

Information Bulletin

PST-43

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THE PROVINCIAL SALES TAX ACT

INDUSTRIAL AND CONSTRUCTION EQUIPMENT AND SUPPLIES

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.

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A. SALES OF NEW AND USED EQUIPMENT

On the sale of new and used equipment, tax applies to the cash difference between the selling price and the price allowed for the trade-in. Tax applies to the total selling price of new and used equipment where a trade-in is not involved. In addition, the tax applies to repair labour charges and to the sale of used parts.

Exempt Equipment Sales

The following equipment sales are not subject to tax:

- Equipment dealers purchasing for resale (the purchaser's PST 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 PST licence number must be recorded on the sales invoice).
- Non-resident purchases, providing the equipment is shipped by common carrier or delivered outside the province by the vendor who must retain evidence of shipment. Tax must be collected from non-residents who pick up the equipment in Saskatchewan.
- Status Indians or Indian bands, where the sale is finalized on reserve, the equipment is delivered to the reserve by the dealer, and the *Certificate of Indian Status Card* or band number is recorded on the invoice (Please see [Section B](#) for detailed exemption criteria).
- Farmers can purchase tax exempt certain industrial equipment for use in a primary farming activity. For further information on what equipment would qualify, please refer to our Information Bulletin [PST-16, Farm Implements and Supplies](#). Completion of a *Farm Exemption Certificate* is required.

In lieu of a *Farm Exemption Certificate*, the dealer may print, type, write or apply by rubber stamp on the sales invoice or other document supporting the sale, the following information:

Land Description Sec ____ Twsp ____ R ____ M ____.

I hereby certify the goods listed on this invoice will be used solely in the operation of my farm.

Date

Signature of Farmer

The completed Exemption Certificates should be retained by the dealer for a minimum of three years in the event of an audit and should not be forwarded to the Revenue Division.

Note: Industrial equipment and supplies purchased by farmers for purposes other than farming activities are subject to tax. For a listing of equipment and supplies farmers can purchase exempt for use in a primary farming activity, please refer to Information Bulletin [PST-16, Farm Implements and Supplies](#).

B. EQUIPMENT PURCHASED OR LEASED BY STATUS INDIANS OR INDIAN BANDS

The sale or lease of equipment to Status Indians, Indian bands, or non-commercial band-empowered entities is exempt from PST providing the transaction is finalized on reserve and the equipment is delivered to a reserve by the vendor or a third-party carrier arranged by the vendor. The exemption applies whether or not the customer resides on reserve.

To qualify for the exemption, an individual must present their *Certificate of Indian Status* card and the vendor must record the complete 10-digit card number on the sales invoice. For an Indian band or non-commercial band-empowered entity, the band number and band name must be recorded on the sales invoice. A band-empowered entity must also certify the purchase is for non-commercial band-management activities.

The vendor must retain documentation to support the exemption, including proof of delivery to the reserve such as a waybill, freight bill or postal receipt.

If the customer takes possession off-reserve, tax must be collected in all cases. If the transaction is finalized off-reserve, PST applies. If the purchaser arranges for delivery from a location off-reserve, possession takes place off-reserve, and the exemption does not apply.

Repair parts and labour purchased off-reserve are subject to tax.

A joint purchase by a Status Indian and non-status individual 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.

An [Exempt Sales Certificate](#) must also be completed to support the exemption on sales and leases of equipment to Status Indians. In lieu of completing *the Exempt 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 Sales Certificate

I acknowledge that the above described equipment 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

Please see Information Bulletin [PST-63, Sales to First Nations Individuals and Organizations](#) for additional information regarding the application of tax on sales to First Nations individuals and organizations.

C. TRADE-IN ALLOWANCE AND GST REGISTRANTS

Tax is payable on the cash difference between the purchase price and trade-in allowance under the following conditions:

- The tax was previously paid in full on the trade-in.
- The trade-in is owned by the same person purchasing the equipment or vehicle as indicated in the commercial transaction.

For GST purposes, 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.

D. CALCULATING THE TAX

Tax applies on the total selling price of new and used equipment, less the value of any tax paid trade-in. For example, if a backhoe is traded in on a grader, the tax applies to the total selling price of the grader after the deduction of the value allowed for the backhoe being traded in. The backhoe traded in is subject to tax upon resale.

If the price allowed for the trade-in exceeds the total price of the unit being acquired, no tax is payable and no refund of tax is allowed.

Documentation charges, freight, pre-delivery, and accessories installed by the dealer at the time of the sale are taxable. Cash discounts should be deducted before calculation of the tax.

To qualify for a trade-in allowance, the applicable PST must have been paid on the item traded-in. For example, equipment from out of province cannot be accepted for a trade-in credit until documentation is submitted indicating the unit is fully tax paid in Saskatchewan.

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

(1)	Total Selling Price (excluding the GST)	\$100,000
	Less: Trade-in	<u>40,000</u>
	Cash Difference	\$ 60,000
	Tax at 6%	\$ 3,600
(2)	Total Selling Price (excluding the GST)	\$100,000
	Less: 10% Cash Discount	<u>10,000</u>
		\$ 90,000
	Less: Trade-in	<u>40,000</u>
	Cash Difference	\$ 50,000
	Tax at 6%	\$ 3,000

Invoicing The Tax on Equipment Sales

The customer's sales invoice for new and used equipment must separate the total selling price, the amount of the trade-in, and the amount of PST collected. This invoice **cannot show the cash difference only.**

Manufacturers' Cash Bonuses or Rebates

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

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

Total Selling Price (excluding the GST)	\$100,000
Less: Trade-in	<u>40,000</u>
	\$ 60,000
Tax at 6%	<u>3,600</u>
	\$ 63,600
Less: Manufacturer's Cash Bonus	<u>10,000</u>
Net Price	\$ 53,600

E. USED EQUIPMENT RECONDITIONING

A dealer is not required to pay the tax on parts or labour used to repair equipment which is in inventory for resale. Tax will be charged on the full selling price of the equipment when sold, excluding the GST.

F. NEW AND USED LEASED EQUIPMENT

The lease/rental of new and used equipment is subject to tax on the total lease/rental charge.

For further information please see Information Bulletin, [PST-72, Rental Businesses](#).

The following outlines some examples of taxable/exempt charges:

Taxable Lease/Rental Charges and Fees

- Fixed fees, time, and distance charges
- Collision insurance charges
- Damage waiver fees
- Liability insurance fees
- Drop off charges
- Security deposit charges (exempt if optional)
- Accessory charges
- Accident deductible charges and loss or damage charges
- Repair parts and repair labour
- Extended warranty charges
- Down payments
- Standby charges

Exempt Lease/Rental Charges and Fees

- Replacement parts and repair labour provided by the lessor at no charge to the customer.
- 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).

The sale of new and used equipment upon termination of the lease/rental is subject to tax on the total selling price after the deduction of any trade-in. Parts and labour invoiced to the lessee are subject to tax.

Leasing/rental firms are not required to pay the tax on the cost of new and used leased/rental equipment. The purchase of repair parts, including oil and grease and repair labour, are not subject to tax providing these items are paid for by the leasing/rental firm and form a part of the total lease/rental charge.

Leasing/rental firms must quote their PST Tax number to their suppliers in order to purchase equipment and repair parts and labour tax exempt.

Calculation of Tax on Leases Involving Trade-Ins/Downpayments

Tax paid equipment traded in 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 equipment. The lease value subject to tax is calculated on the trade difference before any down payment or manufacturer’s rebate. Tax must be charged on each lease billing at the time the payment becomes due under the terms of the lease agreement. The following example illustrates the correct method of calculating the tax:

Total Price (excluding the GST)	\$100,000
Less: Trade-in	<u>40,000</u>
Lease value subject to tax	\$ 60,000
Down payment	<u>10,000</u>
*Balance of lease	\$ 50,000
Tax payable at 6% on down payment of \$10,000	\$ 600

*Balance of lease is subject to tax

G. WARRANTIES AND INSURANCE CONTRACTS

When applying PST to an equipment 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** equipment and contracts sold subsequent to the purchase or lease of the equipment. 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 the equipment, 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 equipment 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.

H. REPAIR PARTS, REPAIR LABOUR AND SERVICE LABOUR

Repair services are subject to tax, including charges for labour and charges for new and used parts that are used in the repair. Taxable repairs include services such as installation, assembly, dismantling, adjusting, restoring, examining, testing, reconditioning, tire repairs, lubrication, inspections, battery charging and diagnostic charges.

Used Parts

Used parts sold or itemized in repairs for individuals for personal use, are subject to PST on the selling price of the parts less a deduction of \$300 per item.

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 business use or on used parts from outside Canada.

Reconditioned or Remanufactured Parts

Reconditioned or remanufactured items, such as motors, transmissions, alternators, starters, 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 must be calculated on the cash difference.

A refund of tax is permitted on core credits when the item is subsequently returned.

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.

Non-Resident Equipment Repairs

Repairs to equipment owned by non-residents of Saskatchewan are 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
- Masking paper
- Mechanical wire
- Parts cleaning solvent

- Bearing grease
- Bench lubricant
- Bolts, nuts and pins – assorted
- Brake fluids
- Brass rods
- Carburetor solvent
- Chassis grease
- Choke cleaner
- Clevis pins – assorted
- Copper fittings – assorted
- Cotter pins – assorted cutting fluids
- Door ease
- Electric rods
- Electrical tape
- Engine shampoos and degreasers
- Fibreglass
- Gasket material
- Gasket sealer compound
- Glue
- Lubriplate
- Penetrating solvent
- Permatex compound
- Plastic ties
- Protective material
- Resin
- Rivets
- Sandpaper
- Screws – assorted
- Silicone spray
- Snap rings – assorted
- Solder
- Steel rods
- Steel wool
- Undercoat
- Upholstery cleaner
- Welding rods and wire
- Window weld
- Wiping rags
- Wire and wire ends
- Wood ruff keys – assorted

J. ENVIRONMENTAL HANDLING FEES

Environmental handling fees imposed by the Government of Saskatchewan are **not subject to tax 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.

K. GOODS AND SERVICES FOR YOUR OWN USE

Businesses are required to pay tax on the cost 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 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 a supplier who did not collect the tax, such as an unlicensed supplier located outside Saskatchewan, the tax must be self-assessed and remitted with the regular tax return. 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.

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, Used Goods](#).

M. 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 saskatchewan.ca/business/taxes-licensing-and-reporting/provincial-taxes-policies-and-bulletins/tax-tips-line 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](#)

N. SASKATCHEWAN eTAX SERVICES (SETS)

Finance has made it possible to report and remit tax electronically through a secure, fast, easy and convenient online self-service portal. Several services are currently available to businesses through SETS (sets.saskatchewan.ca):

- Register for secure, self-managed access to all your tax accounts.
- Apply for a new tax account.
- File and pay returns and amend previously filed returns.
- Make payments on account, including post-dated payments.
- View account balance and statement information.
- Authorize employees or accountants to file on your behalf.

- Receive notifications by email when a tax return should be filed. This replaces the paper forms usually sent in the mail.
- Submit a service request to update the mailing address or add a new business location.
- Submit a service request to receive tax information, interpretations or rulings related to your specific business activities.
- View and download up-to-date tax information promptly.
- Subscribe to receive email notifications when new and revised tax publications are available.

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

Internet: Tax bulletins, forms and information are available at saskatchewan.ca/business-taxes.

To receive automatic email notifications when this or any other bulletin is revised, go to sets.saskatchewan.ca/subscribe.

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Government website: Saskatchewan.ca