



Information Bulletin

PST-48

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THE PROVINCIAL SALES TAX ACT

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INFORMATION FOR DEALERS OF RECREATIONAL VEHICLES

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.

Changes to this bulletin are indicated by a bar (|) in the left margin.

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

- A. Recreational Vehicle Sales
- B. Daily Rental and Leased Recreational Vehicles
- C. Warranties on New and Used Recreational Vehicles
- D. Recreational Vehicle Exemptions
- E. Repair Parts, Repair Labour and Service Labour
- F. Shop Supplies and Environmental Levies
- G. Goods and Services for Your Own Use
- H. Sales of Used Business Assets
- I. Saskatchewan Electronic Tax Service (SETS)

A. RECREATIONAL VEHICLE SALES

Recreational vehicles include new and used snowmobiles, motorcycles, off-road dirt bikes, all terrain vehicles (ATVs), boats, personal watercraft and recreational trailers (cabin, tent, fifth wheel and slide-in campers).

New and used recreational vehicles are subject to tax on the total selling price, including charges such as documentation charges, freight, pre-delivery, accessories, undercoating and rust proofing installed by the dealer. Tax must be collected on the total selling price after deducting cash discounts and trade-in allowances.

The customer's invoice must segregate the selling price of the recreational vehicle, the trade-in amount, and the amount of Provincial Sales Tax collected. The item received on trade is subject to tax upon resale.

Dealers will collect tax on the cash difference under the following conditions:

- The tax was previously paid in full on the trade-in
- The trade-in is owned by the same registrant purchasing the recreational vehicle as indicated in the commercial transaction

Calculation of Tax on Recreational Vehicle Sales

The following examples illustrate the correct method of calculating the tax on recreational vehicle sales:

(1)	Total Selling Price (excluding the GST)	\$20,000
	Less: Trade-in	<u>3,000</u>
	Cash Difference	\$17,000

Tax at 5%	\$ 850
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(2)	Total Selling Price (excluding the GST)	\$20,000
	Less: 10% Cash Discount	<u>2,000</u>
		\$18,000
	Less: Trade-in	<u>3,000</u>
	Cash Difference	\$15,000

Tax at 5%	\$ 750
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Where the purchaser is a GST registrant and the trade-in allowance is GST included, the GST must be deducted from the trade-in allowance before calculating the Provincial Sales Tax.

(3)	Total Selling Price (excluding the GST)	\$20,000
	Less: Trade in:	
	Trade-in Allowance (GST registrant)	\$3,000
	GST (6/106 x \$3,000)	<u>170</u>
	Trade-in Value	<u>\$ 2,830</u>
	Cash Difference	\$17,170

Tax at 5%	\$ 859
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If the trade-in allowance exceeds the selling price of the recreational vehicle being sold, no tax is payable, and a tax refund is not allowed.

Manufacturers' Cash Bonuses and Rebates

The tax must be calculated on the selling price of a recreational vehicle before the deduction of a manufacturer's cash bonus or rebate which is offered as an incentive to a recreational vehicle purchaser.

B. DAILY RENTAL AND LEASED RECREATIONAL VEHICLES

Leasing/rental firms are required to collect tax on the lease/rental charge of new and used recreational vehicles. Recreational vehicles, repair parts, including oil and grease, and repair labour can be purchased tax free providing these items are paid for by the leasing/rental firms.

Leasing/rental firms must provide their Provincial Sales Tax number to their suppliers in order to purchase these items tax exempt.

Taxable Lease/Rental Charges and Fees

- Fixed fees, time and distance charges
- Collision damage waiver fees (exempt if optional)
- Personal accident insurance fees (exempt if optional)
- Liability insurance fees (exempt if optional)
- Security deposit charges
- Accessory charges
- Accident deductible charges and loss or damage charges
- Repair parts and labour charges
- Extended warranty charges
- Down payments (see calculation below)
- Finance (interest)

Calculation of Tax on Leases Involving Trade-ins and Down Payments

A tax paid trade-in item accepted as a down payment on a lease or as part payment against future lease payments can be used to reduce the amount of tax payable on leased recreational vehicles. If a down payment is received, the tax must be collected on the down payment amount. The remaining lease value is subject to tax on each lease billing.

The following example illustrates the correct method of calculating the tax:

Total Price (excluding the GST)	\$20,000
Less: Trade-in	<u>8,000</u>
Lease value subject to tax	\$12,000
Down payment	<u>1,000</u>
**Balance of lease	\$11,000

Tax payable at 5% on down payment of \$1,000	\$ 50
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**Balance of lease is subject to tax

All new and used recreational vehicles sold upon termination of a lease/rental are subject to tax on the total selling price (excluding the GST) after the deduction of a trade-in. If a recreational vehicle is sold to another dealer for resale, the purchaser's Provincial Sales Tax number must be recorded on the sales invoice.

C. WARRANTIES ON NEW AND USED RECREATIONAL VEHICLES

The tax applies to the selling price of optional extended warranty contracts for **new and used** recreational vehicles. Contracts sold with recreational vehicles, and sold subsequent to the purchase or lease of the recreational vehicle, are subject to tax. Transfer charges to subsequent owners are also subject to tax.

Tax does not apply to parts or labour used to repair the recreational vehicle under the terms of the agreement.

Tax applies to deductible charges, parts and labour billed to the customer.

D. RECREATIONAL VEHICLE EXEMPTIONS

The following recreational vehicle sales are not subject to tax:

- Dealers purchasing for resale (the dealer's Provincial Sales Tax licence number and Motor Dealer licence number must be recorded on the sales invoice).
- Federal government departments and agencies (federal Crown corporations are taxable).
- Leasing companies (the purchaser's Provincial Sales Tax licence number must be recorded on the sales invoice).
- Non-residents, upon completion of an Exempt Motor Vehicle Sales Certificate. A Saskatchewan resident who intends to establish a residence outside the province must pay the tax at the time of purchase. However, if the recreational vehicle is permanently removed from the province within 30 days of the purchase date, a refund of the tax is available providing proof of non-residency is submitted. The following recreational vehicles may be purchased by a non-resident exempt from tax upon completion of an Exempt Motor Vehicle Sales Certificate (see next page):
 - Recreational trailers, including cabin, tent and fifth wheels;
 - Snowmobiles;
 - Motorcycles;
 - All terrain recreational vehicles (ATVs); and
 - Personal watercraft, boats and motors with a trailer.

Note: Boats, motors and personal watercraft sold without a trailer to non-residents are subject to tax. An Exempt Motor Vehicle Sales Certificate cannot be used to sell dirt bikes, truck toppers and slide-in campers tax free. These items can only be sold exempt from tax if the goods are shipped or delivered out of province by the dealer (evidence of shipment must be retained).

Non-residents, who accept delivery of these recreational vehicles in Saskatchewan, may apply for a refund of the tax providing the recreational vehicle is registered or the tax is paid to their home jurisdiction. Documentation must be submitted with the refund request.

- Sales made to Indians and Indian Bands are tax exempt when the sale is finalized on reserve and the equipment is delivered to the reserve, and upon presentation of a Certificate of Indian Status identification card issued under the Indian Act. 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.

Exempt Motor Vehicle Sales Certificates are available from the Revenue Division.

Note: In lieu of completing the Exempt Motor Vehicle Sales Certificate, the vendor may print, type, write or apply by rubber stamp on the sales invoice supporting the sale, the following information for the non-resident or status Indian.

Non-Resident

I acknowledge that the above described recreational vehicle was purchased by me on the _____ day of _____ 20___. This recreational vehicle will be removed from Saskatchewan within 30 days and will be licensed for use outside Saskatchewan. I have provided copies of my out of province recreational vehicle registration or permit and driver's license to the dealer.

Date

Purchaser's Signature

Status Indian

I acknowledge that the above described recreational vehicle was purchased by me, the transaction was finalized and delivery was taken on reserve number _____, location _____, and is for my own use or for approved Band management activities on the _____ day of _____ 20___. I have provided a copy of my Certificate of Indian Status identification card to the dealer.

Date

Purchaser's Signature

When an Indian or Indian Band purchases a vehicle and takes delivery of the vehicle off reserve or finalizes the transaction off the reserve, tax is applicable.

The sale of parts and labour services to Indians off reserve is subject to tax.

No exemption is provided where purchases are made in the name of an Indian corporation.

E. REPAIR PARTS, REPAIR LABOUR AND SERVICE LABOUR

Repair and service labour are taxable. This includes charges such as installation, assembly, dismantling, adjusting, restoring, examining, reconditioning, tire repairs, lubrication, inspections, battery charging, and diagnostic charges.

New and used repair parts and repair labour, are subject to tax. The tax may be refunded or credited to the customer on core credits.

On the sale of used parts to individuals, tax applies to the selling price of the goods less a deduction of \$300 per item. The \$300 deduction does not apply to sales of used items for commercial use.

On the sale to individuals of used parts with a core value in excess of \$300, the greater of \$300 or the core charge may be deducted, but not both.

Reconditioned or remanufactured goods, such as motors, transmissions, alternators, brake shoes, fuel pumps, water pumps, and retreaded tires, are subject to tax on the total selling price. If an exchange unit is traded in, the tax is calculated on the total selling price after the deduction of the value of the exchange unit. A refund is permitted on core credits.

F. SHOP SUPPLIES AND ENVIRONMENTAL LEVIES

A dealer who charges a customer a fixed percentage of the total labour cost to cover shop supplies must collect the tax on this charge, provided it is shown separately on the customer's invoice. The dealer is not required to remit the tax on the purchase cost of the shop supplies.

Shop supplies include the following:

- Abrasive stones and discs
- Acid core solder and bits
- Adhesive sealant
- Bearing grease
- Bench lubricant
- Brass rods
- Carburetor solvent
- Chassis grease
- Choke cleaner
- Door ease
- Electric rods
- Electrical tape
- Fibreglass
- Gasket material
- Gasket sealer compound
- Glue
- Lubriplate paste
- Masking paper
- Mechanical wire
- Minor hardware (nuts, bolts, washers)
- Parts cleaning solvent
- Permatex compound
- Protective material
- Resin
- Sandpaper
- Silicone spray
- Solder
- Steel wool
- Steel rods
- Undercoat
- Upholstery cleaner
- Window weld
- Wiping rags

If shop supplies are not invoiced to the customer, tax is payable on the dealer's cost.

Charges billed to a customer for disposal of oil, oil filters, tires and batteries are exempt from tax, providing they are shown separately on the invoice.

G. 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, tax must be paid to the supplier. If they are purchased from an unlicensed supplier located outside Saskatchewan, tax must be submitted with your return on the laid down cost, which includes exchange, transportation charges, customs duties, and importation charges, but not the GST.

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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