Saskatchewan PST Rate Increase

March 24, 2017

The 2017 Saskatchewan budget delivered by Finance Minister Kevin Doherty increases the provincial sales tax ("PST") rate from 5% to 6%, effective March 23, 2017; expands the PST base by taxing insurance premiums and eliminating some exemptions such as the exemption for Permanently Mounted Equipment ("PME") for the potash and oil and gas sectors; and changes the rules for real property contractors.

Provincial Sales Tax

Effective March 23, 2017, the PST rate is increased to from 5% to 6%. The 6% tax rate applies to: taxable goods purchased on or after March 23, 2017, including goods ordered but not delivered or paid for as of March 23, 2017; and all payments for taxable services that are made or become payable on or after March 23, 2017, even if the contract was entered into before March 23, 2017 but services completed prior to March 23, 2017, are taxable at the 5 per cent rate, regardless of billing or payment date. The increase in the PST rate is estimated to increase PST collected by an estimated $242.1 M. Budget 2017 also will raise additional revenue for the province by expanding the PST base as a result of imposing PST on insurance premiums and eliminating several PST exemptions.

Insurance Premiums: Effective July 1, 2017, PST will apply to insurance as defined in *The Saskatchewan Insurance Act* regardless of when the policy is issued. PST will apply on contracts for insurance for vehicles registered under *The Automobile Accident Insurance Act* and to insurance contracts or premiums on products sold by any company, agency or group, including those organizations which sell similar products that are not governed under *The Saskatchewan Insurance Act*. The PST will apply to persons and businesses resident in Saskatchewan and to contracts for insurance of property located in Saskatchewan. The person that is required to collect and remit the PST is the party that bills and collects the premium from the end consumer. Exemptions from PST include reinsurance, self-insurance, annuity contracts or premiums paid under the *Canada Pension Plan, Employment Insurance Act (Canada) and The Workers Compensation Act, 2013*, or insurance contracts purchased by Status Indians or Indian Bands to insure on-reserve property or activities.

Restaurant meals and other food and beverages: Previously many food and beverage items, such as restaurant meals, snack foods and prepared meals were exempt from PST. Effective April 1, 2017, these exemptions are removed and PST will generally

apply on the same basis as the Goods and Services Tax ("GST") meaning that when GST applies, PST also applies.

Potash and Oil and Gas Sectors: Effective April 1, 2017, the remission of 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. Non-residents who import PME into Saskatchewan will be required to self-assess PST upon entry of the equipment into Saskatchewan. Where tax has not been previously paid in full, the PST can be calculated using one of the following methods: depreciated value, temporary use formulas, or lease rental payments.

Contractors: Effective April 1, 2017, PST applies to services to real property including contracts for the construction, alteration, repair, or improvement on the full price charged to the customer. The effect of this change will be that contractors performing services to real property are required to be licensed as vendors and collect PST but will be eligible to purchase materials for use in fulfilling the contract exempt from PST. Contractors building residential or commercial premises for resale must collect PST on the retail selling price of the premises, excluding the value of the land.

Fuel Tax

Effective April 1, 2017, the exemption for marked diesel duel when sold to holders of a valid Fuel Tax Exemption Permit is reduced to 80% so that the effective tax rate of 3 cents per litre will be applied at the time of purchase. Sellers will still use Saskatchewan's Automated Up Front Exemption System ("AUFES") to report these sales however, rather than reporting sales of marked diesel fuel on Schedule 5, Sellers must report the sales on Schedule 7 as a dollar adjustment (a credit of 12 cents per litre). Marked diesel fuel sold as heating fuel or fuel oil remains tax exempt when sold.

By

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