



# Information Bulletin

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PST-7

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## THE PROVINCIAL SALES TAX ACT

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### INFORMATION FOR SUPPLIERS OF COMPUTER HARDWARE, SOFTWARE AND COMPUTER CONSULTING 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. Computer Hardware
- B. Computer Software
- C. Status Indians
- D. Sales of Used Business Assets
- E. Goods and Services for Your Own Use
- F. Saskatchewan Electronic Tax Service (SETS)

#### **A. COMPUTER HARDWARE**

New computer hardware equipment, repair parts, installation labour and repair labour are subject to tax on the total selling price, including customs duties and excise tax, currency exchange and freight to Saskatchewan, but excluding the GST. The tax must be calculated on the cash difference when equipment is received on trade.

On personal purchases of used computers or parts, the purchaser is allowed a deduction of \$300 or the trade-in value, whichever is greater.

Mileage and travel charges related to the installation of computer equipment at the customer's place of business are not subject to tax, providing these charges are separated on the customer's sales invoice.

The lease of new and used computer hardware equipment is subject to tax on the total lease charge, including installation and maintenance charges. The lessor of this equipment is not required to pay the tax on the purchase cost of the equipment or repair parts but is required to collect the tax on the subsequent sale of the leased equipment.

Demonstration equipment is not subject to tax providing the equipment remains in inventory. Once the equipment is expensed or capitalized to an asset account, tax applies on the purchase price.

## **B. COMPUTER SOFTWARE**

Tax must be collected on all charges for software and computer services, including charges for the “right-to-use” software, licence fees, royalty fees, modifications, updates, and add-on services. The tax is calculated on the cash difference when software is received on trade. Tax applies to software and services delivered on tape or diskette, transferred electronically or delivered by any other means.

Used software is also subject to tax on the selling price. The tax is calculated on the cash difference when software is received on trade.

On the purchase of used software for personal use, the purchaser is allowed a deduction of \$300 or the trade-in value, whichever is greater.

The following computer services are subject to tax:

- Consulting services related to the delivery of an “automated business solution” to fulfill defined requirements
- Services related to the development, maintenance, testing or modification of software or of a system or network of computers
- Modifications, upgrades, and add-on utilities
- Copies of software
- Licence fees and the “right to use” software
- Installing or reinstalling, repairing, restoring, maintaining, eradicating software viruses, writing, designing, developing, configuring and improving software
- Retrieving and restoring data
- Maintenance and support agreements for software, including telephone support, network management and updates
- Electronically-processed accounting and transaction records
- Accessing software located on a remote server inside and outside Saskatchewan
- Transferring data to software
- Accessing databases
- Computer time sharing
- Mapping of computers
- Imaging and scanning services
- Data entry and data processing services
- Desktop publishing
- Web site and web page design and creation
- Internet services, including hosting and storage
- Charges for cleaning, diagnosis and testing
- Software purchased to make copies for resale
- Creating and maintaining back-up copies for storing a customer's data
- Charges for accessing a web page/site

The following goods and services are not subject to tax:

- Consulting services relating to defining and establishing business requirements
- Printed materials, such as technical bulletins and manuals, providing the charges are segregated on the customer's invoice
- In-house computer services
- Training services, providing these services are not included in the sale of taxable computer services
- Charges for sustenance, accommodation, travel time, mileage and fuel
- Computer services, including data stored on a server in Saskatchewan, that are acquired for use outside Saskatchewan.

**C. STATUS INDIANS**

Sales to Status 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 goods are delivered by the retailer to a reserve or computer consulting services are with respect to an on-reserve facility or installation on a 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.

**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 to report and remit tax electronically through the use of a standard Internet connection. 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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