Government of Saskatchewan
Ministry of Finance

Information Bulletin

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PROVINCIAL SALES TAX ACT

INFORMATION FOR VENDORS OF INSURANCE CONTRACTS

This bulletin has been prepared to assist you in applying the Provincial Sales Tax (PST) to contracts of insurance and benefits plans. It is a general guide and not a substitute for the legislation.

Changes to this bulletin are indicated by a bar (|) in the left margin.

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

A. DEFINITIONS

'Contract of insurance' includes any policy, certificate, interim receipt, renewal receipt, endorsement or writing evidencing the contract of insurance, whether sealed or not.

'Insurance' means the undertaking by one person to indemnify another person against loss or liability for loss with respect to certain risks or perils to which the object of the insurance might be exposed or to pay a sum of money or other thing of value on the happening of a certain event and, without limiting the generality of the foregoing, includes life insurance.

'Insurer' means any person who undertakes or effects, or agrees or offers to undertake or effect, a contract of insurance.

'Ordinarily Resident' means an individual's place of residence at the time of premium payment. Place of residence will be determined by applying criteria similar to that applied or used for income tax purposes, meaning that an individual will be considered to reside in Saskatchewan when that person has significant residential ties, such as their dwelling place, spouse or common-law partner, and dependents.

'Premium' means the single or periodic amount due as consideration under a contract of insurance, including all dues, assessments, transaction fees, processing fees, policy fees, administration fees and any other consideration due for the administration or servicing with respect to the contract of insurance.

B. REGISTRATION REQUIREMENTS

Businesses that sell insurance contracts to consumers in Saskatchewan or in respect of properties located in Saskatchewan must become licensed as a vendor under *The Provincial Sales Tax Act* (The PST Act), to collect and remit PST on insurance premiums. This includes:

- Insurance companies;
- Insurance brokers, agents and third party administrators;
- Reciprocal exchange groups, associations and fraternal societies;
- All other vendors that sell taxable insurance contracts; and
- Administrators of self-insured group arrangements or administrative services only (ASO) agreements.

The Application for Vendor's Licence form is available on our website here.

An insurance company's obligations as a vendor may be fulfilled by having the agents or brokers selling their contracts collect and remit the tax on their behalf (in which case, the agent or broker must also be a licensed PST vendor). However, as insurance contracts are between the insurance company and the customer, the insurance company is responsible for the collection and remittance of tax on contracts where a broker or agent does not collect the tax.

C. COLLECTION AND REMITTANCE OF TAX

PST is due at the time of sale, purchase, or renewal, on the total premium amount as specified in the contract of insurance.

Generally, if the terms of the insurance contract specify that the premiums are due monthly, quarterly, or annually, then the PST is payable on the due date of the premium.

For some categories of insurance it is common practice among insurers, agents or representatives to extend a payment term option to their customers on the full premium due (i.e. payments may be made on the full premium amount in equal monthly instalments rather than as a single payment). If the premium is financed by the insurer, the agent, or representative the PST is payable on the full amount of the premium at the due date determined in the policy.

Example:

A home insurance policy states that the premium amount of $1,200 is due once per year (i.e. annual renewal). The customer can choose to pay this premium all at once, or the broker may provide the customer with an option to pay by monthly installments (i.e. 12 payments of $100). PST of $72 (6% x $1200) is also due once per year, and is to be collected and remitted at the time of the premium renewal, not collected on the monthly payment amounts.
PST collected must be remitted on the vendor's next PST return, due on 20th day of the following month.

For additional information on filing your tax return see Information Bulletin PST-5, *General Information*.

Insurance Purchased From an Unlicensed Vendor

When a taxable insurance contract is purchased from an insurance company that is not licensed to collect the PST, the customer must self-assess and remit the tax directly to the Revenue Division. Individuals must pay the tax using a Casual Return Form. Businesses are required to self-assess the tax and report it on their PST return. PST is payable at the time of purchase.

The Casual Return Form used to self-assess and report the tax is available on our website here.

D. FEES & CHARGES IN RELATION TO INSURANCE CONTRACTS

The PST at the rate of 6 per cent applies to the total premium charged under taxable contracts of insurance.

The total of all fees and charges invoiced in relation to a taxable insurance contract are subject to tax, including:

- Premiums (gross amount of the premium, including broker fees and/or commissions);
- Administration fees;
- Placement fees;
- Risk consultation fees; and
- Enrollment fees.

The following charges are not subject to PST if listed and shown separately:

- Financing fees applied when customer opts to pay by instalments; and
- NSF fees.

E. TAXABLE INSURANCE CONTRACTS

PST applies to the total premium charged for contracts of insurance that are effective on or after August 1, 2017, with the exception of those listed as exempt in Sections F, G and H of this bulletin.

For taxable insurance contracts all premiums that are payable and relate entirely to a coverage period on or after August 1, 2017 are subject to PST.

The following are examples of insurance contracts that are subject to PST:

- Insurance on goods, land, buildings and any other property located in Saskatchewan (property includes vehicles not registered under *The Traffic Safety Ac*t)
- Insurance on vehicles registered under The *Traffic Safety Act*, including extended vehicle insurance, such as Auto Pak policies
- Self-insurance (for taxable insurance)
- Liability insurance
- Credit insurance protecting lender against default (I.E. lender's mortgage insurance or mortgage default insurance)
- Surety, fidelity and guarantee insurance
- Aircraft insurance
- Cargo Insurance / Goods in transit insurance – where goods originate in Saskatchewan
- Builder's risk insurance
- Title insurance
- Identity theft insurance*
- Executor insurance – regardless of where the estate is located*
- Travel insurance such as trip cancellation, trip interruption and lost or delayed baggage insurance*
- Agriculture insurance described in Section G under Taxable Agriculture Insurance

* *PST applies to Saskatchewan residents only. See Section I for information on allocating for taxable and exempt coverage.*

F. INSURANCE CONTRACT EXEMPTIONS

The following insurance contracts are not subject to PST:

- Individual and group life insurance
- Individual and group health, disability, accident and sickness insurance
- Agriculture insurance described in Section G under Exempt Agriculture Insurance
- Credit protection insurance, including creditor's group insurance
- Travel emergency medical insurance, when the value is listed and identified separately from taxable travel insurance
- Reinsurance contracts
- Annuity contracts
- Property insurance for property located outside Saskatchewan
- Liability insurance covering risks, perils or events that relate wholly to an activity or location outside Saskatchewan
- Contributions or premiums paid under the *Canada Pension Plan, Employment Insurance Act (Canada)* and *The Workers Compensation Act, 2013*
- Insurance contracts purchased by federal government departments and agencies

Note: Taxable insurance contracts **are** subject to PST when purchased by:

- Federal government Crown corporations,
- Provincial government ministries, agencies or Crown corporations, or
- Any other level of government (e.g. municipalities, RMs, etc.).

G. Agriculture Insurance

Exempt Agriculture Insurance

Dedicated policies for crop insurance, agricultural product insurance and livestock insurance are exempt from PST, including:

- Contracts of insurance subject to The Saskatchewan Crop Insurance Corporation Act, and any insurance product providing similar coverage.
- Contracts of insurance subject to The Municipal Hail Insurance Act, and any insurance product providing similar coverage.
- AgriStability and any similar margin support insurance.
- Livestock price insurance protecting against unexpected price declines.
- Livestock insurance to insure livestock against loss through death, sickness, accident and theft.
- Agricultural product insurance covering the product in storage or in transit.

Note: Livestock generally means any animal raised or bred as a commercially produced product for sale or raised or bred for the commercial sale of the products they produce. Agricultural product means a product raised or produced through primary farming activity for the purpose of resale.

Hobby farms are excluded from the exemptions for agriculture insurance described above. A hobby farm is generally operated for recreation, without the expectation of profit and not as the primary source of income for the owner.

Taxable Agriculture Insurance

Coverages that are not listed above under Exempt Agriculture Insurance are subject to PST. This includes policies such as:

- General liability insurance
- Farmer's liability insurance
- Business interruption insurance

- Farm implement and farm machinery insurance
- Insurance for farm buildings and structures
- Aerial application and agricultural aircraft insurance
- Insurance for farm inputs such as feed/fodder, fertilizer, or chemicals
- Agriculture insurance policies that include both taxable and exempt coverages when the value of taxable and exempt premiums are not listed and identified separately in the policy. If taxable and exempt premiums are listed and identified separately in the policy, PST applies to only the taxable components.

H. INSURANCE SALES TO FIRST NATIONS

Contracts of insurance purchased by Status Indians, Indian Bands or non-commercial band-empowered entities pertaining wholly to their property situated on a reserve as defined in the *Indian Act* (Canada) are exempt from PST providing:

- The purchaser's *Certificate of Indian Status Card* number or band number is recorded on the invoice, and
- The purchaser completes an ***Exempt Sales Certificate*** (or equivalent authorized by Finance) attesting that the insurance purchased by the Status Indian, Indian Band or non-commercial band-empowered entity pertains wholly to their property situated on a reserve as defined in the *Indian Act* (Canada).

  The *Exempt Sales Certificate* for insurance is available on our website here.

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.

The exemption from PST does not extend to insurance contracts purchased by corporations owned by Status Indians or Indian Bands, whether located on or off reserve. No exemption is provided where the purchase is made in the name of a commercial Indian corporation.

A joint purchase between a status Indian and non-status individual is also subject to tax.

Proration will be necessary when the insurance pertains to subject matter that is both on-reserve and off-reserve.

I. ALLOCATION FOR TAXABLE AND EXEMPT COVERAGE

1) Taxable and Exempt Components

When an insurance contract contains both taxable and exempt coverages, the value of the taxable and exempt components must be listed and identified separately in the insurance contract, with PST applied to the taxable portions.

If these amounts are not listed and identified separately, PST applies to the total contract value unless proration is possible as set out below.

2) Prorating for Insurance Contracts that Cover Multiple Jurisdictions

Insurance contracts that include coverage with respect to matters outside Saskatchewan are taxable on the portion that relates to Saskatchewan. The allocation to Saskatchewan is to be determined on the basis that is most reasonable in the circumstances, such as:

- The insured value of property in Saskatchewan as a percentage of the total insured value of property in all jurisdictions
- For contracts covering employees both inside and outside Saskatchewan, the portion that covers Saskatchewan based employees.
- For railways, interprovincial carriers and international carriers, the distance travelled in Saskatchewan as a percentage of the total distance travelled.

Examples of Proration for Property Insurance

The taxable value is the amount T calculated using the following formula:
T = P/I x C

Where:

P - is the total insured value of the contract of insurance in or relating to Saskatchewan,
I - is the total insured value of the contract of insurance, and
C - is the total premium due for the entire contract of insurance

Example 1:

A person insures a house in Saskatchewan for $800,000 and a cottage in Alberta for $200,000 under one insurance policy. The annual policy premium amount is $2,000. PST does not apply on the insurance that relates to the Alberta cottage if the coverage is listed and identified separately on the invoice.

If the premium is not shown separately, the taxable value (T) for application of the PST may be calculated using the formula as follows:

T = (800,000/(800,000+200,000))x2,000 = $1,600

Example 2:

A Status Indian, who is a farmer with farmland both on and off reserve, purchases insurance wherein the farmland on reserve is valued at $500,000 and the farmland off reserve is valued at $1,500,000. The policy specifies that premiums of $400 are due monthly. PST does not apply to the insurance related to the on-reserve farmland; therefore the insurance contract for the farmland must be prorated to only apply PST to the off-reserve land.

The taxable portion of the monthly premium (T) for application of the PST may be calculated using the formula as follows:

T = (1,500,000/(500,000+1,500,000))x$400 = $300

J. ENDORSEMENTS (Amended Coverage)

Endorsements added to an insurance contract on or after August 1, 2017, will follow the tax status of the premiums for that insurance contract.

K. REFUNDS AND AMENDMENTS

Cancelled or Reduced Coverage

When a taxable insurance contract is cancelled or the coverage is reduced before the end of the term, any refunded insurance premiums should include the proportionate PST amount. The tax that is refundable is based on the refundable insurance premiums.

Example:

A taxable insurance contract valued at $1,000 is entered into on October 1, 2017. The total payable for the contract including PST is $1,060. Part way through the coverage period, the contract is cancelled and $400 of the insurance premium is refunded. PST of $24 ($400 x 6%) is refundable for a total refund amount of $424. The vendor of the contract can deduct the PST refunded from their tax collected in the period and remit the net amount on their PST return form.

Note: PST refunds can only be claimed within four years from the date of overpayment.

Please see Information Notice IN 2018-05, *Provincial Sales Tax Refunds on Insurance Premiums* for information regarding refunds of PST related to the exemptions announced on February 26, 2018 for life, health and certain agriculture insurance.

L. GENERAL PST REQUIREMENTS FOR BUSINESSES

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.[1]

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.

[1] Information Bulletin PST-58, *Information on the Taxation of Used Goods*

- 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.

M. PURCHASES RELATED TO AN INSURANCE CLAIM

PST applies to taxable goods and services purchased in connection with an insurance claim. For example, when services are purchased to repair a damaged vehicle as part of a claim, the service provider is required to collect PST on this taxable service.

N. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

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 PST 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; and
- subscribe to an email notification service that allows the option to be notified by email that a tax return should be filed. This replaces the paper forms normally received in the mail.

FOR FURTHER INFORMATION

Write:	Ministry of Finance Revenue Division PO Box 200 REGINA SK S4P 2Z6	Telephone: Email:	Toll Free 1-800-667-6102 Regina 306-787-6645 sasktaxinfo@gov.sk.ca
In-Person:	Ministry of Finance Revenue Division 2350 Albert St REGINA SK S4P 4A6	Fax:	306-787-9644

Internet: Tax bulletins, forms and information are available here.

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Government website: http://www.saskatchewan.ca/