

Information Bulletin

PST-18

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THE PROVINCIAL SALES TAX ACT

COMMERCIAL VEHICLE SALES AND LEASES

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. VEHICLE SALES

New and used vehicles are subject to Provincial Sales Tax (PST) on the total selling price, including charges such as documentation fees, freight, pre-delivery, accessories, undercoating, rust proofing installed by the dealer, and levies imposed by the federal government including the Luxury Tax (if applicable), but not the GST.

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.

Motor dealers and any other businesses selling or leasing new or used vehicles are required to collect the PST, as applicable, regardless of whether vehicle sales is their primary business activity.

When PST has not been collected as required, it may be assessed in an audit along with penalty and interest charges. In addition, Saskatchewan Government Insurance (SGI) and their motor licence issuers will collect the PST at the time of registration when it has not been collected by the seller (unless the purchaser is eligible for an exemption).

SGI and their motor licence issuers will also collect PST on used vehicles purchased privately, and in other situations where the PST is payable such as purchases from unlicensed motor dealers and other businesses located outside Saskatchewan, registration transfers from other provinces, business purchases from individuals, etc. Please see Information Bulletin [PST-78, Private Vehicle Sales and Other Vehicle Transactions](#) for further information.

Trade-In Allowance

Dealers will calculate PST 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 (see below); **and**,
- the trade-in is owned by the same registrant purchasing the vehicle as indicated in the commercial transaction.

A trade-in vehicle on which the owner qualified for a PST exemption such as settler's effects, gift from a qualifying family member, bequest, or a previously tax-paid eligible light vehicle acquired between November 8, 2007 and April 11, 2018, is deemed to be tax-paid and qualifies for the trade-in allowance. If the trade-in vehicle has not yet been registered in Saskatchewan at the time of trade, a letter authorizing the exemption may be requested from the Ministry of Finance. Please see Information Bulletin [PST-78, Private Vehicle Sales and Other Vehicle Transactions](#) for further Information regarding the noted exemptions.

Trade-ins must be valued in a manner that is consistent with industry standards. 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 Owning 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.

Consignment Sales

When a dealer sells a customer's car, usually for a percentage of the selling price it is a consignment sale. Vehicles are brought to the dealer's lot and the sale is made and recorded in the dealer's records. The purchaser makes payment to the dealer who, after deducting commission and costs, makes payment to the owner. This is a commercial sale and PST must be collected from the purchaser on the total selling price.

Salvage Sales

Salvage vehicles sold by SGI or an auto wrecker are considered commercial sales. The seller is required to collect the PST on the total selling price.

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 can be purchased tax-free providing these items are paid for by the leasing/rental firms.

Leasing/rental firms must provide their PST 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)
- Levies imposed by the federal government including the Luxury Tax (if applicable), but not the GST

Exempt Lease/Rental Charges and Fees

- Individual or group life, health, disability, accident and sickness insurance charges
- Creditor 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) after the deduction of a trade-in. If a vehicle is sold to another dealer for resale, the purchaser's PST vendor's licence 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.

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

The sale or lease of vehicles to Status Indians, Indian bands, or non-commercial band-empowered entities is exempt from PST providing the transaction is finalized on reserve and the vehicle 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.**

An [Exempt Motor Vehicle Sales Certificate](#) must also be completed to support the exemption on sales and leases of vehicles to Status Indians. 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

If the purchaser 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 their own 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.

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.

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.

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:
Purchase cost x 2% x number of months (or part months) x 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. EXEMPT VEHICLE SALES AND LEASES

Sales and leases to the following are not subject to tax:

- Motor dealers purchasing for resale providing the dealer's PST vendor's 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 purposes.);
- Federal government departments and agencies (**Note:** Vehicles sold to federal crown corporations, provincial government ministries, agencies or provincial crown corporations are taxable.);
- Leasing companies providing their PST vendor's licence number is recorded on the sales invoice;
- Carriers operating interjurisdictionally under *The International Registration Plan (IRP)*. Vehicles, trailers and certain repair parts and labour services are eligible for the exemption providing the purchaser holds a valid apportioned cab card. The carrier's cab card number must be recorded on the sales invoice, and a copy of the cab card must be retained by the vendor for audit verification purposes. Please refer to Information Bulletin [PST-50, Interjurisdictional Carriers](#) for detailed information on exemptions for interjurisdictional carriers;
- Status Indians, Indian bands and non-commercial band-empowered entities, where the sale is finalized on reserve and the vehicle is delivered to the reserve by the dealer (please see [Section D](#) for detailed information and documentation requirements); and,
- Non-residents, upon completion of an [Exempt Motor Vehicle Sales Certificate](#) (see below). The exemption for non-residents includes extended warranty contracts providing the noted criteria are met.

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 Certificate

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

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 may be requested from Finance providing proof of non-residency is supplied.

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 as required by Saskatchewan Government Insurance (SGI) are exempt.

New repair parts, including manufacturing 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
- Masking paper
- Mechanical wire

- 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
- 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

PST does not apply to equipment designed for the use of disabled persons installed on motor vehicles, including van lifts, power door openers, remote controls, power seat bases, wheelchair troughs, remote switches, van modifications such as raised roof or dropped floor, hand controls, and similar items.

Note: The labour and related charges to install the modifications on the vehicle are also exempt. 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.

See Information Notice [IN 2023-05, Disposal and Environmental Fees](#) for additional information.

L. 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.

M. 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](#).

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 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](#)

O. 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 saskatchewan.ca/business-taxes.

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Government website: Saskatchewan.ca