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PST-18

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## THE PROVINCIAL SALES TAX ACT

### INFORMATION FOR MOTOR DEALERS AND LEASING COMPANIES

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 headings:

- A. Vehicle Sales
- B. Daily Rental Vehicles/New and Used Leased Vehicles
- C. Warranties and Insurance Contracts
- D. Vehicles Purchased or Leased by Status Indians or Indian Bands
- E. Demonstrators
- F. Service and Courtesy Vehicles
- G. Vehicle Exemptions
- H. Repair Parts, Repair Labour and Service Labour
- I. Shop Supplies
- J. Vehicle Modifications for Disabled Persons
- K. Environmental Handling Fees
- L. Sale of Used Business Assets
- M. Goods and Services for Your Own Use
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#### A. VEHICLE SALES

**Effective April 11, 2018, the application of Provincial Sales Tax (PST) to vehicles is changed as follows:**

- The **exemption** in place for **eligible used light vehicles** is **eliminated**. PST now applies to all classes of new and used vehicles.
- The **trade-in allowance** on the purchase of **new light vehicles** is restored and the trade-in allowance currently in place for other classes of vehicles continues, such that trade-ins are now allowed on all vehicle sales.

New and used 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. The tax must be collected on the total selling price after deducting cash discounts and trade-in allowances.

The customer's invoice must separate the selling price of the vehicle, the trade-in amount, and the amount of PST collected.

Dealers will calculate tax on the cash difference for vehicles under the following conditions:

- the owner paid Saskatchewan tax on the trade-in (vehicles registered out-of-province cannot be accepted for a trade-in credit until the vehicle is registered in Saskatchewan and the owner pays the tax); or
- the trade-in vehicle qualified for a tax exemption such as settler's effects; and,
- the trade-in is owned by the same registrant purchasing the vehicle as indicated in the commercial transaction.

Trade-ins must be valued in a manner that is consistent with industry standards. The Ministry of Finance reserves the right to establish fair market value in circumstances where the trade-in allowance is viewed as unreasonable for PST purposes.

#### **Calculation of Tax on Vehicle Sales**

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

(1)	Total Selling Price (excluding the GST)	\$20,000
	Less: Trade-in	<u>5,000</u>
	Cash Difference	\$15,000
	Tax at 6%	\$ 900
(2)	Total Selling Price (excluding the GST)	\$20,000
	Less: 10% Cash Discount	<u>2,000</u>
		\$18,000
	Less: Trade-in	<u>5,000</u>
	Cash Difference	\$13,000
	Tax at 6%	\$ 780

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 PST. 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 registrant's 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 6%	\$1,028.58

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

When a purchaser receives a portion of the value of their trade-in as cashback or other monetary reimbursement, the PST trade-in allowance only applies to the amount used to reduce the purchase price of the new vehicle. PST is calculated by the dealer on the trade-in as shown in the example below.

(4) Total Selling Price (excluding the GST)	\$20,000
Less: Trade-in value	<u>5,000</u>
Cashback amount	<u>3,000</u>
Value Subject to PST	\$18,000
Tax at 6%	\$ 1,080
Balance Owing on New Purchase (excluding the GST)	\$19,080

**Manufacturers' Cash Bonuses and Rebates**

The tax must be calculated on the selling price of a vehicle before the deduction of a manufacturer's cash bonus or rebate offered as an incentive to a vehicle purchaser. This type of rebate is viewed as part of the consideration paid by the customer for the vehicle.

Manufacturer's cash bonus or rebate amounts offered by the manufacturer to the dealer (i.e. dealer incentives) may be used by the dealer to reduce the selling price of a vehicle to the customer; therefore, PST applies after the deduction of these rebate amounts.

**B. DAILY RENTAL VEHICLES/NEW AND USED LEASED VEHICLES**

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

Leasing/rental firms must provide their vendor's licence number to their suppliers in order to purchase these items exempt from PST.

**Taxable Lease/Rental Charges and Fees**

- Fixed fees, time and distance charges
- Collision damage waiver fees
- Collision insurance charges
- Liability insurance fees
- Drop-off charges or one way service fees
- Security deposit charges
- Accessory charges
- Accident deductible charges and loss or damage charges
- Repair parts and repair labour
- Extended warranty charges
- Down payments (see calculation on page 6)
- Finance (interest)

**Exempt Lease/Rental Charges and Fees**

- Individual or group life, health, disability, accident and sickness insurance charges
- Credit protection insurance charges
- Parking and traffic violation fines and penalties
- Towing and battery boosting charges
- Gasoline charges
- Personal Property Security Agreement (PPSA) fees
- Lease termination charges that are in the nature of a penalty or a settlement for terminating a lease early (termination charges that are applied to lease arrears are subject to tax)

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

A trade-in vehicle accepted as a down payment on a lease or as partial payment against future lease payments can be used to reduce the amount of tax payable on leased 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 examples illustrate the correct method of calculating the tax:

(a) 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 6% on down payment of \$1,000	\$ 60
*Balance of lease is also subject to tax	

(b) Total Price (excluding the GST)	\$20,000
Less: Trade-in	<u>8,000</u>
Lease value subject to tax	\$12,000
Plus: Lien Amount	<u>5,000</u>
**Balance of lease	\$17,000

\*\*The lien amount (loan amount) added to the lease is not subject to PST providing the lease document shows the lease payment separate from the payment applicable to the loan amount.

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

If a vehicle under a long-term lease agreement is licensed for use in another province, the tax does not apply to the monthly lease charge.

### C. WARRANTIES AND INSURANCE CONTRACTS

#### 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** 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.

Parts and labour used to repair a vehicle are not subject to PST 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.

#### 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.

Effective August 1, 2017, dealers selling Equipment Warranty Insurance Contracts for new and used vehicles are required to collect PST on the sale of these contracts. Repair services provided under the insurance contract are also subject to tax regardless of who is billed for the services.

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. VEHICLES PURCHASED OR LEASED BY STATUS INDIANS OR INDIAN BANDS**

Sales or leases to status Indians or Indian bands are not subject to tax providing the sale or lease is finalized on reserve and the vehicles are delivered to the reserve by the dealer, and the *Certificate of Indian Status Card* number or band number is recorded on the invoice. The complete 10-digit card number must be recorded on the sales invoice. If the federal identification card number is only three to five digits, record the number and the name of the band on the sales invoice. *An Exempt Motor Vehicle Sales Certificate* must also be completed. **Proof of delivery to the 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 Vehicle Sales Certificate**

I acknowledge that the above described vehicle was purchased/leased 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

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

The sale of parts and labour services to status Indians or Indian bands off reserve is subject to tax.

No exemption is provided where the purchase is made by or on behalf of an Indian corporation. However, an exemption is available to non-commercial band-empowered entities and corporations that act as the general partner on behalf of certain fully Indian-owned Limited Partnerships. A joint purchase between a status Indian and non-status individual is subject to tax. Additional information on sales to First Nations individuals and organizations can be located in Information Bulletin [PST-63, Sales to First Nations Individuals and Organizations](#).

**E. DEMONSTRATORS**

"Demonstrator" means a new or used vehicle which is:

- Assigned to sales and management personnel and is available for demonstration purposes. Vehicles in this category include those assigned to salespersons, company officers and their spouses, sales managers, office managers, service managers, parts managers, fleet managers, business or finance managers and auto body shop managers.

- Provided to educational institutions and professional/private driver education schools for use in driver education programs, where title to the vehicle remains with the dealer whether or not a charge is made for these vehicles.
- Provided to sports organizations for use solely during sporting events.

A dealer is not required to pay the tax on new and used vehicles in inventory which are used strictly for demonstration purposes during the first twelve months of service. However, if the demonstrator is sold before twelve months have elapsed the tax must be collected on the selling price.

A dealer who drives a taxable demonstrator longer than twelve months is required to pay the tax on the purchase cost of the vehicle.

#### **F. SERVICE AND COURTESY VEHICLES**

"Service vehicle" means a new or used vehicle which is used for purposes other than demonstration, and includes parts trucks, tow trucks, parts salespersons' vehicles, and vehicles assigned to persons other than those listed in the definition of "demonstrator".

"Courtesy vehicle" means a new or used vehicle which is not licensed as a daily rental vehicle and is provided to a customer free of charge during the period his or her own vehicle is being repaired.

A dealer is required to calculate the tax on these vehicles in the following manner:

- Calculate the tax using the following formula for the period the vehicle is in service:

$$\text{Purchase cost} \times 2\% \times \text{number of months (or part months)} \times 6\%$$

A month of service commences on the first day the vehicle is put into service.

- The tax due on these vehicles must be remitted at the time the vehicle is taken out of service or every twelve months, whichever comes first. All vehicles are subject to tax when sold.

#### **G. VEHICLE EXEMPTIONS**

The following vehicle sales are not subject to tax:

- Motor dealers purchasing for resale provided that the dealer's PST licence number and Motor Dealer licence number are recorded on the sales invoice. (**Note:** Out-of-province dealers must provide their dealer licence number or equivalent documentation to purchase vehicles exempt of tax for resale).
- Vehicles sold to federal government departments and agencies. (**Note:** vehicles sold to federal Crown corporations, provincial government ministries, agencies or provincial Crown corporations are taxable).
- Leasing companies (the purchaser's PST licence number must be recorded on the sales invoice).

- Carriers may purchase vehicles, trailers and certain repair parts and labour services tax-free for interjurisdictional transportation purposes. The carrier's cab card number must be recorded on the sales invoice. For further information on exemptions for interjurisdictional carriers, please refer to Information Bulletin [PST-50, Information for Interjurisdictional Carriers](#).
- Sales made to status Indians or Indian bands, where the sale is finalized on reserve and the vehicle is delivered to the reserve by the dealer, and the *Certificate of Indian Status Card* or band number is recorded on the invoice. (Please refer to see Section E of this bulletin).
- Non-residents, upon completion of an *Exempt Motor Vehicle Sales Certificate* (see below). 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 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 supplied.

*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 for the non-resident:

**Non-Resident**

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

\_\_\_\_\_ Date

\_\_\_\_\_ Purchaser's Signature

**Note:** The exemption for non-residents includes extended warranty contracts providing the above criteria are met.

**Settler's Effects**

An individual is not required to pay the tax on a vehicle brought into Saskatchewan as settler's effects (excluding business assets). It is not necessary for the settler to have Saskatchewan licence plates on the vehicle at the time it is traded in to a dealer in order for the exemption to apply. However, settlers who do not have Saskatchewan licence plates on the vehicle must provide the dealer with a letter obtained from the Revenue Division authorizing the exemption.



#### H. 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 repair parts, including manufactured and repair labour, are subject to tax. 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 items for commercial use).

On the sale to individuals of used parts with a core value in excess of \$300, the greater of \$300 or the 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.

Dealers are **not** required to pay the tax on parts or repair labour used to repair vehicles which are in their inventory for resale purposes, or for daily rental and leased vehicles. Tax will be charged on the full charge to the customer, excluding the GST.

Repair parts for new and used demonstrators, service vehicles and courtesy vehicles which are expensed are subject to tax. Internal labour charges to repair new and used demonstrators, service vehicles and courtesy vehicles are not subject to tax. Repair parts and labour capitalized to new and used demonstrators, service and courtesy vehicles are not subject to tax.

#### I. SHOP SUPPLIES

Charges to the customer for shop supplies are subject to PST. This includes charges invoiced to the customer as a fixed percentage of the total labour charge to cover the shop supplies used.

If these charges are shown as a separate line item on the invoice to the customer, the repair shop is required to collect the PST on the charge and may purchase these items exempt from tax by quoting their vendor's licence number to their suppliers.

If the shop supplies are not invoiced as a separate line item to the customer, the repair shop is required to pay PST on the purchase of these goods.

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

**J. VEHICLE MODIFICATIONS FOR DISABLED PERSONS**

Dealers are not required to collect tax from customers on van lifts, power door openers, remote controls, power seat bases, wheel chair troughs, remote switches, van modifications such as raised roof or dropped floor, hand controls, and similar items installed on a motor vehicle for disabled persons.

**Note:** The labour and related charges to install the modifications on a vehicle are exempt of PST. However, the amount paid for the vehicle remains taxable.

**K. 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, antifreeze, diesel exhaust fluid containers, diesel fuel filters and tires.

**L. SALES OF USED BUSINESS ASSETS**

Businesses are required to collect tax on the sale of used assets, such as taxable 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.

When individuals purchase used goods for personal use, other than vehicles, tax applies to the selling price of the goods less a deduction of \$300 per item. If a trade-in is involved, the purchaser is entitled to a deduction of \$300 or the value of the trade-in, whichever is greater. If the goods are for commercial use, the \$300 deduction does not apply. For further information please see Information Bulletin [PST-58, Information on the Taxation of Used Goods](#).

**M. GOODS AND SERVICES FOR YOUR OWN USE**

Businesses are required to pay tax on purchases of new and used equipment, supplies and taxable services purchased for use in their business operations. Tax is payable as follows:

- When purchased from a licensed supplier, the tax must be paid to the supplier at the time of purchase.
- When purchased from a supplier who did not collect the tax, or when taken from an exempt resale inventory, the tax must be self-assessed and remitted with the regular tax return. This includes goods taken for personal or business use.
- When purchased from an unlicensed supplier located outside Saskatchewan, the tax must be self-assessed and remitted with the regular tax return on the laid down cost, which includes currency exchange, transportation charges, customs and excise duties, and importation charges, but not the GST.

**N. TAX TIPS LINE**

When a business or individual does not comply with provincial tax legislation, businesses face unfair competition and a burden is placed on all taxpayers who do comply. It causes significant loss in the revenue available to fund services such as health, education and other important government programs.

Tax Tips Line provides an anonymous, fully confidential way for the public to report businesses or individuals who are participating in tax fraud. If you suspect that a business or individual is being dishonest with their provincial taxes or is misrepresenting their activities to reduce their taxes, you can report them using Tax Tips Line.

Please visit our website at [sets.saskatchewan.ca](http://sets.saskatchewan.ca) to find out more regarding types of tax fraud and the information to report, if possible.

Tax Tips Line is specifically and solely for information related to provincial tax compliance. Any unrelated inquiries or information will not be addressed by the Tax Tips Line, and should be directed to the appropriate organization.

How to Report:

- 1) Toll-free 1-833-334-8477
- 2) Write: Ministry of Finance  
Revenue Division  
PO Box 200  
REGINA SK S4P 2Z6
- 3) [Online Form Submission](#)

**O. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)**

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 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; and,
- 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.

**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: [sasktaxinfo@gov.sk.ca](mailto:sasktaxinfo@gov.sk.ca)

Fax: 306-787-9644

Internet: Tax bulletins, forms and information are available [www.sets.saskatchewan.ca/taxinfo](http://www.sets.saskatchewan.ca/taxinfo).

To receive automatic email notification when this or any other bulletin is revised, go to [www.sets.saskatchewan.ca/subscribe](http://www.sets.saskatchewan.ca/subscribe).

Government website: [Saskatchewan.ca](http://Saskatchewan.ca)