



*Ministry
--- of ---
Finance*

Attendees

- Stan Jones Compliance Officer
- Jim Fraser Manager, Desk Audit
- Leah López Manager, Tax Information & Compliance
- Jerome Latos Manager, Saskatoon Field Audit
- Brian Warbey Executive Director, Tax Information & Compliance
- Garth Herbert Executive Director, Audit



Presentation Agenda

1. PST Changes (2017 & 2018)
2. Fuel Tax (Mineral Exploration) Remission
3. Mining Exploration Equipment Remission
4. Equipment Used in the Potash Industry
5. Taxable Services for Real Property
6. Exempt Services for Real Property
7. Contractors
8. Taxable Business Items



Presentation Agenda *(Continued)*

9. Laid Down Cost
10. Principal & General Contractor
11. Bonding and Clearance Process
12. Electricity and Fuel
13. Chemical Reagents and Catalysts
14. Railcars Used in Saskatchewan
15. Worksite Camps and Camp Rentals
16. Rentals
17. PST-59, Information for the Mining Industry
18. Online Reference Material & Contact Information



PST Changes (2017 & 2018)

Recent PST changes impacting the mining industry:

- PST on Services to Real Property (PST 12)
- PST Remission for Permanently Mounted Equipment (PME) eliminated.
- Updated definition of “Vendor”
- Changes to strengthen “Clearance/Holdback” process
- Administrative Penalties added.



The Fuel Tax (Mineral Exploration) Remission

- Rebate for fuel used in unlicensed machinery and equipment used in mineral exploration.
- Details provided in Bulletin FT-11.



The Mining Exploration and Geophysical Survey Equipment Remission

- PST remission for specially designed equipment used exclusively for mining exploration or geophysical surveys in Saskatchewan.
- Qualifying equipment is listed in Bulletin PST-59.



Equipment Used in the Potash Industry

- With repeal of remission in 2017, the PST exemption no longer applies
- For resident businesses who purchased equipment exempt under the old remission:
 - Exempt status of equipment is retained if continuing to work exclusively in potash or other exempt activity.
 - PST on equipment is triggered by a change in use to taxable activity.



Taxable Services for Real Property

- Equipment used in mining exploration is exempt (by remission) however, services to real property are taxable.
- Taxable services include construction, alteration, repair, erection, demolition, remodeling or improvement of real property. Examples include:
 - Land clearing, land levelling, land reclamation
 - Drilling for core samples
- Tax to be collected on all related charges and fees.



Exempt Services for Real Property

- Some examples of exempt services (PST-12) include:
 - Snow clearing and snow removal
 - Certain inspection or examination services
- PST exempt if shown separately and not billed in connection with taxable services to real property.
- PST on laid-down cost of all equipment, materials and consumables used in providing these services.



Contractors (PST-12)

Contractors providing taxable services:

- Must be licenced as vendors.
- Must collect PST on the total charge.
- Must pay PST on equipment and consumables.
- May purchase subcontractor services and materials for resale or incorporated into real property exempt from tax
 - Must quote their vendor's licence number to their supplier.



Contractors (PST-12)

Contractors providing exempt services:

- Must be licenced as registered consumers.
- Must pay PST on equipment, materials and consumables.



Taxable Business Items

- New and used business assets and equipment
- Supplies, tools and consumables
- Tax-free inventory items taken for own use
- Advertising and promotional items
- Taxable services

Self-assess as
consumption
tax based on
the laid down
cost



Government
of
Saskatchewan

13

Laid Down Cost

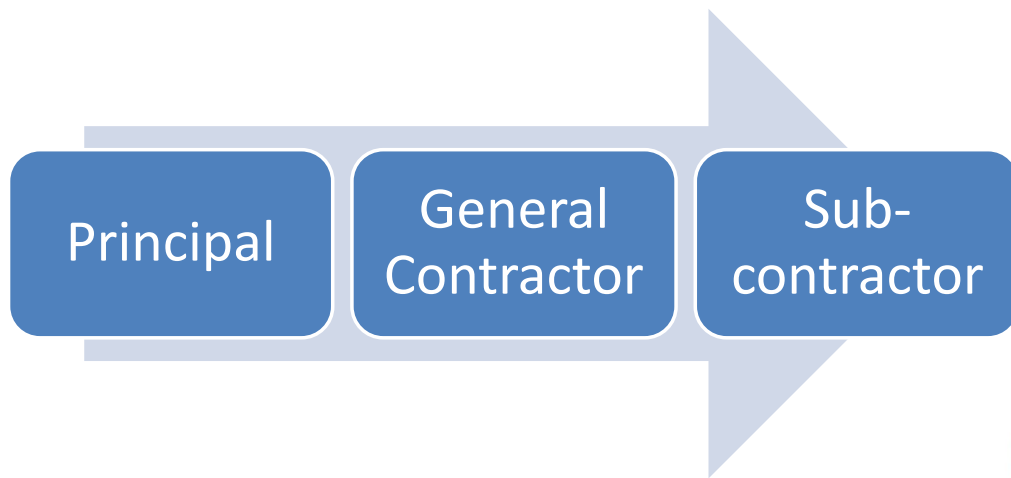
Includes:

- Currency exchange
- Transportation charges/freight – For purchases from outside of Saskatchewan
- Customs and excise duties – For purchases from outside of Canada
- Importation charges ... but not the GST



Government
of
Saskatchewan

Principal & General Contractor



Bonding and Clearance Process

Bulletins PST 12: Information for Businesses Providing Services to Real Property

PST 38: Information for Non-Resident Real Property and Service Contractors

- Bonding and clearance process
 - Applies to non-resident contractors carrying on business in Saskatchewan
 - Contractors are required to post a guarantee bond or cash deposit in an amount equivalent to 6% of the total contract amount or
 - Obtain a clearance letter from Revenue Division confirming PST obligations have been satisfied
 - Principal maintains a holdback of 6% until a clearance letter is provided or proof of bonding is obtained.



Government
of
Saskatchewan

16

Bonding and Clearance Process

Principal's Obligation to Ensure Contractor Holds a Valid Licence

- Principal to ensure a contractor holds a valid Saskatchewan PST vendor's licence, whether the contractor is a resident or a non-resident, before making payment of PST to the contractor.
- Principal can verify that a contractor holds a valid PST vendor licence by accessing the PST On-Line Registry at <http://www.skpstregistry.gov.sk.ca/>.
- Alternatively, a clearance letter for the contract would act as sufficient evidence that the contractor holds a valid licence



Other Topics



Government
of
Saskatchewan

18

Electricity and Fuel

- Electricity, natural gas, and propane used in the processing of minerals is not subject to PST.
- The power exemption typically begins when the raw materials enter the mill and ends when the final product is moved to storage.
- Electricity consumed for any other purpose is subject to tax.



Chemical Reagents and Catalysts

- Chemical reagents and catalysts used in the transformation/manufacture of a product by contact or temporary incorporation with the raw materials being processed, fabricated or manufactured are not subject to tax.
- Catalyst - a substance that by its presence causes, speeds up or slows a chemical reaction, but does not itself undergo any chemical change as a result of that reaction.
- Reagent - a substance that is involved in one or more chemical reactions or biological processes and is used to detect other substances.



Railcars Used in Saskatchewan

Bulletin PST-59: Information for the Mining Industry

- Tax is due on railcars when stops and deliveries or pickups are made in Saskatchewan.
- A proration is allowed for owned and leased railcars that are used in multiple jurisdictions. Tax is calculated in the month the car first enters the province.
 - Company owned railcars versus leased railcars



Government
of
Saskatchewan

21

Worksite Camps and Camp Rentals

Bulletin PST-47: Information for Vendors Providing Lodging

- Lodging and Meals
 - PST on meal and lodging for businesses providing lodging services.
 - Segregation of lodging and meals when included with other services such as transportation.
 - Application of PST when lodging is provided for a continuous period of 30 days or more.
- Camp Rental
 - PST on rental charges for trailers, portable units, camp equipment, generators, etc.
 - Camp personnel and grocery charges



Rentals

- Taxable rentals: Tangible personal property such as vehicles, equipment, tools, etc.
- Exempt rentals: Real property such as buildings and mall space
- Rental versus service is determinable by right to use



PST-59: Information for the Mining Industry

- Bulletin is currently being updated and will include:
 - Information on the bonding and clearance process
 - Clarification of taxable services under TPP and real property as per changes announced April 1, 2017
- Information from this presentation may also be incorporated.



Online Reference Material

- Information Bulletin PST-12 Information for Businesses Providing Services to Real Property
- Information Bulletin PST-38 Non-Resident Real Property and Service Contractors
- Information Bulletin PST-47 Information for Vendors Providing Lodging
- Information Bulletin PST-59 Information for the Mining Industry
- Information Bulletin FT-11 Fuel Tax Rebate for Mineral Exploration
- Legislation PST Act
PST Regulations
- Contractor Clearance form
- Supplementary worksheet



Contact Information

- **Mail:** Ministry of Finance
2350 Albert Street
Regina, Saskatchewan
S4P 4A6
- **Telephone:** Toll Free: 1-800-667-6102
Regina Local: 306-787-6645
- **E-mail:** sasktaxinfo@gov.sk.ca
- **Fax:** 306-787-3045
- **Internet:** <http://www.saskatchewan.ca>
- **Updates:** To receive automatic e-mail notification when a bulletin or notice is revised, go to www.saskatchewan.ca, click on "Tax Information Updates".



Questions Submitted



Government
of
Saskatchewan

27

Specific Questions

Contractor who provides a combination of real property and exempt services, fails to detail on invoice, but cost and scope detail is provided in the purchase order (PO).

- Is the obligation to pay PST by the principal only on the taxable real property services?
- If there is no PO, is there still a method accepted by the Minister where tax would only be paid on the taxable services?



Specific Questions

Contractor collects PST in error and is not comfortable with providing a refund.

Why does the turnaround time for refund requests seem to be 2+ months?

- What action is taken with vendors that apply PST to everything (rather than determining and separating exempt and taxable items)
- Why is the policy of interest beyond 21 processing days not automatically applied?



Specific Questions

- An engineer is contracted to provide the following scope of work:
 - Develop contract scopes, develop and manage project schedule, manage project change, maintain involvement of engineering, contractor management, project closeout, and continuous improvement.
- This individual is not providing a taxable Cat III engineering service nor is he directly providing a service to real property. His services are partly related to supporting those providing real property services as well as project management and or governance type functions for the owner.
- Per PST 65, it appears engineers either collect tax at 30% of 6% or their service is exempt. The bulletin makes no reference to taxable real property services provided by an engineer. The only taxable services provided by engineers are Cat III.
 - If an engineer is not providing Cat III, but rather real property services are these real property services exempt as implied in the bulletin?



Specific Questions

- Bulletin PST-13 provides specific lists of exempt and non-taxable services for oil and gas.
- Bulletin PST-59 for the Mining industry is silent when it comes to any exempt or non-taxable services. However, Finance has provided written guidance indicating that pressure washing and steam cleaning services (which are non-taxable in PST-13) are also not taxable in mining.
 - Of the exempt and non-taxable lists in PST-13, how does Mining determine which of these services maintain their exempt or non-taxable status and what is the logic applied by Finance in making such determinations?
 - In the absence of PST collected by the vendor on these PST-13 non-taxable/exempt services can mining assume that no further PST obligation is required?
 - If some of these exemptions from PST-13 apply to mining why is there no specific listing in PST-59?



Questions?



Government
of
Saskatchewan

32