

ELIMINATION OF PROVINCIAL SALES TAX REMISSION FOR PERMANENTLY MOUNTED EQUIPMENT

Effective April 1, 2017, the remission of Provincial Sales Tax (PST) provided under Order in Council 1436-67, for qualified Permanently Mounted Equipment (PME) used in the exploration and development of oil, gas and potash resources is eliminated.

PST applies to this equipment, whether leased or capitalized in the records of the operator, as outlined below:

A. PME UNDER LEASE

- Charges pertaining to PME under lease are exempt from PST if invoiced prior to April 1, 2017.
- On or after April 1, 2017, PST applies to lease charges for PME located in Saskatchewan (SK).
- When PME is leased from a related entity, the lease payments cannot be less than the amount calculated on the fair market value (FMV) of the lease.

B. PME THAT IS OWNED BY A RESIDENT BUSINESS

- Owned PME that is capitalized in the records of a resident business and assigned to a Saskatchewan branch or location prior to April 1, 2017, is not subject to PST.
- PME acquired on or after the effective date is subject to PST whether purchased in SK or acquired from outside SK.

Note: A resident business is defined as having a permanent place of business in Saskatchewan and includes having an established branch office with full time staff and complete accounting records for Saskatchewan operations.

C. NON-RESIDENTS WHO BRING PME INTO SK FROM ANOTHER JURISDICTION

PME is subject to PST upon entry into Saskatchewan or upon use in a contract when the PME is already located in Saskatchewan on April 1, 2017. Where tax has not been previously paid in full, the PST can be calculated using one of the following methods:

1) Depreciated Value

To determine depreciated value, straight-line depreciation of 1.5 per cent per month or part month to a maximum of 60 per cent is allowed from the date of purchase to the original date of entry into Saskatchewan. Depreciation applies to the original purchase price (excluding all taxes) before deduction of a trade-in. The depreciated value cannot be less than FMV at the time of first entry.

2) Temporary Use Formulas

- (i) If a retail sales tax, other than Harmonized Sales Tax (HST) or Quebec Sales Tax (QST), has been paid in full to another jurisdiction:
 - o Calculate the tax on the original purchase price (excluding all taxes).
 - o Remit 1/36 of the tax calculated above for each month or part month the PME is in Saskatchewan. Payment will continue for each 30 day period the unit enters the province until full tax (36/36) has been paid or the PME is permanently removed from Saskatchewan.
 - o Calculate the tax on the full amount of any freight charges incurred to bring the PME into Saskatchewan, once per 12 month period freight charges are incurred, until PEM is fully tax paid.

- (ii) If a retail sales tax has **not** been paid in full to another jurisdiction, including where HST or QST was paid, the PST is determined as follows:
 - o Calculate the tax on the original purchase price (excluding all taxes).
 - o Remit 1/3 of the tax calculated above for each year or part year the PME is in Saskatchewan. Payment will continue until full tax (3/3) has been paid or the PME is permanently removed from Saskatchewan.
 - o Calculate the tax on the full amount of any freight charges incurred to bring the PME into Saskatchewan, once per 12 month period freight

3) Lease or Rental Amounts

PST is calculated on the total lease or rental charges (daily, weekly, monthly or yearly) including financing, freight, maintenance charges etc., with no pro-ration allowed.

PST continues to be payable on the parts and repairs completed to PME.

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: sask.tax.info@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 on the Internet at:
<http://www.finance.gov.sk.ca/taxes>