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THE PROVINCIAL SALES TAX ACT

INFORMATION ON DIRECT AGENTS

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READER SURVEY

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. WHAT ARE DIRECT AGENTS?

Direct agents are those materials consumed or used by a manufacturer or processor in the transformation or manufacture of a product by contact or temporary incorporation into the raw materials being manufactured or processed.

B. PURCHASING DIRECT AGENTS

Manufacturers, processors and printers are able to purchase direct agents tax free by quoting their vendor's licence number to the supplier. Please note that the activities which are not considered to be manufacturing and processing, for the purposes of this tax exemption, are outlined in section E.

C. QUALIFYING DIRECT AGENTS

Direct agents include:

- dies, jigs, moulds, forms, patterns and stencils
- cutting attachments for power and air tools, including drill bits, slot drills, reamers, carbide inserts, shear blades, threading jaws, cut-off blades and honing shoes and stones used during the manufacturing process
- abrasives, including grinding balls, wheels and discs, polishing wheels, rotary steel brushes, steel and glass shot, steel wool, emery paper and powder, abrasive paper, sanding discs and belts and sand used for sand blasting
- polishing compounds
- water treatment chemicals used to treat water used directly in the manufacturing process
- mould sprays
- chemicals which come in direct contact with the product being manufactured
- carbon electrodes and related casings and rings for furnaces, cottrell rods, dross rakes, furnace pokers, ladle lips, lancing pipe, roaster rabblers and tuyere punchers
- silicone release agents applied to baking pans
- cutting lubricants
- film consumed by photographers in the production of portraits or prints (photographers must perform their own photofinishing services to qualify for the exemption)
- refractory brick and materials for relining furnaces and kilns
- rolls used in forming products

Direct agents for printers include:

- | | |
|---|------------------|
| • typeset products | • negatives |
| • cuts and dies | • film |
| • plates | • flats |
| • artwork | • paste-ups |
| • engravings | • signatures |
| • photographic materials | • press blankets |
| • chemicals including developer and activator | |

For the purposes of the tax exemption on direct agents, the following definitions apply:

- **Die:** A solid or hollow form used for shaping or marking goods in process by cutting, stamping, pressing or extruding, but does not include a die set or tap set used for cutting threads.
- **Jig:** A device used in accurate machining of goods in process which holds the goods firmly, and guides the working tools, or which bends the goods in process.
- **Mould:** A hollow form into which materials are placed to produce desired shapes, matrices, or cavities which shape or form goods in process.

A die, jig or mould does **not** include any machinery, equipment, apparatus or device to which the die, jig or mould may be attached, or that is necessary to carry out the function or process of the die, jig or mould.

D. ITEMS THAT DO NOT QUALIFY AS DIRECT AGENTS

Direct agents do not include the following:

- production machinery and equipment, including repairs
- baking pans and sheets
- materials and supplies such as drill bits, grinding wheels and carbon inserts used to repair equipment, tools and attachments
- power, air and hand tools
- tool fixtures, tool holders, boring bars, clamps, springs, shims and set screws
- welders, including nozzles, insulators, cutting tips and cables
- laboratory supplies
- protective materials used in the storage and stacking of parts and raw materials, including corrugated paper, plastic film, parts bags and tags
- boiler treatment chemicals
- lubricating oils, grease and coolants, except when used as a cutting aid
- cleaners, including solvents
- consumables whose contact with the product being manufactured is only incidental and not part of the manufacturing process (e.g. bearings, seals, gaskets, etc.)

E. BUSINESSES NOT ELIGIBLE FOR MANUFACTURERS' EXEMPTIONS ON DIRECT AGENTS

Businesses are not considered to be a manufacturer or processor, for the purposes of the tax exemption on direct agents, if they perform any of the following activities:

- farming or fishing
- logging
- construction
- operating an oil or gas well, extracting petroleum or natural gas from a natural accumulation thereof or processing heavy crude oil recovered from a natural reservoir to a stage that is not beyond the crude oil stage or its equivalent
- extracting minerals from a mineral resource
- processing ore from a mineral resource to any stage that is not beyond the prime metal stage or its equivalent
- producing industrial minerals, other than sulphur produced by processing natural gas
- producing or processing electrical energy or steam, for sale
- processing gas, if such gas is processed as part of the business of selling or distributing gas in the course of operating a public utility

F. 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 reference please see Information Bulletin [PST-58, Information on the Taxation of Used Goods](#).

G. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

The Ministry of Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. SETS offers a secure, fast, easy and convenient alternative to filing returns in paper format. Several E-File services are currently available through SETS.

Businesses may use SETS to file and pay returns for PST and other provincial taxes.

SETS allows businesses to:

- file and pay returns or make payments on account;
- file a return and post-date the payment to the due date;
- view account balance and statement information;
- authorize your accountant to file on your behalf; and,
- subscribe to an email notification service that allows the option to be notified by email that a tax return should be filed. This replaces the paper forms normally received in the mail.

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

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 [here](#).

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