

PST-5

Issued: June 1984

Revised: August 2015

## THE PROVINCIAL SALES TAX ACT

### GENERAL INFORMATION

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax (PST) and to assist you in understanding your obligations under *The Provincial Sales Tax Act* and *The Revenue and Financial Services Act*. It is a general guide and not a substitute for the legislation.

Copies of these Acts and Regulations are available free of charge online at [www.qp.gov.sk.ca](http://www.qp.gov.sk.ca).

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

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

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#### A. WHAT IS PST?

PST is a 5 per cent sales tax that applies to taxable goods and services consumed or used in Saskatchewan. It applies to goods and services purchased in the province as well as goods and services that are imported for consumption or use in Saskatchewan. New and used goods are subject to tax. The GST is excluded in calculating the amount of PST payable.

When taxable goods or services are purchased or rented from a supplier who is licensed to collect the tax, the tax is paid to the supplier. When goods or services are purchased or rented from a supplier who did not collect the tax, such as an unlicensed supplier located outside Saskatchewan, the tax must be self-assessed and paid directly to the Revenue Division.

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**READER SURVEY**

Taxable services include accounting and bookkeeping services, advertising services, architectural services, commercial building cleaning services, computer services, credit reporting or collection services, dry cleaning and laundry services, employment placement services, engineering services, extended warranty and maintenance contracts, legal services, lodging services, real estate services, repair or installation services related to tangible personal property, security and investigation services, telecommunication services, telephone answering services and veterinary services.

Certain goods are exempt from PST including food and beverages, reading materials, agricultural equipment and prescription drugs and medicine.

Information bulletins regarding the application of PST to goods and services are available from the Revenue Division upon request or on the Internet at:

<http://www.finance.gov.sk.ca/Bulletins/ProvincialSalesTaxBulletins>

## **B. REGISTRATION REQUIREMENTS**

### **Definitions**

#### **Vendor**

A vendor is a person, business or organization who sells or rents goods or taxable services to consumers.

#### **Registered Consumer**

A registered consumer is a person, business or organization who purchases or rents taxable goods or services for their own use in carrying on a business.

### **Registration**

All businesses operating in Saskatchewan are required to be registered with a PST number, with the exception of businesses qualifying as small traders as outlined below. Depending on the nature of the business, either a vendor's licence number or a registered consumer number will be issued. Please refer to Sections C and D for vendor and registered consumer responsibilities.

The Application for Vendor's Licence/Consumer Registration may be found at the following link:

<http://www.finance.gov.sk.ca/ProvincialSalesTaxForms>

### **Small Traders Guidelines**

Individuals who operate from their home and produce goods such as craft items that are sold to other individuals on a small scale or non-commercial basis are not required to become licensed to collect tax providing that:

- Annual sales are less than \$10,000;
- The goods are produced and sold from their residence; and,
- PST is paid or self-assessed on the purchase price of equipment and supplies used in the production of those goods.

The guideline on the previous page also extends to individuals who provide services from their home to non-commercial customers. These businesses are not required to be registered with our office; however, PST must be paid or self-assessed on the purchase price of equipment and supplies used in providing their services.

This guideline does not extend to individuals or small businesses that conduct sales or provide services outside their residence or sell taxable goods or services to commercial customers. Small traders that compete in the retail market and make sales outside of their residence or to commercial customers are required to become licensed and collect tax.

### **Non-Resident Businesses**

#### **Vendors**

Businesses located outside Saskatchewan (non-resident vendors) that sell or lease taxable goods are advised to become licensed to collect PST where all of the following conditions are met:

- The vendor solicits customers in Saskatchewan, either directly or through an agent, by advertising or any other means (person, telephone, mail, email, fax, posters, television) that is targeted towards customers in the province;
- The vendor accepts an order that originates from a customer location in the province to purchase or lease taxable goods from a seller or agent located in or out of Saskatchewan;
- The goods are intended to be acquired by the customer for consumption or use in Saskatchewan and not for resale; and,
- The vendor arranges for the goods to be delivered to the customer located in Saskatchewan, either directly or by way of common carrier.

Where the non-resident vendor is not licensed to collect PST, their Saskatchewan customers are required to remit the tax directly to the Ministry of Finance. Businesses and individuals that do not remit the tax on purchases from unlicensed non-resident suppliers could be assessed the tax in an audit in addition to penalty and interest charges. Non-resident vendors are providing a service to their customers in Saskatchewan by becoming licensed and remitting the tax on their behalf.

#### **Contractors**

All non-resident contractors are required to register with the Revenue Division for the purpose of reporting tax payable on materials, supplies, equipment, vehicles and tools used in Saskatchewan. See Information Bulletin PST-38, *Information for Non-Resident Real Property and Service Contractors* for further reference.

Non-resident businesses entering Saskatchewan to supply and install tangible personal property please see Information Bulletin PST-49, *Information for Non-Resident Vendors Supplying and Installing Tangible Personal Property*.

## C. INFORMATION FOR VENDORS

### Your Vendor's Licence

A vendor's licence is issued to all individuals and businesses that make retail sales and are required to collect the PST. A vendor's licence number is a seven digit number that starts with a "0", "1", or "2".

If you carry on business at more than one location in the province, you will receive a vendor's licence for each place of business. This licence must be displayed in a location where it is visible to your customers. If you do not have business premises, you must carry your vendor's licence with you while you are conducting business in Saskatchewan. Your licence must be available for inspection on request by your customers or a Revenue Division representative.

A vendor's licence is not transferable. In addition, a vendor's licence does not take the place of a business licence that may be required by your city, town, village, or municipality.

You may be required to post security prior to receiving a vendor's licence.

### Vendor Responsibilities

As a vendor under *The Provincial Sales Tax Act* you are required to:

- quote your vendor's licence number when you buy goods tax free from your suppliers for resale. Please note that a vendor's licence does not allow you to purchase goods that are not for resale without paying the tax.

If PST has been paid to your supplier in error on goods purchased for resale, a refund for the tax paid may be obtained by one of the following three methods:

- Requesting a refund from your supplier;
- Applying to Finance for a refund; or,
- Offsetting the tax paid in error against the tax to be reported on your return (see the PST Worksheet Supplement and Instructions at the following link for further information: <http://www.finance.gov.sk.ca/ProvincialSalesTaxForms.>)

Refunds must be claimed within four years from the date of overpayment.

- Charge the correct amount of tax at the time of sale or rental of taxable goods and services.
- Apply the tax to the total selling price of the goods after deducting any early payment discount, trade discounts or volume discounts.
- Collect the tax on used assets sold, allowing a \$300 exemption per item when the goods (excluding vehicles) are sold to individuals for non-business use. Tax must be collected on the full selling price of vehicles, other than tax-paid eligible light vehicles.<sup>1</sup>

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<sup>1</sup> Information Bulletin PST-58, *Information on the Taxation of Used Goods*

- Show the tax as a separate amount on all sales documents provided to your customers.
- Refund the tax on returned merchandise in instances where the full purchase price is refunded to the customer.
- Remit the tax on credit sales, with your next tax return, whether or not the customer has paid their account in full.
- Self-assess and pay the tax directly to Finance on taxable goods or services for personal or business use that were taken from a resale inventory.

Self-assessed tax should be reported in Box E of the return form.

- Self-assess and pay the tax directly to Finance on your regular tax return on taxable goods or services purchased from a supplier who did not charge you the tax.

If they were purchased from an unlicensed supplier located outside Saskatchewan, the tax is payable on the laid down cost, which includes currency exchange, transportation charges, customs and excise duties and importation charges, but not the GST.

Self-assessed tax should be reported in Box E of the return form.

- Pay the tax directly to Finance when new or used assets are purchased from a business ceasing operations (see Section F) or from a supplier who did not charge you the tax, as outlined in the point above.
- Keep complete records of all your business transactions. You must not destroy your records unless you first obtain permission from the Revenue Division. Records that are at least six years old may be destroyed without obtaining permission.
- Remit the tax collected by the due date shown on the return. Corporate directors may be held personally liable for taxes collected but not remitted by a corporation. To avoid liability, the director must demonstrate that he or she took reasonable steps to ensure that the corporation remitted its tax collections.
- Notify the Revenue Division, if you discontinue or sell your business, or if there is a change in your business name, business location or mailing address.

### **Exempt Sales**

Sales of taxable goods and services to the following are exempt from tax:

- Federal government departments and agencies. (NOTE: sales to federal government Crown corporations and provincial government ministries, agencies and Crown corporations are **taxable**.)
- Other retailers for resale providing the retailer's vendor's licence number is recorded.
- Residents or non-residents providing the goods and services are shipped or delivered out of the province by the retailer.
- Status Indians, Indian bands and non-commercial band-empowered entities providing the

goods are delivered to the reserve by the retailer or the services are performed on the reserve and the Certificate of Indian Status identification card number or band number is recorded on the invoice. The complete 10 digit card number must be recorded on the 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. Proof of delivery to a reserve must be retained.

### **Showing the Tax on your Sales Receipts**

Vendors who show the GST separately on their receipts or invoices must apply the PST on the selling price before calculating the GST.

Vendors who sell items on a GST included basis must calculate the PST using a rate of 4.76 per cent. The 4.76 per cent rate applied to a price that includes the GST is equivalent to a 5 per cent rate applied to an item, which does not include the GST. The sales receipt to the customer must show the PST rate of 5 per cent and not 4.76 per cent.

Vendors may collect tax at a combined rate of 10 per cent (5 per cent PST plus 5 per cent GST) providing the cash register receipt, sales invoice or other sales document provided to the customer clearly indicates that the 10 per cent rate is made up of 5 per cent PST plus 5 per cent GST. Your records must show that the correct amounts of PST and GST have been collected.

### **Tax Credit on Bad Debts**

Vendors may claim a credit for the tax portion of their receivables that are written off as uncollectible. The tax credit should be taken as an internal adjustment in your records. Details of the accounts written off must be kept for audit verification by the Revenue Division.

### **Commission**

As a vendor, you are entitled to a commission, to a maximum of \$1,800 in each calendar year, based on the amount of tax collected in each reporting period. The amount of commission you may claim on each return is based on how often you file your returns and is calculate as follows:

Monthly – 10 per cent of the first \$250 of tax collected and 1 per cent of the balance  
Quarterly – 10 per cent of the first \$750 of tax collected and 1 per cent of the balance  
Annual – 10 per cent of the first \$3,000 of tax collected and 1 per cent of the balance

Please deduct your commission from the tax to be remitted with your return.

Commission is not allowed if your tax return is filed late or if it is filed without a payment. Commission is not allowed on tax that is self-assessed on goods or services acquired for your own use.

## **D. INFORMATION FOR REGISTERED CONSUMERS**

### **Your Registered Consumer Number**

A registered consumer number is issued to businesses and organizations that do not make retail sales but do purchase taxable goods or services for their own use. This number cannot be used to purchase goods without paying the tax and is not a licence to collect the tax. A registered

consumer number is a seven digit number that starts with a “5”.

### **Registered Consumer Responsibilities**

As a registered consumer under *The Provincial Sales Tax Act* you are required to:

- Pay the tax to your supplier when taxable goods and services are purchased from a supplier that is licensed to collect the tax.
- Self-assess and pay the tax directly to Finance on your regular tax return when taxable goods or services are purchased from a supplier who did not charge you the tax.

If they were purchased from an unlicensed supplier located outside Saskatchewan, the tax is payable on the laid down cost, which includes currency exchange, transportation charges, customs and excise duties and importation charges, but not the GST.

Self-assessed tax should be reported in Box E of the return form.

- Pay the tax directly to Finance when new or used assets are purchased from a business ceasing operation or from a supplier who did not charge you the tax, as outlined in the point above.
- Collect the tax on used assets sold, allowing a \$300 exemption per item when the goods (excluding vehicles) are sold to individuals for non-business use. Tax must be collected on the full selling price of vehicles, other than tax-paid eligible light vehicles.<sup>2</sup>
- Notify the Revenue Division if you discontinue or sell your business, or if there is a change in your business name, business location or mailing address.
- File tax returns by the due date shown on your return. If you have no tax to report, you must still file a “NIL” return.
- Keep complete records of all transactions and documents related to the purchase of goods.

## **E. FREIGHT CHARGES, ENVIRONMENTAL FEES AND PROMOTIONAL GOODS**

### **Freight or Delivery Charges**

Freight or delivery charges that are invoiced to a customer for the shipment of a taxable commodity are subject to PST if the supply point originates outside Saskatchewan. If the supply point originates in Saskatchewan, the freight or delivery charges are not taxable if the charges are shown separately.

Freight or delivery charges that form part of a rental or lease agreement of taxable commodities are subject to tax regardless of whether the goods were shipped from a supply point inside or outside Saskatchewan.

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<sup>2</sup> Information Bulletin PST-58, *Information on the Taxation of Used Goods*

### **Disposal and Environmental Fees**

Environmental handling fees imposed by the Government of Saskatchewan are not subject to PST when they are segregated on the customer's invoice. Exempt environmental handling fees include charges billed to the customer for disposal of the following:

- Tires
- Oil and oil filters
- Paint
- Electronic equipment – computers, monitors, printers and televisions
- Beverage containers
- Antifreeze and antifreeze containers
- Diesel exhaust fluid containers
- Diesel fuel filters

### **Promotional Goods**

Items purchased for promotional purposes, samples, prizes or gifts are subject to tax at the time of purchase. If the tax is not paid to the supplier, the tax must be submitted with your return on the purchase price or on the laid-down cost when purchased from outside the province.

## **F. SELLING OR PURCHASING A BUSINESS**

When **selling** your business, please ensure that you:

- Provide the Revenue Division with the name of the new owner and the effective date of the sale.
- File a final tax return, within 15 days of your last day of business, for all taxes owing by the business and return your vendor's licence for cancellation.
- On a bulk sale of assets, contact our office to obtain a certificate, in duplicate, issued by the Revenue Division confirming that all outstanding taxes have been paid. The duplicate copy should be provided to the purchaser of your business.

When **purchasing** an established business, please ensure that you:

- Apply for a vendor's licence. You may obtain an application from the Revenue Division or request that a licence be issued by calling the telephone number listed at the end of this bulletin.
- Report and remit tax to Finance on the purchase of any new and used assets acquired.

The purchaser must report and remit the tax within 30 days from the purchase date using a Business Assets Declaration Form. For further information on the application of PST to business assets, please refer to the Business Assets Declaration Form Guidelines.

The Business Assets Declaration Form and Guidelines are located on our website at:  
<http://www.finance.gov.sk.ca/ProvincialSalesTaxForms>.



- Contact our office to obtain a certificate, issued by the Revenue Division, confirming that all outstanding taxes have been paid by the seller. If you fail to obtain this certificate, you may be held liable for all taxes collected and not remitted by the seller.

### **Obtaining a Clearance Certificate**

The seller or purchaser of a business may request a clearance certificate by contacting our office via phone, email or fax as provided at the end of this bulletin.

## **G. FILING YOUR TAX RETURN**

Vendors and registered consumers are required to register with the Revenue Division and file a tax return on either a monthly, quarterly or annual basis depending on the amount of tax collected or payable. The filing frequency is established as follows:

<b>Filing Frequency</b>	<b>Tax Collected or Payable</b>
Annually	0 to \$3,600 per year
Quarterly	\$3,600 to \$7,200 per year
Monthly	over \$7,200 per year

A tax return will be sent to you at the end of each reporting period. Instructions for completing the return are provided on the form. Please read the instructions carefully. An incorrectly completed form may delay the processing of your tax return and payment. If there is no tax to report for the period, you must still file a "NIL" return.

If for some reason you do not receive a tax return, your tax information must still be filed by the due date. Simply prepare a return along the general lines of a previous tax return, deduct your commission and remit the balance. To ensure your tax account is properly credited, please quote your licence number when filing the information.

Returns are due by the 20<sup>th</sup> day of the month following the end of the reporting period. The completed form must be returned with your payment by the due date shown on the return to avoid the application of penalty and interest.

**For your convenience, tax returns may be paid at most chartered banks in Canada or Saskatchewan credit unions.** Most banks and credit unions also offer a service that allows you to make your payment using your telephone or electronic device. You may make arrangements with your bank or credit union if you wish to use this service.

**Returns may also be filed and paid through the Saskatchewan Electronic Tax Service (SETS).** SETS is an electronic tax filing service that allows you to file and pay tax returns and view account information online using the Internet. This service is available to any business required to file returns for any of the following Finance taxes or programs:

- PST
- Tobacco Tax
- Liquor Consumption Tax
- Beverage Container Program
- Fuel Tax
- Corporation Capital Tax Installment payments

SETS can be used to:

- Complete a tax return and post-date the payment to the due date;
- Make a payment on account for any of the above taxes or programs;
- Post-date payments up to 12 months;
- View tax transactions and account statements online;
- Request that an account statement be mailed;
- Subscribe to an email notification service that allows the option to be notified by email that a tax return should be filed. This replaces the paper forms normally received in the mail.

Businesses can also authorize a third party service provider (e.g. accounting firm) to file and/or pay on their behalf. Accounting firms must apply for their Third Party ID Number before a business can authorize them to file on their behalf.

SETS information and application forms are available on the Internet at: [www.finance.gov.sk.ca/taxes/efile](http://www.finance.gov.sk.ca/taxes/efile), or you may contact Finance Toll-free at 1-800-667-6102 (306-787-6645 in Regina).

**A tax return form must be completed for each reporting period.** If you have no tax to report, please complete your return by entering your total sales in Box A (enter zero if no sales) and enter zero in Boxes B & E. If no tax is payable for this period, enter zero in Box I.

The Revenue Division will audit the records of businesses on a routine basis. When it is determined that tax has not been properly accounted for, the business is assessed the amount of tax owing plus penalty and interest charges.

#### **Penalties for Failing to Remit the Tax**

Penalty and interest charges are applied to taxes that are not remitted by the due date. These charges are necessary to ensure that taxes are collected and remitted on time.

#### **Penalty Applied to Late Returns**

A penalty of 10 per cent of the tax payable, to a maximum of \$500, is applied to each return period.

#### **Penalty Applied to Audit Assessments**

The following penalties apply to audit assessments:

##### Tax on Sales

- A penalty of 10 per cent of the amount assessed, with no maximum, is applied to audit assessment for sales of taxable goods or services where the tax should have been collected from your customers, but was not.
- A penalty of 25 per cent of the amount assessed, with no maximum, is applied to audit assessments for tax that has been collected from your customers but not remitted.
- A penalty of 100 per cent of the amount assessed, with no maximum, may be applied to audit assessments for tax collected from your customers that willfully has not been remitted.

### Tax on Consumption

- A penalty of 10 per cent of the amount assessed, with no maximum, is applied to audit assessments for goods or services that were taken from inventory or purchased from a supplier who did not charge the tax, where the tax should have been self-assessed but was not.

### Interest Charges

Interest at the prime interest rate plus 3 per cent is charged from the date of the tax was to have been remitted.

## **H. CORRESPONDING WITH THE REVENUE DIVISION**

When corresponding with Revenue Division, please quote your vendor's licence or registered consumer number. This helps to ensure that your tax account is updated correctly.

## **I. TAXPAYER SERVICE COMMITMENTS AND STANDARDS CODE**

The Revenue Division of Finance is committed to continually strive to improve the standard of the services we provide to businesses and taxpayers, and to be accountable for the quality of the services we provide. The Taxpayer Service Commitments and Standards Code describes the fairness and service principles that we follow while administering Saskatchewan's taxes and related programs. This document may be found at the following link:

<http://www.finance.gov.sk.ca/ServiceCode/TaxpayerServiceCode.pdf>

### **FOR FURTHER INFORMATION**

Write: Ministry of Finance  
Revenue Division  
PO Box 200  
REGINA SK S4P 2Z6

Telephone: Toll Free 1-800-667-6102  
Regina 306-787-6645

Email: sask.tax.info@gov.sk.ca

In-Person: Ministry of Finance  
Revenue Division  
2350 Albert St  
REGINA SK S4P 4A6

Fax: 306-787-9644

Internet: Bulletins, forms and information are available on the Internet at:  
<http://www.finance.gov.sk.ca/taxes>

To receive automatic email notification when this or any other bulletin is revised, go to [www.finance.gov.sk.ca/taxes](http://www.finance.gov.sk.ca/taxes), click on the "What's New" information then click on the "subscribe" button.