



# Information Bulletin

---

PST-43

Issued: March, 1995

Revised: October, 2006

---

## THE PROVINCIAL SALES TAX ACT

Was this bulletin useful?

Click here to complete our short  
**READER SURVEY**

## INFORMATION FOR INDUSTRIAL AND CONSTRUCTION EQUIPMENT DEALERS AND SUPPLIERS

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 bar (|).**

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

- A. Sales of New and Used Equipment
- B. Trade-in Allowance and GST Registrants
- C. Calculating the Tax
- D. Used Equipment Reconditioning
- E. New and Used Leased Equipment
- F. Warranties on New and Used Equipment
- G. Repair Parts, Repair Labour and Service Labour
- H. Shop Supplies
- I. Disposal and Environmental Levies
- J. Goods and Services for Your Own Use
- K. Sales of Used Business Assets
- L. Saskatchewan Electronic Tax Service (SETS)

### A. SALES OF NEW AND USED EQUIPMENT

On the sale of new and used equipment, tax applies to the cash difference between the selling price and the price allowed for the trade-in. Tax applies to the total selling price of new and used equipment where a trade-in is not involved. In addition, the tax applies to repair labour charges and to the sale of used parts.

#### Exempt Equipment Sales

The following equipment sales are not subject to tax:

- Equipment dealers purchasing for resale (the purchaser's Provincial Sales Tax licence number must be recorded on the sales invoice).

- Federal government departments and agencies (sales to federal Crown corporations are taxable).
- Leasing companies (the purchaser's Provincial Sales Tax licence number must be recorded on the sales invoice).
- Sales made to Indians and Indian Bands, where 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. An Exempt Sales Certificate must also be completed (see below). **When an Indian or Indian Band purchases equipment and takes delivery of the equipment off reserve or finalizes the transaction off the reserve, tax is applicable.** The sale of parts and repair labour made to Indians off reserve is taxable. No exemption is provided where purchases are made in the name of an Indian corporation.

**Status Indian Exempt Sales Certificate**

I acknowledge that the above described equipment 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

- Non-resident purchases, providing the equipment is shipped by common carrier or delivered outside the province by the vendor who must retain evidence of shipment. Tax must be collected from non-residents who pick up the equipment in Saskatchewan.
- Farmers for use in a primary farming activity. Completion of a Farm Exemption Certificate is required. In lieu of a Farm Exemption Certificate, the dealer may print, type, write or apply by rubber stamp on the sales invoice or other document supporting the sale, the following information:

Land Description Sec \_\_\_\_\_ Twsp \_\_\_\_\_ R \_\_\_\_\_ M \_\_\_\_\_.

I hereby certify the goods listed on this invoice will be used solely in the operation of my farm.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Farmer's Signature

Industrial equipment and supplies purchased by farmers for purposes other than primary farming activities are subject to tax.

The completed Exemption Certificates should be retained by the dealer for a minimum of three years in the event of an audit and should not be forwarded to the Revenue Division.

## **B. TRADE-IN ALLOWANCE AND GST REGISTRANTS**

Tax is payable on the cash difference between the purchase price and trade-in allowance under the following conditions:

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

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 tax.

## **C. CALCULATING THE TAX**

Tax applies on the total selling price of new and used equipment, less the value of any tax paid trade-in. For example, if a truck is traded in on a grader, the tax applies to the total selling price of the grader after the deduction of the value allowed for the truck being traded in. The truck traded in is subject to tax upon resale.

If the price allowed for the trade-in exceeds the total price of the unit being acquired, no tax is payable and no refund of tax is allowed.

Documentation charges, freight, pre-delivery and accessories installed by the dealer at the time of the sale are taxable. Cash discounts should be deducted before calculation of the tax.

**To qualify for a trade-in allowance, the applicable Provincial Sales Tax must have been paid on the item traded-in.** For example, equipment from out of province cannot be accepted for a trade-in credit until documentation is submitted indicating the unit is fully tax paid in Saskatchewan.

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

(1)	Total Selling Price (excluding the GST)	\$100,000
	Less: Trade-in	<u>40,000</u>
	Cash Difference	\$ 60,000

	Tax at 5%	\$ 3,000
--	-----------	----------

(2)	Total Selling Price (excluding the GST)	\$100,000
	Less: 10% Cash Discount	<u>10,000</u>
		\$ 90,000
	Less: Trade-in	<u>40,000</u>
	Cash Difference	\$ 50,000

	Tax at 5%	\$ 2,500
--	-----------	----------

### **Invoicing The Tax On Equipment Sales**

The customer's sales invoice for new and used equipment must separate the total selling price, the amount of the trade-in, and the amount of Provincial Sales Tax imposed. This invoice **cannot show the cash difference only**.

### **Manufacturers' Cash Bonuses Or Rebates**

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

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

Total Selling Price (excluding the GST)	\$100,000
Less: Trade-in	<u>40,000</u>
	\$ 60,000
Tax at 5%	<u>3,000</u>
	\$ 63,000
Less: Manufacturer's Cash Bonus	<u>10,000</u>
Net Price	\$ 53,000

#### **D. USED EQUIPMENT RECONDITIONING**

The dealer is **not** required to pay the tax on parts or labour used to repair equipment which is in inventory for resale. Tax will be charged on the full selling price of the equipment when sold, excluding the GST.

#### **E. NEW AND USED LEASED EQUIPMENT**

The lease/rental of new and used equipment is subject to tax on the total lease/rental charge. The following outlines some examples of taxable/exempt charges:

##### **Taxable Lease/Rental Charges And Fees**

- Fixed fees, time and distance charges
- Damage fees, (exempt if optional)
- Liability insurance fees (exempt if optional)
- Drop off charges
- Security deposit charges (exempt if optional)
- Accessory charges
- Accident deductible charges and loss or damage charges
- Repair parts and repair labour
- Extended warranty charges
- Down payments
- Standby charges

##### **Exempt Lease/Rental Charges And Fees**

- Replacement parts and repair labour provided by the lessor at no charge to the customer

The sale of new and used equipment upon termination of the lease/rental is subject to tax on the total selling price after the deduction of any trade-in. Parts and labour invoiced to the lessee are subject to tax.

Leasing/rental firms are not required to pay the tax on the cost of new and used leased/rental equipment. The purchase of repair parts, including oil and grease and repair labour, are not subject to tax providing these items are paid for by the leasing/rental firm and form a part of the total lease/rental charge.

Leasing/rental firms must quote their Provincial Sales Tax number to their suppliers in order to purchase equipment and repair parts and labour tax exempt.

### **Calculation Of Tax On Leases Involving Trade-ins/Downpayments**

Tax paid equipment traded in 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 equipment. The lease value subject to tax is calculated on the trade difference before any down payment or manufacturer's rebate. Tax must be charged on each lease billing at the time the payment becomes due under the terms of the lease agreement. The following example illustrates the correct method of calculating the tax:

Total Price (excluding the GST)	\$100,000
Less: Trade-in	<u>40,000</u>
Lease value subject to tax	\$ 60,000
Downpayment	<u>10,000</u>
**Balance of lease	\$ 50,000
Tax payable at 5% on downpayment of \$10,000	\$ 500

\*\*Balance of lease is subject to tax

### **F. WARRANTIES ON NEW AND USED EQUIPMENT**

Tax applies to the selling price of optional extended warranty contracts for **new and used** equipment sales. Contracts sold with the equipment, and contracts sold subsequent to the purchase or lease of the equipment, 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 equipment under the terms of the warranty.

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

### **G. REPAIR PARTS, REPAIR LABOUR AND SERVICE LABOUR**

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

#### **Used Parts**

The sale of new and used parts are subject to tax. On sales of used parts to individuals for personal use, tax applies to the selling price of the parts less a deduction of \$300 per item.

If the used part is for the repair of commercial equipment, the \$300 deduction does not apply.

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.

### **Reconditioned Or Remanufactured Goods**

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.

### **Non-Resident Equipment Repairs**

Repairs to equipment owned by non-residents of Saskatchewan are subject to tax.

## **H. SHOP SUPPLIES**

An equipment dealer who charges a customer a fixed percentage of the total labour cost to cover shop supplies must collect the tax on this charge, providing it is shown separately on the customer's sales 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
- Bolts, nuts and pins – assorted
- Brake fluids
- Brass rods
- Carburetor solvent
- Chassis grease
- Choke cleaner
- Clevis pins – assorted
- Copper fittings – assorted
- Cotter pins – assorted cutting Fluids
- Door ease
- Electric rods
- Electrical tape
- Engine shampoos and Degreasers
- Fibreglass
- Gasket material
- Gasket sealer compound
- Glue
- Lubriplate
- Masking paper
- Mechanical wire
- Parts cleaning solvent
- Penetrating solvent
- Permatex compound
- Plastic ties
- Protective material
- Resin
- Rivets
- Sandpaper
- Screws – assorted
- Silicone spray
- Snap rings – assorted
- Solder
- Steel rods
- Steel wool
- Undercoat
- Upholstery cleaner
- Welding rods and wire
- Window weld
- Wiping rags
- Wire and wire ends
- Wood ruff keys – assorted

**I. DISPOSAL AND ENVIRONMENTAL LEVIES**

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.

**J. 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.

**K. 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.

**L. 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>

To receive automatic e-mail notification when this (or any other) bulletin is revised, click on the Bulletin Index and then click on the "Subscribe" button next to the bulletins you are interested in.