



Information Bulletin

PST-57

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THE PROVINCIAL SALES TAX ACT

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INFORMATION FOR BUSINESSES PROVIDING REPAIR AND INSTALLATION SERVICES

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax. It is a general guide and not a substitute for the legislation.

The changes to this bulletin are indicated by a (I).

The contents of this bulletin are presented under the following sections:

- A. Repair and Installation Services
- B. Tangible Personal Property vs. Real Property
- C. Sale of Used Parts or Goods
- D. Taxable and Exempt Repair and Installation Services
- E. Sales to Status Indians
- F. Goods and Services for Your Own Use
- G. Small Trader's Exemption (home based businesses)
- H. Sales of Used Business Assets
- I. Saskatchewan Electronic Tax Service (SETS)

A. REPAIR AND INSTALLATION SERVICES

Services provided to repair, install, assemble, dismantle, adjust, restore, recondition, examine, refinish or maintain tangible personal property are subject to tax. Tax does not apply to mileage and travel charges related to these labour services providing the charges are reasonable and are segregated on the customer's invoice.

Labour services provided to real property are not subject to tax. Installation, removal, and on-site repair or maintenance labour related to real property are therefore exempt. When goods or equipment are removed to an off-site location for repair, the materials and shop labour are taxable since the goods become tangible personal property when removed from the site.

B. TANGIBLE PERSONAL PROPERTY VS. REAL PROPERTY

To properly apply the Provincial Sales Tax to repair labour charges, it is necessary to distinguish between tangible personal property and real property. Saskatchewan Finance follows Common Law rules to distinguish real property from tangible personal property. 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 cannot 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.

Examples of items that are tangible personal property include vehicles, computer equipment, photocopiers, furniture and appliances. Goods that are affixed to the land or building may be considered to be tangible personal property if it is intended that the goods are to be periodically moved or are subject to repossession by a creditor.

C. SALE OF USED PARTS OR GOODS

When individuals purchase used parts or goods for personal use, tax applies to the selling price of the goods less a deduction of \$300 per item. This deduction applies whether the goods are purchased from a business or privately. If a trade-in is involved, the purchaser is entitled to the \$300 deduction or the value of the trade-in, whichever is greater. If the goods are purchased for commercial use, the \$300 deduction does not apply.

D. TAXABLE AND EXEMPT REPAIR AND INSTALLATION SERVICES

Contractors

Contractors involved in real property supply and install contracts (e.g. plumbing, heating, electrical, flooring, masonry) are required to pay tax to their suppliers, or self-assess tax, on the cost of all materials used to complete a supply and install contract. Labour services performed on-site are not subject to tax. Businesses involved in real property supply and install contracts should refer to Information Bulletin PST-12.

Motor Vehicles

Taxable labour charges include:

- Tune-ups, oil changes, lubrication
- Wheel alignments and balancing, tire installations and repairs
- Muffler repairs and installation
- Undercoating, rust-proofing, and finish protection
- Autobody repairs and painting
- Installation of all parts, such as fenders, rocker panels, and bumpers
- Diagnostic services

Exempt labour charges include:

- Vehicle cleaning services, such as washing, waxing, and deodorizing
- Towing services
- Battery boosting
- Emergency road side services including gas delivery, tire changes, and “lock-out” services
- Mandatory safety inspections (SGI)

Furniture, Appliances and Flooring

Taxable labour charges include:

- Furniture repair, reupholstering, refinishing, and restyling
- Repairs to free-standing appliances, such as stoves, refrigerators, washers, dryers, and electronic equipment
- Commercial building cleaning services (see Information Bulletin PST-61)

Exempt labour charges include:

- Residential cleaning services
- Cleaning upholstery
- Installation of carpet or other flooring into real property

Business Equipment and Machinery

Taxable labour charges include:

- Repairs to calculators, cash registers, photocopiers, and computers
- Repairs to personal and business aircraft (exempt if commercial aircraft – see Information Bulletin PST-56)
- Instrument calibration
- Equipment programming

Exempt labour charges include:

- Cleaning and vacuuming of equipment (not part of a repair)
- Repairs to production and manufacturing equipment that are real property and performed on site

Clothing and Shoes

Taxable labour charges include:

- Alterations, restyling, and mending – adults’ clothing
- Shoe repairs and dyeing – adults’ footwear
- Skate sharpening
- Laundry and dry cleaning services (see Information Bulletin PST-53)

Exempt labour charges include:

- Alterations, restyling, and mending – for children 14 and under
- Shoe repairs and dyeing – for children 14 and under

Farm Repairs

Taxable labour charges include:

- Repairs to all vehicles eligible to be licensed under The Highway Traffic Act, including recreation and leisure vehicles

Exempt labour charges include:

- Repairs to farm implements and machinery (see Information Bulletin PST-16)

Miscellaneous

Taxable labour charges include:

- Repair and rewinding of motors, generators, and transformers
- Musical instrument repair and tuning
- Refinishing, restoring, and retouching works of art and photographs
- Repair and maintenance of watches and jewellery
- Knife and saw sharpening
- Repair and assembly of above-ground swimming pools
- Engraving
- Laminating

Exempt labour charges include:

- Repair services to tangible personal property provided by a person to that person's employer in the course of employment. A person is considered an employee when the employer makes regular deductions from wages as required by federal Income Tax regulations.
- Repairs to exempt medical equipment (see Information Bulletin PST-42)

E. SALES TO STATUS INDIANS

Labour charges to Indians and Indian bands are not subject to tax upon presentation of a Certificate of Indian Status identification card issued under the Indian Act, providing the repair services are performed on reserve. The complete 10-digit card number must be recorded on the sales invoice. If the federal identification card number is only 3 to 5 digits, record the number and the name of the Band on the sales invoice. All repair services performed off reserve are taxable.

F. GOODS AND SERVICES FOR YOUR OWN USE

Businesses are required to pay tax on purchases of equipment, services and supplies used in their business. If they are purchased from a licensed supplier, the tax must be paid to the supplier. If they are purchased from an unlicensed supplier located outside Saskatchewan, the tax must be submitted with your return on the laid down cost, which includes exchange, transportation charges, customs and excise duties, and importation charges, but not the GST.

G. SMALL TRADER'S EXEMPTION (home based businesses)

Individuals selling goods and providing services from their residence to other individuals (non-commercial) are not required to collect tax providing sales are less than \$10,000 annually. Tax must be paid to all suppliers on the purchase of all materials and labour charges.

This exemption is not extended to individuals who conduct sales or provide services outside their residence or sell to commercial users.

H. SALES OF USED BUSINESS ASSETS

Businesses are required to collect tax on the sale of used assets, such as vehicles and equipment. When used assets are being sold as part of the closure of a business, the purchaser is required to self-assess and report the tax.

I. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. The Saskatchewan Electronic Tax Service (SETS) offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

Businesses may use SETS to file and pay returns for Provincial Sales Tax and other provincial taxes.

SETS allows businesses to:

- File and pay returns or make payments on account.
- File a return and post-date the payment to the due date.
- View account balance and statement information.
- Authorize your accountant to file on your behalf.
- Subscribe to an E-mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received in the mail).

FOR FURTHER INFORMATION

Write: Saskatchewan Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

E-mail: sask.tax.info@finance.gov.sk.ca

Fax: 306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.gov.sk.ca/finance/revenue/pst/pst.htm>

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