

Information Bulletin

PST-72

Issued: January 2014

Revised: July 2024

THE PROVINCIAL SALES TAX ACT

RENTAL BUSINESSES

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 left margin.

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A. GENERAL INFORMATION

Rental/leasing companies are required to collect PST on charges for the rental of goods/equipment. Businesses providing rentals of goods/equipment are issued a vendor's licence number that allows them to carry an exempt rental inventory and to collect PST on the rental charges.

Clause 3(1)(g) of *The Provincial Sales Tax Act* defines "rent" as including "any royalty, franchise, maintenance, service, installation, financing or insurance in respect of tangible personal property that is the subject of a lease.

In general, tangible personal property is property that is movable or intended to be moved periodically, such as vehicles, machinery, office equipment and appliances. Tangible personal property will be referred to as equipment throughout this bulletin.

In contrast to the rental of equipment, businesses providing non-taxable or exempt services are required to pay PST on the cost of the equipment used to provide their services and tax is not collected on the invoice to the customer. Businesses providing non-taxable services, such as water hauling or garbage disposal services, are still required to register for a PST number in order to report their sales and any PST payable on the purchase of taxable goods and services.

For information regarding the application of PST as it relates to businesses providing taxable services, please refer to the information bulletins available on the Internet at saskatchewan.ca/pst.

B. EQUIPMENT RENTALS

Businesses renting out equipment without an operator are required to collect PST on the charges to their customer. The provision of an on-site supervisor, technician or consultant who does not operate the equipment does not change the supply from a rental to a service for PST purposes.

The business may purchase their rental inventory exempt from PST by quoting their vendor's licence number to the supplier. Repairs to the rental inventory may also be purchased exempt from tax. If the customer is billed for the repair, tax must be collected on the charge.

Taxable Rental Charges and Fees include:

- Accessory charges
- Accident deductible charges and loss or damage charges
- Cleaning
- Collision insurance charges
- Damage waiver fees, including collision
- Delivery and pickup charges including related fuel surcharges
- Down payments
- Drop off charges or one-way service fees
- Finance (interest)
- Fixed fees, time and distance charges
- In-shop preparation
- Installation
- Late fees
- Liability insurance fees
- Maintenance/servicing
- Personal accident insurance fees
- Repair parts and repair labour
- Rig up/tear out

- Setup and removal
- Security deposit charges

Exempt charges, when segregated on the invoice, include:

- The charge for an individual who accompanies the equipment for the purpose of supervising, training or other similar services including subsistence charges and travel time/mileage charges
- Individual or group life, health, disability, accident and sickness insurance charges
- Creditor protection insurance charges
- Fuel charges for fuel consumed by the customer
- Charges for third party permits
- 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.

Examples of equipment rentals:

- Golf carts and clubs
- Hot tubs, including delivery and set up
- Inflatable toys/bouncers
- Lighting and audio visual equipment, without an operator who controls its function and operation
- Linens, mats and uniforms, including cleaning and delivery
- Table and chair rentals, including set up and removal
- Water coolers
- Water heaters
- Water purification equipment and softeners

For an equipment rental, the customer is given the right to use the equipment for a specified or an indefinite period of time, by the business renting out the equipment.

C. EQUIPMENT WITH AN OPERATOR

In general, equipment provided with an operator is considered a service rather than a rental of equipment when the operator controls its function and operation. PST must be collected on the service, depending on the nature of the service provided or if the service is being provided to another service provider for resale. For further reference, please see Information Bulletin [PST-46, Service Enterprises](#).

Service companies that occasionally rent out their equipment without an operator are required to collect PST on the rental charges as outlined in [Section B](#).

Example:

Lighting and Audio-Visual Equipment with an Operator

Services for lighting and/or audio-visual equipment, that include an operator who controls its function and operation, such that the customer is not given the right to use or control the equipment, are not subject to PST. The service company is required to pay PST on the laid-down cost of the equipment used to provide their services. PST must also be paid on repairs to the equipment. PST must be collected on Incidental rentals of the equipment (without an operator).

D. CRANE RENTALS

The application of PST to crane rentals differs from the usual application of tax when equipment is provided with an operator.

Charges for the crane rental including charges for rig-down, rig-up and travel time with respect to the crane rental are subject to tax in accordance with the definition of "rent" in clause 3(1)(g) of *The Provincial Sales Tax Act*. Charges for the services of an operator, including charges for sustenance, are not subject to tax providing they are segregated on the invoice to the customer.

The crane company may purchase the crane exempt from tax by quoting their vendor's licence number to the supplier.

Note: Businesses providing transportation or logistics services who do not own cranes, picker trucks or boom lifts, but rent this equipment in order to provide their transportation or logistics services, are required to pay the PST on these equipment rentals. Unlike the scenario outlined above, they do not collect PST as they are the consumer of the crane rental service in this instance.

E. SCAFFOLDING RENTALS

Scaffolding rentals are labour intensive with respect to the services for erection and tear down. The application of PST to scaffolding rentals differs from the usual application of tax to rentals of equipment.

The scaffolding rental company is not required to collect PST on the labour component for the setup, dismantling or sustenance in relation to scaffolding rental contracts. The scaffold company must pay PST on any equipment they use to provide the exempt labour services, such as equipment used for set-up, tear-down, and transporting labourers to and from the jobsite. This equipment does not form part of the scaffolding equipment rented to the customer as it is consumed/used by the scaffolding company. Therefore, charges to the customer in relation to this additional equipment are not subject to PST. To be exempt, the charges related to the labour component must be reasonable in relation to the contract and must be shown separately on the customer's invoice.

The scaffold company must collect PST on all components of the scaffolding equipment that is rented (or sold) to the customer, and all other customary charges that are directly related to the rental, as listed in [Section B](#) of this bulletin. The scaffold company may purchase all components of the scaffolding equipment for their rental inventory exempt from tax by quoting their vendor's licence number to the supplier.

F. CYLINDER RENTALS

Businesses providing tank or cylinder rentals, such as vendors of natural gas, are required to collect PST on the charges related to the cylinder. These rental charges must be segregated on the invoice from any charges for gas, chemicals or liquids that the cylinder holds.

G. PORTABLE SIGN RENTALS/SERVICES

The application of tax to portable sign contracts depends on the nature of the agreement.

- a) Where the portable sign business performs the setup and display services, and controls the location of the sign, this is considered a non-taxable service and not a rental of equipment. The charges to the customer are not subject to PST. The business is required to pay tax on the cost of the portable signs and any other supplies used to provide their service.

Example:

A sign company has their portable sign located at a high traffic intersection. They invoice their customers for the service to post an advertisement on the sign for a fixed period of time. This service is not subject to tax.

- b) Where the portable sign and accompanying equipment are rented to a lessee who is responsible for the set-up, tear-down, display and content, this is considered the rental of equipment and tax must be collected on the invoice to the customer. The business may purchase their rental inventory exempt from PST by quoting their vendor's licence number to the supplier.

Example:

A portable sign is rented to a company who sets it up at their own location and may change the advertisement and location at their discretion. PST applies to charges for the rental of the sign and supplies, including delivery charges.

H. DISPOSAL SERVICES

A disposal service or waste management contract typically includes certain types of equipment that are left on site for the limited use of the customer during the term of the contract. These are generally considered to be non-taxable service contracts and as such PST does not apply to the charges on the customer invoice. The disposal service company is required to pay PST on the equipment and supplies used to provide the service, including any repairs incurred to maintain the equipment.

Examples of disposal services:

- Garbage bins with disposal service
- Portable toilets with disposal service

I. BUSINESSES PROVIDING BOTH NON-TAXABLE SERVICES AND RENTALS

Businesses providing both non-taxable services and rentals of equipment will hold either a tax-free or tax-paid inventory depending on which activity forms the majority of their revenue.

Businesses predominantly providing a non-taxable service are required to pay tax on their equipment. PST must also be collected on the invoice to the customer when the equipment is rented out without an operator or service component.

Businesses predominantly providing rentals of equipment will be required to self-assess the PST on the fair market value for the rental when equipment is taken from their tax-free inventory for use in providing a service to their customer.

Alternatively, businesses providing both non-taxable services and rentals may choose to maintain both a tax-free and a tax-paid inventory for each aspect of their business.

J. RENTALS OF REAL PROPERTY

Rentals of real property, other than taxable lodging services, are not subject to PST. For further information please see Information Bulletin, [PST-47, Accommodation Services](#). Real property is land or building or property that is permanently affixed to land or building.

Examples:

- Apartment/house
- Mall space
- Office space
- Parking space
- Space at storage facility

Note: Rentals of items such as water heaters, water softeners and furnaces are subject to PST.

K. LEASE BUYBACKS

Businesses and individuals often finance the purchase of high-value equipment by arranging to lease them from a third-party leasing company, financing company or bank. The business maintains the use and possession of the equipment, but the leasing company obtains legal title or another legal interest that allows them to take possession of the equipment if the business defaults on the lease payments. These sales and lease-back transactions are used for financing purposes and are different from traditional leases.

Where equipment is purchased and a lease-back arrangement is entered into within 60 days of the business acquiring the equipment or before any significant use of the equipment has occurred, the purchaser should apply to the Revenue Division for a refund of the tax paid on the original purchase price. The financing company is required to collect tax on the lease payments. No distinction should be made between capital leases or operating leases.

If a business has owned the equipment for longer than 60 days and enters into a lease-back financing arrangement, no tax is payable on the lease payments if:

- tax has been previously paid in full on the equipment by the business; and,
- tax has been paid on any repairs or modifications made to the equipment.

L. EXEMPT SALES/RENTALS

Sales/rentals of taxable goods and services to the following are exempt from tax:

- Federal government departments and agencies. Sales to federal government crown corporations and provincial government ministries, agencies and crown corporations are taxable.
- Another retailer for resale, providing the retailer's vendor's licence number is recorded on the invoice.
- Residents or non-residents providing the goods and services are shipped or delivered out of the province by the retailer.
- Status Indians, Indian bands or non-commercial band-empowered entities providing the goods are delivered to a reserve by the vendor or a third-party carrier arranged by the vendor, or taxable services (i.e. equipment repairs invoiced to the customer) are performed 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 that the purchase is for non-commercial band-management activities. **The vendor must retain documentation to support the exemption, including proof of delivery such as a waybill, freight bill or postal receipt, and evidence that taxable services were performed on reserve.** Please see Information Bulletin [PST-63, Sales to First Nations Individuals and Organizations](#) for further information.

M. GOODS AND SERVICES FOR 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. 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.

Used rental inventory is not eligible for the \$300 reduction as it is not tax-paid.

For further information please see Information Bulletin, [PST-58, Used Goods](#).

O. 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](#)

P. 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