to taxation.” While this provision would legally prevent Saskatchewan from taxing departments and agencies of other Canadian governments, Saskatchewan and the federal government have entered into a reciprocal taxation agreement whereby Crown corporations and certain government agencies have agreed to pay each other’s sales taxes. This reciprocal taxation agreement applies to the tax only; taxable federal Crown corporations and agencies are not subject to penalty interest (see Ruling 54.4).

Even though there are no formal reciprocal taxation agreements in place with the other provinces, most of the other provinces voluntarily pay PST on taxable goods and services purchased in Saskatchewan.

### **132.0 ENGINEERING AND GEOSCIENCE SERVICES PROVIDED TO THE MINING INDUSTRY (updated August 2011)**

Engineering, geoscience and architecture services that are in the nature of feasibility studies, environmental studies, general consulting or advisory services are not subject to tax. These include services related to the exploration of oil, natural gas, potash, or minerals.

Services related to the development, maintenance, and enhancement or decommissioning of production facilities are subject to tax.

- Services related to the construction of a new milling or processing facility, as well as the expansion of an existing facility intended to process ore from a new mine are subject to tax.
- Services related to the construction of a portable milling or processing facility that is specifically designed for primary sampling only, is considered to be part of the exploration process and not subject to tax.

A discussion of Mineral Exploration activities can be found in Section B, of Information Bulletin FT-11, MINERAL EXPLORATION.

### **133.0 STERILE WATER USED AS DISINFECTANT**

Sterile water sold by a medical supply company as a disinfectant to irrigate wounds, clean instruments, and other sterilization purposes is subject to tax.

#### **134.0 LOST-IN-HOLE CHARGES**

Where equipment is lost down a well-hole or damaged beyond repair, the service contractor is considered to be the consumer, whether or not the equipment is invoiced to the producer as a sale item, as a third party charge; or as a reimbursement charge.

Normally, the type of equipment involved is capitalized and used for down-hole service work in the oil and gas industries and is therefore exempt under order in council 1436/67. However, if the service contractor expensed equipment lost or damaged, tax applies.

#### **135.0 LANDSCAPE ARCHITECTS (New Ruling September 2011)**

Services provided by members of The Saskatchewan Association of Architects (SAA) under the terms of the *The Architects Act, 1996*, are subject to tax. The formulas related to calculating the tax payable on these services are discussed in Information Bulletin PST-65. These services typically pertain to the design of the structure itself, while services related to the landscaping aspect are often contracted to members of The Saskatchewan Association of Landscape Architects (SALA) who specialize in the practice of landscape architecture.

Landscape architecture services provided by members of SALA are not captured under the definition of "Architectural services" in the Provincial Sales Tax legislation and therefore are not subject to tax if they are billed for separately. However, if they are included as "special consultants" related to landscape concept, development, documents and inspection of a site specific contract as listed in Phase 2, 3, 4 and 5 in the SAA Fee Schedule, they are to be included in the 30% formula used to calculate the tax payable on Architectural services.

Ref. Reg. 3(1.3) - "Architectural services" defined

Bulletin PST-65 - Businesses Providing Engineering, Geoscience and Architecture Services