

## THE PROVINCIAL SALES TAX ACT

### NATURAL GAS VALUATION FOR PRODUCERS

Provincial Sales Tax (PST) applies to natural gas consumed in stationary internal combustion engines used in the compression of natural gas for the purposes of gathering, processing, storage, transmission and injection. Natural gas consumed by producers on site is commonly referred to as Lease Fuel.

As a consumer of natural gas, producers are required to self-assess PST on the cost of natural gas consumed at their compressor stations located in Saskatchewan. To ensure a fair valuation that reflects the changing market fluctuations of natural gas, the method of using a deemed average production cost for calculating the value of natural gas is changed as follows:

- Although the quantity of natural gas can be measured using either volume or energy (heat) content, for PST purposes, a measurement based on energy content will be the standard used for reporting. [I.E. quantity of natural gas used will be reported in units of Giga Joules (GJ)].
- Producers will use the Provincial Average Field Gate Price (PGP) to value the natural gas for PST purposes. PGP is the standard reference point that reflects the average market value of natural gas transactions in Saskatchewan and it is published on a monthly basis.

PST does not apply to natural gas consumed by the producer in the operation of stationary engines at the well site unless the gas is consumed for any of the purposes outlined above. The exempt portion of natural gas typically includes Lease Fuel used for heating purposes in dehydrators or heaters. All producers that consume Lease Fuel at their compression facilities may deduct a 10 per cent allowance when calculating the tax due on the total volume of metered Lease Fuel that is consumed at the facility.

### VALUATION OF TAXABLE NATURAL GAS CONSUMED BY PRODUCERS

For PST purposes, the value of taxable natural gas (Lease Fuel) consumed by a producer is determined as follows:

1. Where natural gas is purchased, the value is the purchase price.
2. Where natural gas is produced and consumed by a producer, the value for tax purposes shall be:
  - a) the deemed average production cost that is calculated for a given month by applying Quantity (in GJ), multiplied by PGP value (in \$ per GJ); or,
  - b) the actual cost of the natural gas as determined from the producer's records, which value shall include operating expenditures, Crown and Freehold royalties, depreciation, depletion and amortization.

The monthly PGP is published no later than the 15<sup>th</sup> of the following month and may be found in the table located at: <https://publications.saskatchewan.ca/#/products/75617>.

**FOR FURTHER INFORMATION**

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Internet: Tax bulletins, forms and information are available at [saskatchewan.ca/business-taxes](http://saskatchewan.ca/business-taxes).

Government website: [Saskatchewan.ca](http://Saskatchewan.ca)