



PST-48 Issued: April, 1996

Revised: October, 2010

THE PROVINCIAL SALES TAX ACT

Was this bulletin useful?

[Click here to complete our short
READER SURVEY](#)

INFORMATION FOR DEALERS OF RECREATIONAL VEHICLES

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.

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

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

- A. Recreational Vehicle Sales
- B. Daily Rental and Leased Recreational Vehicles
- C. Warranties on New and Used Recreational Vehicles
- D. Recreational Vehicle Exemptions
- E. Repair Parts, Repair Labour and Service Labour
- F. Shop Supplies
- G. Environmental Handling Fees
- H. Goods and Services for Your Own Use
- I. Sales of Used Business Assets
- J. Saskatchewan Electronic Tax Service (SETS)

A. RECREATIONAL VEHICLE SALES

Recreational vehicles include snowmobiles, motorcycles, off-road dirt bikes, all terrain vehicles (ATVs), boats, personal watercraft and recreational trailers (cabin, tent, fifth wheel and slide-in campers).

New and used recreational vehicles are subject to tax on the total selling price, including charges such as documentation charges, freight, pre-delivery, accessories, undercoating and rust proofing installed by the dealer. Tax must be collected on the total selling price after deducting cash discounts and trade-in allowances.

The customer's invoice must segregate the selling price of the recreational vehicle, the trade-in amount, and the amount of Provincial Sales Tax collected. The item received on trade is subject to tax upon resale.

Dealers will collect tax on the cash difference under the following conditions:

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

Calculation of Tax on Recreational Vehicle Sales

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

(1)	Total Selling Price (excluding the GST)	\$20,000
	Less: Trade-in	<u>3,000</u>
	Cash Difference	\$17,000
	Tax at 5%	\$ 850
(2)	Total Selling Price (excluding the GST)	\$20,000
	Less: 10% Cash Discount	<u>2,000</u>
		\$18,000
	Less: Trade-in	<u>3,000</u>
	Cash Difference	\$15,000
	Tax at 5%	\$ 750

Where the purchaser is a GST registrant and GST is included in the trade-in allowance, the GST must be deducted from the trade-in allowance before calculating the Provincial Sales Tax. GST registrants are required to show a trade-in as a sale. To accommodate this requirement, dealers must complete two invoices (one showing the sale of the new vehicle and one showing the purchase of the trade-in). In order to qualify for the trade-in allowance, the dealer invoice should include the notation "trade-in by GST registrant". Both invoices must show the same date and have the GST registrants number recorded for cross reference purposes. The PST is then calculated by the dealer on the cash difference as shown below.

(3)	Total Selling Price (excluding the GST)	\$20,000
	Less: Trade in:	
	Trade-in Allowance (GST registrant)	\$3,000
	GST (5/105 x \$3,000)	<u>143</u>
	Trade-in Value	<u>\$ 2,857</u>
	Cash Difference	\$17,143
	Tax at 5%	\$ 857

If the trade-in allowance exceeds the selling price of the recreational vehicle being sold, no tax is payable, and a tax refund is not allowed.

Manufacturers' Cash Bonuses and Rebates

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

B. DAILY RENTAL AND LEASED RECREATIONAL VEHICLES

Leasing/rental firms are required to collect tax on the lease/rental charge of new and used recreational vehicles. Recreational vehicles, repair parts, including oil and grease, and repair labour can be purchased tax free providing these items are paid for by the leasing/rental firms.

Leasing/rental firms must provide their Provincial Sales Tax number to their suppliers in order to purchase these items tax exempt.

Taxable Lease/Rental Charges and Fees

- Fixed fees, time and distance charges
- Collision damage waiver fees (exempt if optional)
- Personal accident insurance fees (exempt if optional)
- Liability insurance fees (exempt if optional)
- Security deposit charges
- Accessory charges
- Accident deductible charges and loss or damage charges
- Repair parts and labour charges
- Extended warranty charges
- Down payments (see calculation below)
- Finance (interest)

Calculation of Tax on Leases Involving Trade-ins and Down Payments

A tax paid trade-in item accepted 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 recreational vehicles. If a down payment is received, the tax must be collected on the down payment amount. The remaining lease value is subject to tax on each lease billing.

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

Total Price (excluding the GST)	\$20,000
Less: Trade-in	<u>8,000</u>
Lease value subject to tax	\$12,000
Down payment	<u>1,000</u>
**Balance of lease	\$11,000

Tax payable at 5% on down payment of \$1,000	\$ 50
--	-------

**Balance of lease is subject to tax

All new and used recreational vehicles sold upon termination of a lease/rental are subject to tax on the total selling price (excluding the GST) after the deduction of a trade-in. If a recreational vehicle is sold to another dealer for resale, the purchaser's Provincial Sales Tax number must be recorded on the sales invoice.

C. WARRANTIES AND INSURANCE CONTRACTS

When applying PST to a recreational vehicle service contract it is important to distinguish a warranty contract from an insurance contract.

(1) Manufacturer's Extended Warranty Contracts:

PST applies to the selling price of optional manufacturer's extended warranty contracts as well as the deductible charges related to that contract. This applies to contracts for **new and used** recreational vehicles and contracts sold subsequent to the purchase or lease of the vehicle. Charges to transfer an existing contract to another owner are also subject to tax.

Since tax applies to the sale of the warranty, no tax will apply to parts and labour used to repair a recreational vehicle, when those repairs are completed under the terms of the extended warranty or factory warranty.

Tax will apply to any of the charges that are billed directly to the customer including deductible charges and charges for parts or labour that are not covered under the terms of the warranty contract.

(2) Equipment Warranty Insurance Contracts:

Equipment Warranty Insurance Contracts (such as Mechanical Breakdown Insurance) are different than a Manufacturer's Extended Warranty. Equipment Warranty Insurance Contracts are underwritten by an insurance company and the dealer selling these contracts must be licensed with the Insurance Councils of Saskatchewan.

Dealers selling Equipment Warranty Insurance Contracts for new and used recreational vehicles are not required to collect the PST on the sale of these contracts, as the tax is paid when the customer or insurance provider is billed for the repair.

Dealers who are not certain about the type of contract being sold can contact the Insurance Councils of Saskatchewan for clarification between an extended warranty contract and an insurance contract.

D. RECREATIONAL VEHICLE EXEMPTIONS

The following recreational vehicle sales are not subject to tax:

- Dealers purchasing for resale (the dealer's Provincial Sales Tax licence number and Motor Dealer licence number must be recorded on the sales invoice).
- Federal government departments and agencies (Note: sales to federal government Crown corporations and provincial government ministries, agencies and Crown corporations are taxable).
- Leasing companies (the purchaser's Provincial Sales Tax licence number must be recorded on the sales invoice).

- Non-residents, upon completion of an Exempt Motor Vehicle Sales Certificate. A resident of Saskatchewan who intends to establish a residence outside the province must pay the tax at the time of purchase. However, if the recreational vehicle is permanently removed from Saskatchewan within 30 days of the date of purchase, a refund of the tax is available providing proof of non-residency is submitted. The following recreational vehicles may be purchased by a non-resident exempt from tax upon completion of an Exempt Motor Vehicle Sales Certificate:
 - Recreational trailers, including cabin, tent and fifth wheels;
 - Snowmobiles;
 - Motorcycles;
 - All terrain recreational vehicles (ATVs); and
 - Personal watercraft, boats and motors with a trailer.

Exempt Motor Vehicle Sales Certificates are available from the Revenue Division. In lieu of completing the Exempt Motor Vehicle Sales Certificate, the vendor may print, type, write or apply by rubber stamp on the sales invoice supporting the sale, the following information for the non-resident.

Non-Resident

I acknowledge that the above described recreational vehicle was purchased by me on the _____ day of _____ 20___. This recreational vehicle will be removed from Saskatchewan within 30 days and will be licensed for use outside Saskatchewan. I have provided copies of my out of province recreational vehicle registration or permit and driver's license to the dealer.

Date

Purchaser's Signature

Note: Boats, motors and personal watercraft sold without a trailer to non-residents are subject to tax. An Exempt Motor Vehicle Sales Certificate cannot be used to sell dirt bikes, truck toppers and slide-in campers tax free. These items can only be sold exempt from tax if the goods are shipped or delivered out of province by the dealer (evidence of shipment must be retained).

Non-residents, who accept delivery of these recreational vehicles in Saskatchewan, may apply for a refund of the tax providing the recreational vehicle is registered or the tax is paid to their home jurisdiction. Documentation must be submitted with the refund request.

- Sales of goods to status Indians or Indian bands are not subject to tax providing the goods are delivered to a reserve by the retailer and the *Certificate of Indian Status* card or band number is recorded on the invoice. The complete 10 digit card number must be recorded on the sales invoice. If the card number is only 3 to 5 digits, record the number and the name of the band on the sales invoice. Repair labour performed on reserve for status Indians and Indian bands is also not subject to tax. **Proof of delivery to (or labour performed on) reserve must be retained.**

Exempt Motor Vehicle Sales Certificates are available from the Revenue Division.

Note: In lieu of completing the Exempt Motor Vehicle Sales Certificate, the vendor may print, type, write or apply by rubber stamp on the sales invoice supporting the sale, the following information.

Status Indian and Indian Band Exempt Motor Vehicles Sales Certificate

I acknowledge that the above described recreational vehicle was purchased by _____, on the ____ day of ____ 20___. The transaction was finalized and delivery was taken on reserve number _____, location _____, and is for my own use or for approved band management activities. I have provided a copy of my *Certificate of Indian Status* card or band number to the dealer.

Date

Signature of Purchaser or Authorized Representative's Signature

When an Indian or Indian band purchases a vehicle and takes delivery of the vehicle off reserve or finalizes the transaction off reserve, tax is applicable.

When the sale of parts and labour services to Indians and Indian bands takes place off reserve, the transaction is subject to tax.

No exemption is provided where purchases are made in the name of an Indian corporation.

Note: These vehicles are subject to tax when resold to non-status individuals unless the PST has been paid in full by a previous owner.

E. REPAIR PARTS, REPAIR LABOUR AND SERVICE LABOUR

Repair and service labour are taxable. This includes charges such as installation, assembly, dismantling, adjusting, restoring, examining, testing, reconditioning, wheel alignments, wheel balancing, tire repairs, lubrication, inspections, battery charging, and diagnostic charges.

Mandatory safety inspections (SGI) are exempt.

New and used repair parts and repair labour, are subject to tax. The tax may be refunded or credited to the customer on core credits.

On the sale of used parts to individuals, tax applies to the selling price of the goods less a deduction of \$300 per item. The \$300 deduction does not apply to sales of used items for commercial use or on used items purchased from outside of Canada.

On the sale of a used part to an **individual** who receives credit for a core charge, the greater of the \$300 personal exemption **or** the actual core charge may be deducted, but **not** both.

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.

F. SHOP SUPPLIES

A dealer who charges a customer a fixed percentage of the total labour cost to cover shop supplies must collect the tax on this charge, provided it is shown separately on the customer's invoice. The dealer is not required to pay the tax on the purchase cost of the shop supplies. If the shop supplies are not invoiced to the customer, the dealer must pay the tax on the purchase cost of the shop supplies used in the repair.

Shop supplies include the following:

- Abrasive stones and discs
- Acid core solder and bits
- Adhesive sealant
- Bearing grease
- Bench lubricant
- Brass rods
- Carburetor solvent
- Chassis grease
- Choke cleaner
- Door ease
- Electric rods
- Electrical tape
- Fibreglass
- Gasket material
- Gasket sealer compound
- Glue
- Lubriplate paste
- Masking paper
- Mechanical wire
- Minor hardware (nuts, bolts, washers)
- Parts cleaning solvent
- Permatex compound
- Protective material
- Resin
- Sandpaper
- Silicone spray
- Solder
- Steel wool
- Steel rods
- Undercoat
- Upholstery cleaner
- Window weld
- Wiping rags

G. ENVIRONMENTAL HANDLING 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 a customer for disposal of oil, oil filters and tires.

H. 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.

I. 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.

Note: For information on the exemption of tax on "eligible used light vehicles", please refer to Information Bulletin PST-58.

J. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Ministry of 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: Ministry of 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@gov.sk.ca

Fax: 306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.finance.gov.sk.ca/taxes/pst>

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