

Saskatchewan Provincial Sales Tax Base; Summary of significant changes:

The Provincial Sales Tax (PST) base is being expanded in the 2017-18 Budget. However, the Budget also maintains many of the current PST exemptions for basic necessities, including groceries, heating fuels, residential electricity, prescription drugs and reading materials.

The 2017-18 Budget eliminates the PST exemptions for children's clothing and for restaurant meals and snack foods. The PST exemption for used cars is maintained, but the value of a trade-in will no longer be deductible in determining the PST on the purchase of vehicles that are new or have not been previously taxed in Saskatchewan. These measures are effective April 1, 2017.

In addition, the PST remission in respect of permanently mounted equipment used in the oil and gas and potash industries is being repealed, as it no longer serves its original purpose of incenting exploration.

The 2017-18 Budget reforms the taxation of contracts for the repair, renovation or improvement of real property. New contracts entered into on or after April 1, 2017 will be subject to PST on the total contract price to the purchaser. However, contractors will now be eligible to acquire tax-free building materials for use in fulfilling a contract. This change should benefit contractors by improving their cash flow and improving their competitiveness in bidding for jobs both inside and outside Saskatchewan.

The PST base is expanded to insurance premiums effective for premium payment due dates on or after July 1, 2017. This includes all life, accident and health insurance; all property, vehicle, liability and casualty insurance; as well as all agricultural insurance. The tax will apply where the insured is resident in Saskatchewan or the premiums are paid in respect of property located in Saskatchewan.

The 2017-18 Budget eliminates the current partial Fuel Tax exemption for bulk purchases of gasoline and reduces the exemption for bulk purchases of diesel fuel to 80 per cent of purchases, effective April 1, 2017. The Fuel Tax rate on aviation fuel will remain at 1.5¢ per liter.

Key relevant points for real property contractors:

- Rate of tax increases to 6% **effective on supplies billed after March 23, 2017** (see timing for contracts next).
- All contracts for services in respect of real property entered into **after April 1, 2017** will be taxable for SPST.
- All purchases of building materials for these taxable supplies will be exempt of SPST **after April 1, 2017**. (This means that they can be purchased in Alberta and the contractor does not have to self-assess the SPST on the landed value.)
- There is no relief for taxable capital property, like equipment, so all equipment used in Saskatchewan must be SPST tax paid or must be self-assessed.
- All revenue and inputs to real property must be properly segregated so that SPST is paid on inputs for **pre-April 1, 2017** projects and the charge to the customer will be exempt. Even if the goods used for an exempt project are acquired after March 23, 2017, tax must be paid or self-assessed on these projects. (Any goods acquired on an exempt basis will have to be self-assessed if the goods are used on a pre-April 1, 2017 SPST exempt project.) However, goods that were tax paid before April 1, 2017 that are used on a post April 1, 2017 project (i.e. inventory on hand) will allow a credit to recover the SPST (usually with 5% SPST paid except for goods acquired after March 23, 2017).

- For all contracts signed **after March 31, 2017** there will be 6% SPST on the total fee, but the contractor will **not** have to pay SPST on materials. (The purchase will be exempt if the supplier provides its SPST registration number.)
- An SPST registered contractor can acquire real property construction services exempt of SPST on the basis of purchase for resale; relating to projects signed after March 31, 2017.
- An additional 6% must be paid on all insurance premiums relating to risk in Saskatchewan, **effective July 1, 2017**.
- If eligible for the fuel tax rebate on bulk purchase of gasoline and diesel, these will possibly decrease and the cost of fuel in respect of projects will need to be adjusted **effective April 1, 2017**.
- The cost of meals will increase by 6% due to the tax **effective March 23, 2017**.
- The commission received on filing a SPST return was eliminated effective April 1, 2017

If you have questions pertaining to this article, please contact your KRP advisor.

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Date: April 4, 2017