



PST-58 Issued: March 2000

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THE PROVINCIAL SALES TAX ACT

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INFORMATION ON THE TAXATION OF USED GOODS

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax (PST). 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. Business Assets
- B. Trade-In Allowances
- C. Personal and Farm Use Goods
- D. Rental of Used Goods
- E. Vehicles
- F. Saskatchewan Electronic Tax Service (SETS)

A. BUSINESS ASSETS

Sale of Used Assets

Businesses are required to collect PST on the sale of used assets, such as taxable vehicles and equipment. If an item is received in trade and tax has been paid on the trade-in, tax is collected on the cash difference. If tax was not paid on the trade-in item, tax must be collected on the full selling price. PST also applies on the subsequent sale of the item accepted as a trade-in.

Sale of Assets When a Business Ceases Operations

PST must be paid by the purchaser on the purchase price of taxable used assets when they are acquired from a business that is ceasing its operations. 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>.

Transfer of Assets Between Closely Related Parties

Sections 7.3 and 7.4 of *The Provincial Sales Tax Regulations* provide an exemption of PST on transfers of assets between parent and subsidiary corporations and upon formation of a new corporation where specific criteria are met. These provisions allow for the continuity of business through a change in the organizational structure, such as the incorporation of a proprietorship, without incurring a tax liability.¹

B. TRADE-IN ALLOWANCES

When an item is received in trade, tax applies to the difference between the selling price of the goods and the value of the goods accepted in trade by the seller, provided the following conditions are met:

- The PST was previously paid in full on the trade-in; and
- The trade-in is owned by the same person that is acquiring the new goods.

Note: Eligible used light vehicles must have been registered for a minimum of 90 days in order to qualify for this trade-in allowance.

C. PERSONAL AND FARM USE GOODS

When an individual purchases used goods other than vehicles for personal use, PST applies to the selling price of the goods less a deduction of \$300 per item. This deduction applies whether the goods are purchased privately or from a business.

If a trade-in is involved, the purchaser is entitled to the \$300 deduction or the value of the trade-in, whichever is greater. The \$300 deduction does not apply to sales of items for commercial use or on used goods purchased from outside of Canada.

Farm businesses and farm corporations that purchase used goods, other than vehicles, for use in primary farming activity are entitled to the \$300 deduction per item.

D. RENTAL OF USED GOODS

PST applies to the total charge for the rental of taxable used goods, including casual or incidental rentals of business assets. All charges associated with the rental/lease of used goods are subject to tax. This includes any down payment, delivery, installation, finance, late fees, cleaning or maintenance charges and any other consideration paid by or agreed to be paid by the renter/lessee in order to obtain the right to use the goods.

When rental goods are sold, PST must be collected on the selling price.

The \$300 exemption for personal goods does not apply to the rental of used goods.

¹ Information Bulletin PST-60, *Information on Transfers of Business Assets between Closely Related Parties*

E. VEHICLES

Effective November 8, 2007, PST no longer applies to eligible used light vehicles on which the tax has previously been paid in full.² Used light vehicles that qualify for the exemption include:

- cars;
- sport utility vehicles;
- light vans (mini-vans, passenger vans and cargo vans that are rated one ton or less) and
- light trucks (quarter ton, half ton, three-quarter ton and one ton)

Excluded from the exemption are heavy vehicles, buses, trailers, motor homes, campers, motorcycles, mopeds and leisure vehicles such as ATV's, snowmobiles, boats and personal watercraft.³ These used vehicles are subject to PST.

Private Used Vehicle Purchases

The private purchase of a taxable used vehicle, including recreational vehicles, is subject to PST on the selling price less a deduction of \$3,000. If a trade-in is involved, the purchaser is entitled to the greater of the \$3,000 deduction or the value of the trade-in. A "private purchase" means both parties involved in the transaction are individuals and the vehicle is registered for non-commercial use.

Farm businesses and farm corporations that purchase taxable used vehicles for use in primary farming activity (i.e. plated under class F) are also entitled to the \$3000 deduction when purchased privately or from another farm business or farm corporation.

Vehicles purchased from outside Canada, both private and commercial, do not qualify for the \$3,000 exemption.

F. 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 PST 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.

² Information Bulletin PST-18, *Information for Motor Dealers and Leasing Companies*

³ Information Bulletin PST-48, *Information for Dealers of Recreational Vehicles*

- Subscribe to an E-mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed. This replaces the paper forms normally received in the mail.

FOR FURTHER INFORMATION

Write: Ministry of Finance
Revenue Division
Box 200
Regina, Saskatchewan
S4P 2Z6

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>

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