

Information Bulletin

PST-33

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THE PROVINCIAL SALES TAX ACT

RESTAURANTS, CATERERS AND OTHER BUSINESSES SELLING PREPARED FOOD AND BEVERAGES

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 (I) in the margin.

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

- A. Licensing Requirements
- B. Meals, Liquor and Miscellaneous Sales
- C. Non-Taxable Meals and Prepared Food and Beverages
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A. LICENSING REQUIREMENTS

Restaurants, caterers and other businesses selling prepared food and beverages are required to become licensed as a vendor. Vendors are required to file monthly, quarterly or annual returns depending on the amount of tax collected. For further information regarding your vendor responsibilities please see Information Bulletin [PST-5, General Information](#).

Online platforms that allow restaurants, caterers and other businesses to sell food and beverages through the platform, and collect payment from customers on behalf of those businesses, are marketplace facilitators. Physical markets that collect payment from customers on behalf of the marketplace sellers are also marketplace facilitators.

A marketplace facilitator is required to be licensed as a vendor, and must collect and remit PST on all taxable sales made through their platform, regardless of whether the restaurant/marketplace seller is a licensed vendor. The marketplace facilitator is responsible for the proper collection of PST, including determining the applicable rate and tax status of food and beverages for sale.

Please see Information Notice [IN 2020-08, *Electronic Distribution Platforms, Online Accommodation Platforms and Marketplace Facilitators*](#) for further details.

Note: Although the application of PST to prepared food and beverages is modelled after the GST, PST registration requirements do not follow the same guidelines as for GST registration.

B. MEALS, LIQUOR AND MISCELLANEOUS SALES

Effective April 1, 2017, meals and other prepared food and non-alcoholic beverages are subject to PST. The PST must be shown as a separate amount on the invoice to the customer.

Alcoholic beverages are not subject to PST but are subject to Liquor Consumption Tax (LCT) at a rate of 10 per cent on the total price paid by your customer, excluding GST. For further information, please refer to Information Bulletin [LCT-1, *Liquor Consumption Tax*](#).

Businesses are also required to collect PST on sales of cigarettes and other tobacco products, and on items such as souvenirs, postcards, pens, mugs and glassware.

Businesses and individuals participating as a vendor in Saskatchewan craft or trade shows or special events such as weekly/monthly markets are required to collect PST on the sale of all taxable merchandise, including ready prepared food items and non-alcoholic beverages. Please refer to Information Notice [IN 2017-09, *Requirement to Collect Tax at Craft and Trade Shows in Saskatchewan*](#) for further information.

Gratuities

Optional gratuities that are shown separately on the bill, or paid separately by the customer, are not considered to be part of the selling price of prepared food and beverages, and are not subject to PST.

Mandatory gratuity charges added to a bill by the vendor are considered to form part of the selling price of prepared food and beverages and are subject to PST.

Delivery

Where the delivery charges for prepared take-out food is charged separately and in addition to the established taxable pick-up price, the charge for delivery is not subject to PST.

C. NON-TAXABLE MEALS AND PREPARED FOOD AND BEVERAGES

There are certain situations where the PST does not apply to the sale of meals and prepared food and beverages. The organization providing the prepared food and beverages may also purchase these items exempt from tax. These include:

- prepared meals, food and beverages provided as part of health care services to hospital patients or by a personal care home to its residents;

- prepared meals, food and beverages served in elementary or secondary school cafeterias without charge, or for a nominal fee, to its students under a student lunch program; and,
- prepared meals, food and beverages supplied by charitable or non-profit organizations, without charge or for a nominal fee, as assistance to persons in need (e.g. Meals on Wheels).

Meals and prepared food and beverages provided in the following circumstances are not subject to PST. The purchaser is required to pay PST on any taxable food and beverages, such as prepared food, snack food, candy and carbonated beverages, acquired for these purposes.

- An elementary or secondary school to its students through a cafeteria, canteen or vending machine operated by the school.
- A boarding school, university or college to its students as part of a meal plan where the student purchases at least 10 meals each week at a single price for a continuous period of not less than one month.
- A domestic boarding house to its residents at an all-inclusive single price for food and lodging, for a continuous period of not less than one month.
- A charitable or non-profit organization in the course of operating a recreational camp program primarily for children age 17 years or under, or for underprivileged or disabled persons.
- A day care centre to its attendees as part of an all-inclusive price for day care services.
- A senior citizen's home to its residents as part of a meal plan where the resident purchases at least 10 meals each week, at a single price, for a continuous period of not less than one month.

Sales of food and beverages by a charitable or non-profit organization are not subject to tax if the sale has not been publicly advertised and is not of a commercial nature competing with other licensed vendors. In these cases, the organization must pay PST to the supplier on purchases of taxable food and beverages, such as snack food, candy and carbonated beverages, acquired for these purposes. Examples include:

- confectionary or snack food items that are sold from a school or community club canteen, cafeteria or vending machine if operated directly by the school or community club;
- food and beverages and other goods that are sold by schools, community clubs or charitable organizations for fundraising purposes, e.g. chocolate bars; and,
- the sale of prepared food and beverages at a community club or church dinner prepared by volunteers for the organization's own fundraising purposes, e.g. fall suppers.

The exemption for charitable and non-profit organizations also includes sales of food and beverages at a community concession, subject to the following conditions:

- the food and beverage concession is operated by a charitable or non-profit organization for the purpose of funding community programs;
- the food and beverage concession is staffed solely by volunteers, and does not publicly advertise;

- the food and beverage concession is not commercially licensed to serve alcohol (a Special Occasion Permit is not considered commercially licensed);
- PST is paid to the supplier on all purchases of taxable food and beverages, such as snack food, candy, carbonated beverages and catered goods acquired for concession sales;
- the food and beverages are not sold at an event where similar goods are sold by persons in the business of selling such goods; and,
- the exemption does not extend to or include catering services.

Commercial Airlines

Food and beverages provided by commercial airlines to their passengers for consumption in-flight are exempt from PST. The exemption applies to the purchase of prepared meals, snack foods and beverages by the airline and to any subsequent sale to passengers in-flight. Airlines must quote their vendor's licence number to their suppliers in order to acquire these items exempt from PST.

Employee Meals

Businesses in the food industry are not required to pay PST on meals that are prepared by them and provided to their employees free of charge, as a term of employment. However, any food or non-alcoholic beverages sold to employees at a discounted rate are subject to PST on the reduced selling price.

Note: For information regarding the application of LCT to alcoholic beverages provided to business owners or employees free of charge, please refer to Section D of Information Bulletin [LCT-1, Liquor Consumption Tax](#).

Other Exempt Sales

Sales of taxable prepared meals, food and beverages to the following are exempt from tax:

- federal government departments and agencies. (**Note:** Sales to federal government crown corporations and provincial government ministries, agencies and crown corporations are **taxable**);
- other vendors for resale providing their vendor's licence number is recorded; and,
- Status Indians, Indian bands and non-commercial band-empowered entities providing the goods are delivered to the reserve by the retailer or the services are performed on the reserve and the *Certificate of Indian Status Identification Card* number or band number is recorded on the invoice. The complete 10-digit card number must be recorded on the 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. Proof of delivery to a reserve must be retained.

D. COMPLIMENTARY AND PROMOTIONAL OFFERS FOR FOOD AND NON-ALCOHOLIC BEVERAGES

Complimentary Items

Businesses providing complimentary food or non-alcoholic beverages must self-assess and remit PST on their total cost of the complimentary items. This includes the purchase cost of food and beverage items as well as employee labour costs and overhead costs etc. that form part of the total cost to produce these complimentary items. Where the business has preferred pricing or employee pricing and is able to substantiate that the preferred prices represent a reasonable estimate of the total cost, such prices may be used to self-assess the PST.

Discount Offers

An offer that provides reduced pricing, either by means of stating a reduced price or by offering a percentage off, has the effect of reducing the stated price at which meals or non-alcoholic beverages may be purchased. For these offers, PST applies to the reduced price.

Example:

Selling Price (excluding the GST)	\$ 50.00
Less: Senior Tuesdays (10%) discount	<u>5.00</u>
Subtotal	\$ 45.00
Tax at 6%	\$ 2.70
Amount Due from Customer	\$ 47.70

Cash Coupons

An offer that provides an amount to the customer to be used as a cash equivalent does not have the effect of reducing the stated price at which meals and non-alcoholic beverages may be purchased. For these offers, PST applies on the selling price of the goods before deduction of the cash amount.

Example:

Selling Price (excluding the GST)	\$ 50.00
Tax at 6%	<u>3.00</u>
Total (excluding the GST)	\$ 53.00
“\$5 off food/beverage” coupon	\$ <u>(5.00)</u>
Amount Due from Customer	\$ 48.00

For information regarding the calculation of LCT on promotional alcoholic beverages please see Section D of Information Bulletin [LCT-1, Liquor Consumption Tax](#).

E. OTHER TAXABLE SALES

Catering Services

PST must be collected on the total amount charged for catering services. All organizations in the business of providing catering services are required to be licensed to collect PST on these services. This includes religious groups, community clubs and associations.

Vending Machine Sales

All food and beverages sold through a vending machine are subject to PST, other than items sold for 25 cents or less. The business operating the vending machines may purchase the food and beverage items exempt from PST by quoting their vendor's licence number to their suppliers. Businesses are required to pay PST on the purchase or lease of the vending machines.

Vending machine items are often sold on a tax included basis. The following calculations may be used to determine the PST to be remitted in these instances:

- If your sales include GST and PST, the PST to be remitted may be calculated as follows:
 $\text{Sales} \times 6/111 = \text{PST}$
- If your sales include the PST only, the PST to be remitted may be calculated as follows:
 $\text{Sales} \times 6/106 = \text{PST}$

Corkage Charges

Corkage charges are generally billed in connection with liquor sales and are subject to Liquor Consumption Tax. For further reference, please see Information Bulletin [LCT-1, Liquor Consumption Tax](#).

F. 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.

Businesses selling prepared meals, food and beverages are not required to pay tax on any items purchased for resale or on non-returnable containers sold with food and beverages. The business must quote their PST vendor's licence number to their suppliers to acquire these items tax free.

Goods and services on which the tax must be paid include:

- Accounting and legal services
- Computer hardware, software and IT services
- Bar equipment
- Bleach
- Cash registers
- Cash register tapes
- Cleaning and maintenance supplies
- Coasters
- Coffee machines
- Cutlery
- Dishes
- Furniture
- Kitchen equipment
- Meal checks
- Menus
- Napkins - paper, cloth
- Office equipment and supplies
- Paper towels
- Place mats
- Restaurant equipment (new and used)
- Sales flyers and advertising materials
- Soft drink dispensers
- Stationery supplies
- Table lamps and candles
- Toilet tissue
- Toothpicks
- Utensils

Goods in the category of exempt packaging materials and disposable containers sold with food include:

- Boxes - paper, plastic, styrofoam
- Cocktail picks
- Cups - plastic, styrofoam, paper
- Paper bags
- Paper or plastic butter dishes
- Paper liners for pizza boxes
- Paper plates
- Plastic spoons, knives and forks
- Sandwich bags
- Straws
- Stir sticks
- Swizzle sticks
- Wrapping paper and wax paper used to wrap food for sale to customers

Fees Between Marketplace Facilitators and Sellers

The application of PST to fees charged by a marketplace facilitator (e.g. markets, online food order and delivery platforms etc.) to a marketplace seller (e.g. restaurants, caterers etc.) depends on their location and the nature of the services received. Fees charged to give access to a computer program or application, or to search or use electronically stored information are subject to PST when the corresponding taxable service is being consumed in Saskatchewan or in relation to Saskatchewan locations.

Charges in relation to sales commissions and transaction processing fees form part of the consideration paid by the consumer to the seller of ready prepared meals and beverages, where PST is applied on the total charge, therefore these amounts are not subject to additional PST.

G. 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.

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](#).

H. 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 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](#)

I. **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:

- 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 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.

To provide feedback or suggest changes to this bulletin, please complete a [Bulletin Survey](#).

Government website: Saskatchewan.ca