

Information Bulletin

PST-59

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THE PROVINCIAL SALES TAX ACT

MINING INDUSTRY

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.

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

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A. GENERAL INFORMATION

This bulletin is intended for businesses involved in the mining industry. Businesses involved in the oil and gas industry, please refer to Information Bulletin [PST-13, Petroleum Drilling & Well Servicing Contractors](#).

There are currently two tax remissions in place with respect to mineral exploration in the province. In general, these relate to exploration activities for a new mine and do not include costs related to processing, developing or producing minerals from the site.

- The PST remission for mineral exploration provides a PST exemption for specially designed equipment used exclusively for mining exploration or geophysical surveys (see Section D). However, goods consumed in the exploration process, equipment not specially designed for exploration such as motor vehicles, snowmobiles and watercraft, and goods and equipment used for development, production or extraction of minerals, are subject to PST.
- The Fuel Tax remission provides a rebate on fuel used in unlicensed machinery and equipment used in mineral exploration. Please see Information Bulletin [FT-11, Fuel Tax Rebate for Mineral Exploration](#).

A PST exemption for downhole drilling services related to exploration and specified mine site drilling for hard rock, potash and coal, and helium and associated non-hydrocarbon gases was implemented effective December 1, 2019.

Please see Section E in this bulletin for further details.

B. TAXABLE GOODS

1. Equipment, Tools, Materials, Supplies and Repair Parts

New and used equipment, tools, materials, supplies and repair parts that are purchased for use in Saskatchewan are subject to tax.

If the goods are purchased from a licensed supplier, the tax must be paid to the supplier. If the goods are purchased from an unlicensed supplier, such as one located outside Saskatchewan, the tax must be self-assessed and submitted with your return on the laid down cost, which includes the purchase price plus currency exchange, transportation charges, customs and excise duties and importation charges, but not the GST.

For information on equipment and goods that are manufactured for your own use, please refer to Information Bulletin [PST-37, *Manufactured Cost of Goods Produced for Own Consumption*](#).

2. Railcars Used in Saskatchewan

Tax is due on railcars when stops and deliveries or pickups are made in Saskatchewan. The tax payable is based on the portion attributed to consumption or use in Saskatchewan and may be calculated as follows:

(a) Company Owned Railcars

Tax is calculated in the month the car first enters Saskatchewan. This is a one-time payment using estimated annual mileage and based on the portion attributed to consumption or use in Saskatchewan. An adjustment entry may need to be made if the initial estimate was not accurate.

$$\text{Tax Due} = \text{Railcar Cost} \times \frac{\text{Estimated Annual Saskatchewan Miles Travelled}}{\text{Estimated Annual Total Miles Travelled}}$$

The railcar cost includes the original cost of the car, capitalized additions, maintenance charges and repair parts. Repair labour for company owned railcars is excluded from the above formula and is taxable at 100 per cent when provided in Saskatchewan. Repair labour provided outside Saskatchewan is not subject to tax.

(b) Leased Railcars

Tax is due beginning when a leased car first enters Saskatchewan and is based on estimated annual mileage.

Tax is calculated using the total monthly lease charge which includes the lease amount, improvements and maintenance charges paid by the lessee. The lease payment will continue to be included in the formula for the duration of the lease. An adjustment entry may need to be made at the end of the reporting period if the initial estimate was not accurate.

$$\text{Tax Due} = \text{Total Lease Charge} \times \frac{\text{Estimated Annual Saskatchewan Miles Travelled}}{\text{Estimated Annual Total Miles Travelled}}$$

3. Crushed Rock and Gravel

Purchases of crushed rock and gravel are subject to tax. For further information, please see Information Bulletin [PST-71, Sand, Gravel, Crushed/Screened Bases and Decorative Rock](#).

C. TAXABLE SERVICES

1. Labour Services

Tangible Personal Property - Services provided to repair, install, assemble, dismantle, adjust, restore, recondition, examine, refinish or maintain tangible personal property are subject to tax. PST must be collected on the amount invoiced to the customer for the parts, labour and service call charges related to the provision of the service. Tax does not apply to charges for mileage, travel, meals and accommodation related to these labour services providing the charges are reasonable and segregated on the customer's sales invoice.

Real Property - PST applies to services to real property. Taxable services include construction, alteration, repair, erection, demolition, remodeling, or improvement of real property or a building or other structure on real property, or any other service in relation to real property or a building or other structure on real property. PST must be collected on the total charge invoiced to the customer, including parts, labour, service call charges, mileage, subsistence and any other charges and fees related to the provision of the service.

Labour services provided by an employee to their employer during the course of employment are not subject to tax.

For further information regarding repair and installation services, please refer to [PST-57, Repair and Installation Services](#).

2. Engineering and Architectural Services

Taxable engineering services are those services that are provided by a person who is licensed pursuant to *The Engineering and Geoscience Professions Act* or a person under the general supervision of a professional engineer or professional geoscientist, and that consist of preparing engineering designs, drawings, specifications or contract documents. This includes services related to the development, maintenance, enhancement, expansion or decommissioning of any production or processing facility with respect to oil, natural gas, potash or other minerals.

Engineering services directly related to exploration for oil, natural gas, potash or other minerals are not subject to tax. This includes services related to the construction of a portable milling or processing facility that is specifically designed for primary sampling only, as this is considered to be part of the exploration process.

A discussion of mineral exploration activities can be found in Section B of Information Bulletin [FT-11, Fuel Tax Rebate for Mineral Exploration](#).

Engineering services that are in the nature of feasibility studies, environmental studies, general consulting or advisory services, are not subject to tax.

Taxable architectural services are those services that are provided by a person who is a licensed architect as defined in *The Architects Act, 1996* and that consist of schematic design, design development, preparation of construction documents and any service related to bidding, negotiating or tendering for a construction contract.

For further information, please see Information Bulletin [PST-65, Engineering, Geoscience and Architecture Services](#).

3. Other Taxable Services

Other taxable services include legal services, accounting services, computer services, commercial building cleaning services, employment placement services and security and investigation services. Information bulletins concerning the taxation of these services are available on the Internet at sets.saskatchewan.ca/taxinfo.

Where taxable services are provided in relation to more than one jurisdiction, only the fees related to Saskatchewan are subject to tax. If a breakdown of charges by jurisdiction is not available, a reasonable allocation for the Saskatchewan portion of the services must be made.

Taxable services provided by a person to that person's employer for the sole use of the employer are not subject to tax. A person is considered to be an employee when the employer makes regular deductions from wages as required by the *Income Tax Regulations* (Canada).

D. EXEMPTIONS

1. Electricity and Fuel

Electricity, natural gas, and propane used in a manufacturing process for the processing of minerals are not subject to PST.

Electricity that is consumed by equipment and machinery used in the processing of minerals is exempt. The power exemption typically begins when the raw materials enter the mill and ends when the final product is moved to storage. Electricity consumed for any other purpose, including lighting of premises, underground extraction of minerals, shaft hoist and elevators, movement of raw materials prior to processing, water pumping, ventilation, and movement of finished product to storage, is subject to tax.

If your power billings are less than \$200,000 per year, you are allowed an exemption based on 80 per cent of your electrical consumption. If your power billings exceed \$200,000 per year, you are required to contact the Ministry of Finance and complete a power survey.

Natural gas and propane used to produce steam that is used in the milling process is not subject to tax. Natural gas and propane used for other heating purposes is also exempt of tax.

Please see bulletin [FT-11, Fuel Tax Rebate for Mineral Exploration](#) concerning the application of Fuel Tax to diesel fuel used to generate electricity for mineral exploration.

2. Chemical Reagents and Catalysts

Chemical reagents and catalysts, which are used in the transformation or manufacture of a product by contact or temporary incorporation with the raw materials being processed, fabricated or manufactured are not subject to tax.

Catalyst means a substance that by its presence causes, speeds up or retards a chemical reaction, but does not itself undergo any chemical change as a result of that reaction.

A reagent is a substance that is involved in one or more chemical reactions or biological processes and is used to detect other substances.

If you are unsure if a chemical qualifies for this exemption, information regarding the chemical should be referred to Finance for a ruling.

3. Containers, Packaging Materials and Labels

Containers, packaging materials, labels and product literature which are sold with a product are not subject to tax. You can purchase these items tax free by providing the supplier with your vendor's licence number.

Returnable containers and packaging materials which are utilized for handling merchandise before delivery, returned for a deposit and not for resale are subject to tax. The tax must be paid to the supplier. If the tax is not paid to the supplier, the tax must be self-assessed and submitted with your return on the purchase price or on the manufactured cost if produced internally.

4. Equipment Used for Mineral Exploration

Specially designed equipment used exclusively for mining exploration or geophysical surveys in Saskatchewan is not subject to tax. Eligible equipment includes:

- (i) computer software programs specially designed for mining exploration or geophysical surveys;
- (ii) drill rigs designed for mining exploration, including any vehicle on which a drill rig is permanently mounted;
- (iii) electromagnetic transmitters, receivers and antennae;
- (iv) geotechnical instrumentation;

- (v) gravimeters and other instruments designed to measure the elements, variations and distortions of the natural gravitational force;
- (vi) induced polarization transmitters and receivers;
- (vii) magnetometers;
- (viii) magnetic susceptibility equipment;
- (ix) magnetotelluric survey equipment;
- (x) radiometric equipment;
- (xi) radio imaging transmitters and receivers;
- (xii) seismic survey equipment, including recording equipment;
- (xiii) specialized aircraft equipped with geophysical survey or exploration equipment; and,
- (xiv) global positioning satellite (GPS) equipment used to locate survey spots;

but does not include:

- (i) equipment not specially designed for mining exploration or for conducting geophysical surveys;
- (ii) goods which are consumed during mining exploration or geophysical surveys, including drill bits;
- (iii) motor vehicles, snowmobiles and watercraft; and,
- (iv) any equipment, tools or other items used solely for the development, production or extraction of mineral resources.

5. Royalty Charges and Technology Licence Fees

A royalty charge paid to the manufacturer of equipment for the continuing right to use the manufacturer's technology is not subject to tax. Technology licence fees paid for the right to use certain technology, for mine or mill processes, are also exempt of tax.

E. CONTRACTORS

1. Supply and Install Contractors

PST applies to services to real property. Taxable services include construction, alteration, repair, erection, demolition, remodeling, improvement, or any other service in relation to real property or a building or other structure on real property. **Mine site preparation and construction services are taxable real property services.**

A contractor engaged in services to real property is required to collect PST on the total charge to the customer for the services, including all related charges and fees such as charges for labour, materials, transportation, insurance, service fees, and any tax, levy or duty, other than the GST.

PST must be shown as a separate line item on the invoice to the customer.

For further information, please see Information Bulletin [PST-12, Services to Real Property](#).

2. Drilling Services

Effective December 1, 2019

Effective December 1, 2019, drilling services related to exploration and specified mine site drilling for hard rock, potash and coal, and helium and associated non-hydrocarbon gases, are exempt from PST. This includes:

- Exploration hole drilling;
- Specified mine site drilling, including:
 - Disposal well drilling;
 - Geotechnical or observation hole drilling;
 - Shaft or surface freeze hole drilling;
 - Potash solution drilling or uranium solution drilling;
 - Water inflow-related drilling; and,
 - Surface and underground drilling for the purposes of delineating an ore deposit.

Other downhole drilling services remain subject to PST, including:

- Water well drilling;
- Geothermal drilling;
- Drilling for blasting;
- Shaft excavation drilling;
- Bulk mining methods, including the excavation of ore;
- Drilling for the purpose of creating storage caverns; and,
- Other non-drilling services related to water inflow and remediation.

Note: “Hard rock” includes, but is not limited to gold, silver, iron, copper, zinc, nickel, tin, lead, uranium, diamonds or gems, rare earth elements, cobalt, and platinum group metals or elements.

Charges for the service component of the invoice are exempt from tax, including associated charges such as mileage, permits etc. PST must be collected on materials and repair parts that are incorporated or installed on-site to complete the service. This includes materials such as acids, chemicals, drilling fluids, propping agents, polymers, sealants, cement, stimulation gases, lubricants and solvents.

Vendors of these exempt services must segregate the materials on their invoice to the customer and collect tax on the selling price of these items. PST must be shown as a separate line item on the invoice. If the materials are not segregated, tax must be collected on the total charge for the services provided.

The materials and repair parts sold as a retail sale to the customer may be purchased exempt from PST. The contractor must quote their vendor’s licence number to the supplier in order to purchase these items exempt from tax.

The contractor must pay PST on the laid-down cost of all consumables used in providing the services. These items may not be purchased exempt from tax.

Prior to December 1, 2019

Drilling services provided in the mining industry from April 1, 2017 to December 1, 2019 are subject to PST as taxable services to real property. This includes mineral exploration drilling services to obtain rock core samples. PST applies on the total charge to the customer for the services, including all related charges and fees such as charges for labour, materials, transportation, insurance, service fees, etc. PST must be shown as a separate line item on the invoice to the customer.

Materials incorporated or installed on-site to complete the service may be purchased by the drilling contractor exempt from PST by quoting their vendor's licence number to their suppliers.

F. BONDING AND CLEARANCE PROCESS AND ENSURING CONTRACTOR HOLDS A VALID LICENCE

1. Bonding/Clearance Requirement when Hiring Non-Resident Contractors

Under Section 29 of *The Provincial Sales Tax Act*, non-resident contractors consuming or using equipment or other goods during the completion of a contract in Saskatchewan are required to:

- a) post a Guarantee Bond or cash deposit in an amount equivalent to 6% of the total contract amount, or
- b) obtain a clearance letter from the Ministry of Finance to provide to the principal.

It is recommended that the principal maintain a holdback of 6% until a clearance letter is provided or proof of bonding is obtained.

It is the responsibility of the principal to ensure that contractors comply with this provision as failure to do so can leave the principal liable for any taxes which the contractor fails to remit, in addition to possible fines and penalties.

Proof of Guarantee Bond

In the majority of cases, bonding is obtained prior to work commencing. Original bonds are to be forwarded to the Revenue Division and written confirmation will be provided upon receipt.

If proof of bonding has been obtained, the principal is not required to also maintain holdbacks for PST purposes. However, in the event that change orders are subsequently issued which increase the total contract value, a holdback must be maintained on those change orders or a bond rider must be obtained.

Clearance Letter on Final Payment

In cases where proof of bonding has not been obtained, before the final payment is made on a contract, the contractor must obtain a clearance letter from the Revenue Division and provide a copy of the letter to the general contractor or principal. To obtain a clearance letter, please:

- Visit our website at sets.saskatchewan.ca/taxinfo, or
- Call 1-800-667-6102, extension 0956, or
- Email contractorclearance@gov.sk.ca.

If the contractor does not pay the PST payable with respect to the contract, the general contractor or principal will be requested to withhold from any hold back an amount equal to the tax due, to a maximum of 6% of the contract amount, and remit this amount to the Revenue Division.

Generally, a clearance letter covers a specific contract for a specific customer. However, non-residents contracted for Master Service Agreements or similar arrangements are encouraged to request clearances on a monthly basis covering all jobs per customer within that month, versus on a job-by-job basis. For larger contracts spanning over a period of several months or years, a clearance may be requested for each progress period.

2. Principal's Obligation to Ensure Contractor Holds a Valid Licence

Section 29.01 of *The Provincial Sales Tax Act* requires the principal to ensure a contractor holds a valid Saskatchewan PST vendor's licence, whether the contractor is a resident or a non-resident, before making payment of PST to the contractor.

The principal can verify that a contractor holds a valid PST vendor licence by accessing the PST On-Line Registry at www.sets.saskatchewan.ca/rptp/portal/footer/pst-registry/. It is recommended that the principal maintain a print from the registry for audit purposes. Alternatively, a clearance letter for the contract would act as sufficient evidence that the contractor holds a valid licence.

G. SALES AND TRANSFERS OF BUSINESS ASSETS

1. Sales of Used 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.

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

2. Sales of Properties

Tax applies to the sale of tangible personal property associated with the sale of a property.

There are no tax implications with the sale of minority joint venture partner interests when the operator of the properties has not changed, unless there is an identifiable change in the ownership of tangible personal property.

3. Equipment Transfers between Properties

Transfers of tax paid equipment between company operated properties within Saskatchewan are not subject to tax. When the properties are operated by the same company, equipment transfers are not considered to be a change in ownership whether or not the joint venture participation is affected.

Equipment transferred from outside Saskatchewan is subject to tax in all cases, unless it can be shown that the tax has been previously paid.

4. Property Transfers between Closely Related Parties

Sections 7.3 and 7.4 of *The Provincial Sales Tax Regulations* provide an exemption of tax on transfers of assets between parent and subsidiary corporations and upon formation of a new corporation where specific criteria are met. These provisions allow for the continuity of business through a change in the organizational structure, such as the incorporation of a proprietorship, without incurring a tax liability. For further information, please see Information Bulletin [PST-60, Transfers of Business Assets Between Closely Related Parties](#).

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/taxinfo 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 at www.sets.saskatchewan.ca/taxinfo.

To receive automatic email notifications 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