



Information Bulletin

PST-8

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THE PROVINCIAL SALES TAX ACT

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INFORMATION FOR VENDORS PROVIDING TELECOMMUNICATION 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).

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A. DEFINITION OF TELECOMMUNICATION SERVICES

Telecommunication services are defined as "any transmission, reception or distribution of signs, signals, words, writings, images, symbols, sounds or intelligence of any nature by means of electromagnetic waves, and includes facilities required for such transmission, reception or distribution". Telecommunication services include telephone, cable/satellite television, alarm systems, pagers, facsimile services, electronic messaging services and internet services.

B. TELEPHONE SERVICES

Telephone services are subject to tax on the total charge to the customer, including line charges and charges for hook-up, connection fees, installation, equipment and telephone rental, air time, calling services, repairs, disconnect fees and federal Department of Communications licence fees that are levied by the telephone

company. The supplier of the telecommunication service is required to pay tax on the cost of all equipment and hardware used to provide the service. However, if the customer's invoice separates the equipment rental from the line and service charges, the supplier is not required to pay tax on the cost of the equipment.

Long distance telephone calls are subject to tax if two or all of the following three conditions exist:

1. The charges are billed to a Saskatchewan telephone number, regardless of where the bill is sent or who pays it
2. The telephone call originates in Saskatchewan
3. The telephone call terminates in Saskatchewan

Prepaid telephone services, such as telephone cards, are subject to tax at the time of purchase. Collect calls and 1-900 telephone calls are subject to tax when paid for by a Saskatchewan resident or business. All toll-free (e.g. 1-800) telephone calls are exempt from tax.

If you are purchasing telephone services for resale to your customers, you may purchase the line charges exempt from tax by providing your vendor's licence number to your supplier.

Telephone answering services are subject to tax.

Directory assistance charges are not subject to tax.

C. ALARM SYSTEMS

The sale of an alarm system is subject to tax on the total selling price to the customer. If the alarm system is supplied and installed by the same company, the tax is payable by the alarm company on the purchase price of the equipment and installation materials. The customer's invoice must indicate that the tax is included and not shown as a separate charge.

The monitoring of the alarm signal of customer-owned equipment is subject to tax.

The lease of an installed alarm system which does not include the monitoring of the alarm signal is considered to be a rental of equipment. Tax must be collected on all charges for this service, including rental, installation, repair and maintenance. If the equipment is tied into a central terminal and attached to a building, the alarm company has the option of paying the tax on the purchase price of the equipment and installation materials rather than collecting the tax on the rental charges.

The lease of an installed alarm system which includes the monitoring of the alarm signal is considered to be a telecommunication service when the customer is invoiced an all-inclusive price. Tax must be collected on all charges for this service, including rental, installation, repair, maintenance and monitoring. In addition, tax must be paid by the alarm company on the purchase price of the alarm equipment, installation materials, repair materials and maintenance materials.

If the customer's invoice segregates the monitoring charge from the lease charge of an installed alarm system, the alarm company is considered to be providing a rental service. Tax must be collected on all charges for this service, including rental, installation, repair, maintenance and monitoring. Since a rental service is being provided, the alarm company is not required to pay tax on the purchase price of the alarm system, installation materials, repair materials and maintenance materials.

The telecommunication line charges for these services are subject to tax.

D. PAGING SERVICES

Paging services are subject to tax on the total charge to the customer, including pager rental, airtime, paging dispatch, pager insurance and voice message retention. In addition, tax must be paid by the paging company on the purchase price of the answering equipment, transmitting equipment and pagers.

If the customer's invoice segregates the equipment rental from the paging service charges, the supplier is providing a rental service and is not required to pay tax on the cost of the equipment used to provide the service.

An uninterrupted channel that originates at the telephone company's equipment and terminates at the customer's pager may be purchased exempt from tax by providing your vendor's licence number to the telephone company.

E. CABLE TELEVISION SERVICES

Cable television services, including pay per view television and specialty service channels, are subject to tax. All charges to the customer are subject to tax, including equipment rentals, cable signal charges, subscription fees, hook-up, installation, disconnect fees and reconnect fees.

Cable providers are required to pay tax on all equipment (e.g. converters and decoders) and cable lines used in providing services. Signals that are for re-broadcast to your customers may be purchased exempt from tax by providing your vendor's licence number to your supplier.

If the customer's invoice segregates the rental of the converter or decoder from the cable television charge, the supplier is not required to pay tax on the cost of the equipment that is rented.

F. SATELLITE SERVICES

Satellite services are subject to tax on the total charge to the customer, including satellite subscription fees, uplink transmission services and broker time charges. Customers who are required to pay tax include private message networks, television studios, radio studios, telephone subscribers and businesses that distribute satellite signals internally to their branches.

Businesses that re-broadcast the signal must collect tax from the customer and may purchase the signal tax free by providing their vendor's licence number to the supplier of the signal.

All equipment and supplies used in Saskatchewan to provide the satellite service are subject to tax on the purchase price.

G. ELECTRONIC MESSAGING SERVICES

Electronic messaging services are subject to tax on the total charge to the customer, including monthly subscription charges, messaging service charges, graphics, messages, forms, documents, mailing lists and charges for incidental services that are sent electronically through the mailbox system.

All equipment and supplies used in Saskatchewan to provide the service are subject to tax on the purchase price.

The line charges may be purchased exempt from tax by providing your vendor's licence number to the telephone company.

H. MEDICAL ALERT MONITORING SYSTEMS

The rental or sale of medical alert monitoring systems are exempt from tax when purchased by individuals. The exemption includes the transmission, reception, and monitoring of the alarm systems. However, equipment used to monitor the medical alert systems is subject to tax.

I. EXEMPT SALES

Sales of telecommunication services to Indians are exempt from tax only when the services are provided to Indians living on the reserve. Telecommunication services provided to Indians living off the reserve are subject to tax.

Sales of telecommunication services to other vendors for resale are exempt from tax providing the purchaser's vendor licence number is recorded on the sales invoice.

Sales of telecommunication services to federal government departments are exempt from tax.

J. 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.

K. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Finance has made it possible for collectors 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: 306-787-6653

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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