

Information Bulletin

PST-6

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THE PROVINCIAL SALES ACT

EXTENDED WARRANTY AND MAINTENANCE CONTRACTS

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. DEFINITIONS

An "**extended warranty contract**" is a contract that provides that:

- (a) an article will be repaired without charge to the customer for parts or labour; **and**,
- (b) the service of the equipment is the responsibility of the customer who is required to service the article as a condition of the warranty contract.

A "**maintenance contract**" is a contract that provides that:

- (a) an article will be repaired without charge to the customer for parts or labour; **and**,
- (b) the service of the equipment is the responsibility of the provider of the maintenance contract who is required to service, clean and/or inspect the equipment on a regular or periodic basis or at the request of the customer.

Real property includes land or building, or property that is permanently attached to land or building. Property that is sunk into, bolted onto, cemented to or otherwise permanently affixed to land or a building is normally considered real property. As well, goods that are so large and heavy that they cannot be moved are often considered to be real property, even if they are not otherwise affixed to the land or a building.

Examples of items that become real property when installed in a building or attached to land include furnaces, central air conditioners, central vacuums, built-in dishwashers, windows and doors.

Tangible personal property (TPP) is property that does not become part of real property and does not lose its identity. These items are movable or intended to be moved periodically. Goods that are affixed to the land or building may be TPP if it is intended that the goods are to be periodically moved or are subject to repossession by a creditor.

Examples of items that are TPP include vehicles, construction equipment, computer equipment, office equipment, furniture, and appliances.

B. TAXATION OF EXTENDED WARRANTY AND MAINTENANCE CONTRACTS

Tangible Personal Property

Extended warranty contracts and maintenance contracts for new or used TPP, including maintenance and support agreements for hardware and software, are subject to PST.

Contracts sold with articles, as well as those sold subsequent to the purchase of an article, are subject to tax. This includes real property items that are not yet installed into or attached to real property. Transfer charges to subsequent owners are subject to tax.

Since tax applies to the sale of the extended warranty or maintenance contract, PST does not apply to parts or labour used to repair the TPP when those repairs are completed under the terms of the contract.

Deductible fees charged to a customer are subject to tax. As well, any charges to a customer for parts, labour or lubricants that are not covered by the contract are subject to tax on the selling price.

Real Property

Warranty and maintenance contracts for real property are subject to tax. Since tax applies to the sale of the extended warranty or maintenance contract, PST does not apply to parts or labour used to repair the real property when those repairs are completed under the terms of the contract.

Deductible fees charged to a customer are subject to tax. As well, any charges to a customer for parts, labour or lubricants that are not covered by the contract are subject to tax on the selling price.

C. MANUFACTURER'S WARRANTY

When a manufacturer's or retailer's warranty is not segregated on the invoice, its value is considered to be included in the selling price of the TPP that is subject to tax.

Repairs provided under manufacturer's warranty are subject to the same application of PST as outlined above.

D. EXEMPT SALES

The following sales of extended warranties and maintenance contracts are not subject to tax:

- An extended warranty or maintenance contract sold to an Indian or an Indian Band at the time of sale is not subject to tax if the contract pertains to goods that are delivered to the reserve. The subsequent renewal of an extended warranty or maintenance contract is not subject to tax providing the contract specifies that the goods are located on an Indian reserve and owned by a status Indian. In order to purchase a contract tax free, the customer must present the vendor with a *Certificate of Indian Status Identification Card* issued under the *Indian Act* (Canada). The complete 10-digit card number must be recorded on the sales 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.
- Sales of extended warranty or maintenance contracts to other vendors for resale purposes providing their vendor's licence number is recorded.
- Sales of extended warranty or maintenance contracts to non-residents if the contract pertains to property located outside the province.
- Sales of extended warranty and maintenance contracts for exempt goods such as farm implements and farm machinery acquired by farmers for use in primary farming activities.

E. INSURANCE CONTRACTS

Equipment Warranty Insurance Contracts, such as Mechanical Breakdown Insurance, are not the same as a manufacturer's extended warranty.

Equipment Warranty Insurance Contracts are underwritten by an insurance company and the retailer selling these contracts must be licensed with the Insurance Councils of Saskatchewan.

Retailers selling Equipment Warranty Insurance Contracts for new and used equipment 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.

F. 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](#).

G. 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.

H. 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.

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Government website: Saskatchewan.ca