



Ministry of
Finance

Revenue Division
2350 Albert Street
Regina, Saskatchewan
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Information Bulletin

PST-7

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THE PROVINCIAL SALES TAX ACT

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READER SURVEY

INFORMATION FOR SUPPLIERS OF COMPUTER HARDWARE, SOFTWARE AND COMPUTER SERVICES

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax. It is a general guide and not a substitute for the legislation.

The changes to this bulletin are indicated by a (I).

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

- A. Computer Hardware
- B. Computer Software
- C. Computer Services
- D. Status Indians
- E. Sales of Used Business Assets
- F. Goods and Services for Your Own Use
- G. Saskatchewan Electronic Tax Service (SETS)

A. COMPUTER HARDWARE

New and used computer hardware equipment is subject to tax on the total selling price. When equipment is purchased outside the province from an unlicensed vendor, the tax must be self-assessed on the laid-down cost. Laid-down cost includes all charges incurred in bringing the property into Saskatchewan such as customs and excise duties, brokerage fees, currency exchange and freight to Saskatchewan, but not the GST.

The tax is calculated on the cash difference when the sale of equipment includes a tax-paid trade-in. On purchases of used computer equipment or parts for personal use, the purchaser is allowed a deduction of \$300 or the trade-in value, whichever is greater.

The lease of new and used computer hardware equipment is subject to tax on the total lease charge, including installation, maintenance, financing charges etc. The lessor of this equipment is not required to pay tax on the purchase or repair of the equipment,

when those charges are included in the lease payments as outlined in the terms of the lease agreement. Tax applies to any subsequent sale of leased equipment.

Demonstration equipment is not subject to tax providing the equipment remains in inventory. Once the equipment is expensed or capitalized to an asset account, tax applies on the purchase price.

Installation and Repair Services

Charges for parts, materials and labour to install or repair computer hardware are subject to tax.

Mileage and travel charges related to the repair or installation of computer equipment at the customer's location are not subject to tax, providing these charges are reasonable and are segregated on the customer's invoice.

B. COMPUTER SOFTWARE

Tax must be collected on all charges for new and used computer software, including charges for the right to use software, licence fees, royalty fees, modifications, updates, and add-on services. Tax applies to software transferred electronically or delivered on diskette, CD, DVD or by any other means.

Tax is calculated on the cash difference when the sale of computer software includes a tax-paid trade-in. On purchases of used software for personal use, the purchaser is allowed a deduction of \$300 or the trade-in value, whichever is greater.

Software Purchased for Multiple Jurisdictions

When software is purchased for use both inside and outside Saskatchewan, the PST may be prorated for the portion of software that is reasonably allocated for use in Saskatchewan. For example, the tax may be prorated based on the number of users in Saskatchewan compared to the total number of users across company branches.

C. COMPUTER SERVICES

The following computer services are subject to tax:

- (a) Consulting services related to the design, development or modification of computer software or a system or network of computers, if specific design or structural recommendations are made to fulfill defined requirements;
- (b) On-site supervision or management services related to the provision or delivery of a computer service;
- (c) Maintenance, management, training and other support services provided in relation to software, computer equipment, a computer system or a network of computers, including telephone support;

- (d) Services related to installing, reinstalling, repairing, restoring, troubleshooting, upgrading, cleaning or diagnosing software, computer equipment, a computer system or a network of computers, including eradicating computer viruses, spyware or malware;
- (e) Services related to writing, designing, developing, configuring, modifying or upgrading software, computer equipment, a computer system or a network of computers;
- (f) Accessing or searching a database;
- (g) Backing up, retrieving, reconstructing or restoring computer data or software;
- (h) Services provided by an internet services provider, including internet access, e-mail, texting, RSS feeds, web hosting and storage services;
- (i) Website preparation, design or development services, website maintenance services, website content management, updating, statistical or testing services, macromedia flash design services, website animation, graphic design services or web hosting services;
- (j) The right to use a computer server or other data storage or transmission services.

In-House Computer Services

Computer services are not subject to tax when provided by an employee to their employer in the course of employment. This includes, for example, the development of custom software. Copies of custom software are subject to tax.

Consulting Services

Consulting services are subject to tax when they include the creation of new software or the upgrading or modification of existing software or other taxable computer services. Consulting services are also subject to tax when they form part of the consideration paid for the repair, installation or sale of computer software or hardware.

Consulting services are not subject to tax when the services are only to provide recommendations or analysis of business requirements and do not include the provision of taxable computer services, software or hardware.

Engineering Charges

Charges for engineering services related to the installation, repair or sale of computer hardware and software are subject to tax on the total charge, unless the services specifically relate to a real property contract that falls within Category III of the Consulting Engineers of Saskatchewan (CES) Schedule of Recommended Fees to be Charged for General Engineering and Geoscience Projects and Services. In this case, tax applies as outlined in PST-65, Information for Businesses Providing Engineering, Geoscience and Architecture Services.

Training Services and Materials

Training services are subject to tax when they form part of the consideration paid to acquire taxable computer software or hardware or computer services. Tax does not apply to training services that are segregated on the invoice and are not a mandatory part of the sale of taxable computer software or hardware or computer services.

Printed materials, such as technical bulletins and manuals, are not subject to tax providing the charges are segregated on the customer's invoice.

Travel Charges

Charges for sustenance, accommodation, travel time, mileage and fuel are not subject to tax providing the charges are reasonable in relation to the services provided and segregated on the customer's invoice.

Sales to Non-Residents

Computer services acquired for consumption outside Saskatchewan are not subject to tax. This includes charges to store data on a server in Saskatchewan, for use outside Saskatchewan.

Services for Resale

Taxable computer services may be purchased exempt from tax when acquired for resale by another business providing and collecting tax on the computer services. The business acquiring the services must quote their vendor's licence number to the supplier and the supplier is required to record the number on the invoice.

Desktop Publishing

For information regarding desktop publishing services please see PST-20, Information for Printers and Desktop Publishers.

D. STATUS INDIANS

Sales to Status Indians and Indian Bands are not subject to tax upon presentation of a Certificate of Indian Status identification card issued under the *Indian Act* (Canada), providing the goods are delivered by the retailer to a reserve or the computer services are with respect to an on-reserve facility or installation on a reserve. The complete 10 digit card number must be recorded on the sales invoice. If the federal identification card number is only 3 to 5 digits, record the number and the name of the Band on the sales invoice.

E. 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.

Note: For information on the exemption of tax on “eligible used light vehicles” please refer to PST-58, Information on the Taxation of Used Goods.

F. GOODS AND SERVICES FOR YOUR OWN USE

Businesses are required to pay tax on purchases of equipment, services, and supplies used in their business. If they are purchased from a licensed supplier, the tax must be paid to the supplier. If they are purchased from an unlicensed supplier located outside Saskatchewan, the tax must be submitted with the return on the laid down cost, which includes exchange, transportation charges, customs and excise duties, and importation charges, but not the GST.

G. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Ministry of Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. SETS offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

Businesses may use SETS to file and pay returns for Provincial Sales Tax and other provincial taxes.

SETS allows businesses to:

- File and pay returns or make payments on account.
- File a return and post-date the payment to the due date.
- View account balance and statement information.
- Authorize your accountant to file on your behalf.
- Subscribe to an E-mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received in the mail).

FOR FURTHER INFORMATION

<u>Write:</u>	Ministry of Finance Revenue Division Box 200 Regina, Saskatchewan S4P 2Z6	<u>Telephone:</u>	Toll Free 1-800-667-6102 Regina 306-787-6645
		<u>E-mail:</u>	sask.tax.info@gov.sk.ca
		<u>Fax:</u>	306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.finance.gov.sk.ca/taxes/pst>

To receive automatic e-mail notification when this (or any other) bulletin is revised, go to www.finance.gov.sk.ca/taxes, click on the “What’s New” information then click on the “subscribe” button.