

Information Bulletin

PST-7

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THE PROVINCIAL SALES TAX ACT

COMPUTER HARDWARE, SOFTWARE AND COMPUTER SERVICES

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.

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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.

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.

C. COMPUTER SERVICES

The following computer services are subject to tax:

- (a) Prewritten computer programs, software or applications;
- (b) Customizing, modifying, designing or developing computer programs, software or applications to meet the specific needs of one or more consumers or users;
- (c) In relation to a computer program, software or application, or a computer system, or a network of computers, labour charges and fees for any of the following:
 - (i) coding or programming;
 - (ii) design or development;
 - (iii) installation or re-installation;
 - (iv) configuration;
 - (v) testing;
 - (vi) maintenance;
 - (vii) restoring, updating or upgrading;
 - (viii) diagnostics and troubleshooting;
 - (ix) repair and cleaning;
 - (x) eradicating viruses, spyware or malware;
 - (xi) backing up, retrieving, reconstructing or restoring computer data or software;
 - (xii) modification or customization;
- (d) Any licence fee, access fee or other charge for the right to use or access a computer program, software, or application, or a computer system or a network of computers;

- (e) Any licence fee, access fee or other charge for the electronic storage of information or the right to access, search or use electronically stored information;
- (f) Any charges for the input, processing, transformation or other manipulation of data by a computer;
- (g) Training and support services provided in relation to software, computer equipment, a computer system or a network of computers, including telephone support;
- (h) Services provided by an internet services provider, including internet access, email, texting, RSS feeds, web hosting and storage services;
- (i) Website preparation, design or development services, website maintenance services, website content management, website statistics capture and summarization, testing services, macromedia flash design services, website animation, graphic design services or web hosting services; and,
- (j) Consulting, management or on-site supervision services provided in relation to the services mentioned in clauses (a) to (i).

Software, Platform and Infrastructure as a Service

- **Software as a Service (SaaS):**

Charges for the use or right-to-use or access web-based, or hosted software are taxable, including when possession of the software is maintained by the software provider or a third-party service provider.

- **Platform as a Service (PaaS):**

Charges for the use or right-to-use or access hardware or software development tools and applications are taxable.

- **Infrastructure as a Service (IaaS):**

Charges for the use or right-to-use or access cloud-based computational services, including computing or processing capacity and electronic data storage, are taxable.

Resident and non-resident providers of SaaS, PaaS and IaaS solutions are required to collect PST on these taxable computer services when sold for consumption or use in or relating to Saskatchewan (i.e. generally when the customer's billing address is in Saskatchewan, however PST may apply on a prorated basis when an invoice relates to multiple jurisdictions).

Providers of SaaS, PaaS and IaaS solutions located in Saskatchewan are required to pay the applicable PST on taxable computer hardware, software and services acquired for their own use or for use in providing their services. These are not considered to be purchased for resale, as the providers retain possession and control, and their customers acquire only "the right to access or use" the solutions.

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

Engineering services related to the development, maintenance, modification, configuration, upgrading, commissioning, or testing of computer programs or computer systems and networks, and including the sale of software and hardware, are subject to PST on the total charge to the customer.

For further information regarding engineering services please see Information Bulletin [PST-65, Engineering, Geoscience and Architecture Services](#).

Training Services

Training services are subject to tax when they form part of the consideration paid to acquire taxable computer software or hardware, or taxable computer services such as support services.

Effective October 1, 2022, PST applies to admissions to certain courses, programs, workshops, or seminars:

- that are not required for accreditation or designation but simply broaden one's knowledge in a field, or
- that may be occupationally related and required to maintain or upgrade a professional or trade accreditation or designation, but are not provided by a professional or trade association, government, vocational school, university, or public college, or by the regulatory body, as part of a broader educational or vocational program which may lead to a formal recognition of skills, such as a diploma, degree, or licence.

In instances where a business obtains a written ruling regarding the application of tax from the GST/HST Rulings Unit on admissions to a particular course, program, workshop or seminar in this category, that ruling will also apply for PST. For additional information, please see Information Bulletin [PST-76, Admissions, Entertainment and Recreation](#).

Training Materials

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

Desktop Publishing

For information regarding desktop publishing services please see Information Bulletin [PST-20, Printers and Desktop Publishers](#).

D. EXEMPT SALES

The following sales are exempt from PST:

- Computer hardware and software (on diskette, CD, DVD, etc.) providing they are shipped or delivered out of the province. The vendor is required to retain evidence of delivery.
- Computer software and services delivered electronically and acquired for consumption outside Saskatchewan. This includes charges to store data on a server in Saskatchewan, for use outside Saskatchewan. The vendor is required to retain evidence to support the exemption (i.e. customer's billing address outside the province).

Note: 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.

- Computer hardware, software and services acquired for resale purposes. The business acquiring the taxable goods or services for resale must quote their vendor's licence number to the supplier and the supplier is required to record the number on the invoice.
- Computer hardware, software and services sold to federal government ministries, departments and agencies. However, sales to federal crown corporations and provincial government ministries, agencies and crown corporations are subject to tax.
- Fees charged to purchase or register an internet domain name providing they are shown separately on the customer's invoice. Domain names are intangible property rights and do not fall into the definition of taxable computer services.
- Taxable goods and services provided to Status Indians, Indian bands and non-commercial band-empowered entities are not subject to tax providing the goods are delivered to the reserve by the retailer or the computer services are with respect to an on-reserve facility or installation on a reserve. To qualify for the exemption, an individual must present their *Certificate of Indian Status* card to the vendor and the complete 10-digit identification card number must be recorded on the sales invoice. For an Indian band or non-commercial band-empowered entity, the band number and band name must be recorded on the sales invoice. For further information refer to Information Bulletin [PST-63, Sales to First Nations Individuals and Organizations](#).
- Charges for sustenance, accommodation, travel time, mileage and fuel in relation to the provision of taxable computer services and/or the repair or installation of computer hardware or software providing that the charges are reasonable in relation to the services provided, and are segregated on the customer's invoice.

Note: Charges for sustenance, accommodation, travel time, mileage and fuel in relation to taxable real property services are subject to tax, regardless of whether the charges are segregated on the invoice. For further information please see Information Bulletin [PST-12, Services to Real Property](#).

- Computer services 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.

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.

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](#).

F. GOODS AND SERVICES FOR YOUR OWN USE

Businesses are required to pay tax on purchases of new and used equipment, supplies and taxable services 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.

G. TAX TIPS LINE

When a business or individual does not comply with provincial tax legislation, businesses face unfair competition and a burden is placed on all taxpayers who do comply. It causes significant loss in the revenue available to fund services such as health, education and other important government programs.

Tax Tips Line provides an anonymous, fully confidential way for the public to report businesses or individuals who are participating in tax fraud. If you suspect that a business or individual is being dishonest with their provincial taxes or is misrepresenting their activities to reduce their taxes, you can report them using Tax Tips Line.

Please visit our website at saskatchewan.ca/business/taxes-licensing-and-reporting/provincial-taxes-policies-and-bulletins/tax-tips-line to find out more regarding types of tax fraud and the information to report, if possible.

Tax Tips Line is specifically and solely for information related to provincial tax compliance. Any unrelated inquiries or information will not be addressed by the Tax Tips Line, and should be directed to the appropriate organization.

How to Report:

- 1) Toll-free 1-833-334-8477
- 2) Write: Ministry of Finance
Revenue Division
PO Box 200
REGINA SK S4P 2Z6
- 3) [Online Form Submission](#)

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 (sets.saskatchewan.ca):

- 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 saskatchewan.ca/business-taxes.

To receive automatic email notifications when this or any other bulletin is revised, go to sets.saskatchewan.ca/subscribe.

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Government website: Saskatchewan.ca