



Information Bulletin

PST-6

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THE PROVINCIAL SALES TAX ACT

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READER SURVEY

INFORMATION FOR VENDORS OF EXTENDED WARRANTY CONTRACTS AND MAINTENANCE CONTRACTS

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. Extended Warranty Contracts
- B. Maintenance Contracts
- C. Taxation of Extended Warranty and Maintenance Contracts
- D. Sales of Used Business Assets
- E. Goods and Services for Your Own Use
- F. Saskatchewan Electronic Tax Service (SETS)

A. EXTENDED WARRANTY CONTRACTS

An "extended warranty contract" is a contract that provides that:

- (a) an article will be repaired without charge to the customer for parts or labour; **and**
- (b) the service of the equipment is the responsibility of the customer who is required to service the article as a condition of the warranty contract.

B. MAINTENANCE CONTRACTS

A "maintenance contract" is a contract that provides that:

- (a) an article will be repaired without charge to the customer for parts or labour; **and**
- (b) the service of the equipment is the responsibility of the provider of the maintenance contract who is required to service, clean and/or inspect the equipment on a regular or periodic basis or at the request of the customer.

C. **TAXATION OF EXTENDED WARRANTY AND MAINTENANCE CONTRACTS**

Extended warranty contracts and maintenance contracts, including maintenance and support agreements for hardware and software, are subject to Provincial Sales Tax.

Tax applies to the selling price of contracts for new and used articles, such as motor vehicles and appliances, but **not** farm implements and farm machinery acquired by farmers for use in primary farming activities. Contracts for the maintenance of real property (if attached or bolted to a building), such as central vacuums, built-in dishwashers and furnaces are not subject to tax. Tax must be paid on the cost of the materials used.

Contracts sold with articles, as well as those sold subsequent to the purchase of an article, are subject to tax. This includes real property items that are not yet installed into or attached to real property. Transfer charges to subsequent owners are subject to tax.

The seller of an extended warranty or maintenance contract for tangible personal property is not required to pay the tax on the purchase cost of any parts used to repair or service the article under the terms of the contract. The seller of an extended warranty or maintenance contract for real property equipment is required to pay tax on the cost of all parts, materials and supplies used to maintain or service the equipment.

Deductible fees charged to a customer are subject to tax. As well, any charges to a customer for parts, labour or lubricants that are not covered by the contract are subject to tax on the selling price.

Contractors are required to pay tax on optional extended warranties purchased for new and used construction equipment.

An extended warranty or maintenance contract sold to an Indian or an Indian Band at the time of sale is not subject to tax if the contract pertains to goods that are delivered to the reserve. The subsequent renewal of an extended warranty or maintenance contract is not subject to tax, providing the contract specifies that the goods are located on an Indian reserve and owned by a status Indian. In order to purchase a contract tax free, the customer must present the vendor with 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.

Sales of extended warranty or maintenance contracts to non-residents are exempt if the contract pertains to property located outside the province.

D. **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.

E. 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 the return on the laid down cost, which includes exchange, transportation charges, customs and excise duties, and importation charges, but not the GST.

F. 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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