Government of Saskatchewan
Ministry of Finance

Information Bulletin

PST-73 Issued: May 31, 2017

PROVINCIAL SALES TAX ACT

INFORMATION FOR VENDORS OF INSURANCE CONTRACTS

This bulletin has been prepared to assist you in applying the Provincial Sales Tax (PST) to contracts of insurance and benefits plans. It is a general guide and not a substitute for the legislation.

The contents of this bulletin are presented under the following sections:

A. DEFINITIONS

'Contract of insurance' includes any policy, certificate, interim receipt, renewal receipt, endorsement or writing evidencing the contract of insurance, whether sealed or not.

'Insurance' means the undertaking by one person to indemnify another person against loss or liability for loss with respect to certain risks or perils to which the object of the insurance might be exposed or to pay a sum of money or other thing of value on the happening of a certain event and, without limiting the generality of the foregoing, includes life insurance.

'Insurer' means any person who undertakes or effects, or agrees or offers to undertake or effect, a contract of insurance.

'Ordinarily Resident' means an individual's place of residence as determined for income tax purposes.

'Premium' means the single or periodic amount due as consideration under a contract of insurance, including all dues, assessments, transaction fees, processing fees, policy fees, administration fees and any other consideration due for the administration or servicing with respect to the contract of insurance.

B. REGISTRATION REQUIREMENTS

Businesses that sell insurance contracts to consumers in Saskatchewan or in respect of properties located in Saskatchewan must become licensed as a vendor under *The Provincial Sales Tax Act* (the PST Act), to collect and remit PST on insurance premiums. This includes:

- Insurance companies,
- Insurance brokers, agents and third party administrators,
- Reciprocal exchange groups, associations and fraternal societies,
- All other vendors that sell taxable insurance contracts, and
- Administrators of self-insured group arrangements or administrative services only (ASO) agreements.

The Application for Vendor's Licence form is available on our website at: http://www.finance.gov.sk.ca/ProvincialSalesTaxForms

An insurance company's obligations as a vendor may be fulfilled by having the agents or brokers selling their contracts collect and remit the tax on their behalf (in which case, the agent or broker must also be a licensed PST vendor). However, as insurance contracts are between the insurance company and the customer, the insurance company is responsible for the collection and remittance of tax on contracts where a broker or agent does not collect the tax.

C. COLLECTION AND REMITTANCE OF TAX

PST is due at the time of sale, purchase, or renewal, on the total premium amount as specified in the contract of insurance.

Generally, if the terms of the insurance contract specify that the premiums are due monthly, quarterly, or annually, then the PST is payable on the due date of the premium.

For some categories of insurance it is common practice among insurers, agents or representatives to extend a payment term option to their customers on the full premium due (i.e. payments may be made on the full premium amount in equal monthly instalments rather than as a single payment). If the premium is financed by the insurer, the agent, or representative the PST is payable on the full amount of the premium at the due date determined in the policy.

Example 1:

A home insurance policy states that the premium amount of $1,200 is due once per year (i.e. annual renewal). The customer can choose to pay this premium all at once, or the broker may provide the customer with an option to pay by monthly installments (i.e. 12 payments of $100). PST of $72 (6% x $1200) is also due once per year, and is to be collected and remitted at the time of the premium renewal, not collected on the monthly payment amounts.

Example 2:

A customer obtains a life insurance policy. The contract of insurance states that the policy holder is required to pay monthly premiums of $100, and that the premiums are due on the 3rd day of each month. In this case, PST of $6 (6% x $100) is also due monthly, and must be collected at the same time as the monthly premiums are collected. (i.e. The monthly payments are $100 + $6 PST = $106 per month.)

PST collected must be remitted on the vendor's next PST return, due on 20th day of the following month.

For additional information on filing your tax return see Information Bulletin PST-5, *General Information* available at: http://www.finance.gov.sk.ca/Bulletins/ProvincialSalesTaxBulletins

Insurance Purchased From an Unlicensed Vendor

When a taxable insurance contract is purchased from an insurance company that is not licensed to collect the PST, the customer must self-assess and remit the tax directly to the Revenue Division. Individuals must pay the tax using a Casual Return Form. Businesses are required to self-assess the tax and report it on their PST return. PST is payable at the time of purchase.

The Casual Return Form used to self-assess and report the tax may be found at the following link: http://finance.gov.sk.ca/forms/provincialsalestaxforms/CasualReturn.pdf

D. FEES & CHARGES IN RELATION TO INSURANCE CONTRACTS

The PST at the rate of 6 per cent applies to the total premium charged under taxable contracts of insurance.

The total of all fees and charges invoiced in relation to a taxable insurance contract are subject to tax, including:

- Premiums,
- Administration fees,
- Placement fees,
- Risk consultation fees,
- Insurance broker fees,
- Commissions, and
- Enrollment Fees

The following charges are not subject to PST if segregated and shown separately:

- Financing fees applied when customer opts to pay by instalments
- NSF fees

E. TAXABLE INSURANCE CONTRACTS

PST applies to the total premium charged for contracts of insurance that are effective on or after August 1, 2017, with the exception of those listed as exempt in Sections F and G of this bulletin.

For taxable insurance contracts including property insurance, health insurance, group insurance, term life insurance, and contracts with an indefinite term, all premiums that are payable and relate entirely to a coverage period on or after August 1, 2017 are subject to PST.

The following are examples of insurance contracts that are subject to PST:

- Insurance on goods, land, buildings and any other property located in Saskatchewan (property includes vehicles not registered under *The Traffic Safety Ac*t)
- Insurance on vehicles registered under The *Traffic Safety Act*, including extended vehicle insurance, such as Auto Pak policies
- Life insurance*
- Accident, sickness and disability insurance*
- Group insurance contracts*
- Self-insurance and Administrative Services Only (ASO) arrangements
- Liability insurance
- Mortgage insurance
- Surety, fidelity and guarantee insurance
- Credit and credit protection insurance
- Aircraft insurance
- Cargo Insurance / Goods in transit insurance
- Builder’s risk insurance
- Title insurance
- Identity theft insurance
- Executor insurance – regardless of where the estate is located*
- Trip cancellation insurance

* *PST applies to Saskatchewan residents only. See Section H for information on allocating for taxable and exempt coverage.*

F. INSURANCE CONTRACT EXEMPTIONS

The following insurance contracts are not subject to PST:

- Individual permanent life insurance policies in effect prior to August 1, 2017. (New policies effective on or after August 1, 2017 will be subject to PST.)
- Reinsurance contracts
- Annuity insurance contracts
- Property insurance for property located outside Saskatchewan
- Liability insurance covering risks located outside of Saskatchewan
- Insurance in respect of the life, health or well-being of an individual who is not ordinarily resident in Saskatchewan
- Insurance contracts purchased by employers covering employees who are not ordinarily resident in Saskatchewan. See Section H for information on insurance contracts subject to proration.
- Contributions or premiums paid under the *Canada Pension Plan, Employment Insurance Act (Canada)* and *The Workers Compensation Act, 2013*
- Insurance contracts purchased by federal government departments and agencies

  Note: Insurance contracts **are** subject to PST when purchased by:

  - Federal government Crown corporations,
  - Provincial government ministries, agencies or Crown corporations, or
  - Any other level of government (e.g. municipalities, RMs, etc.)

G. INSURANCE SALES TO FIRST NATIONS

Contracts of insurance purchased by Status Indians, Indian Bands or non-commercial band-empowered entities pertaining wholly to their property situated on a reserve as defined in the *Indian Act* (Canada), or for risks, perils or events that relate wholly to an activity or location on a reserve are exempt from PST.

Contracts of insurance in respect of a Status Indian who is ordinarily resident on a reserve are also exempt from PST.

Proration will be necessary when the above insurance pertains to subject matter that is both on-reserve and off-reserve.

Contracts of insurance purchased off-reserve by Status Indians or Indian Bands are subject to tax at the time of sale unless the vendor of insurance ensures that:

- The purchaser's *Certificate of Indian Status Card* number or band number is recorded on the invoice, and
- The purchaser completes an ***Exempt Sales Certificate*** attesting that the insurance purchased by the Status Indian, Indian Band or non-commercial band-empowered entity pertains wholly to their property situated on a reserve as defined in the *Indian Act* (Canada), or is for risks, perils or events that relate wholly to an activity or location on a reserve, or is in respect of a status Indian who is ordinarily resident on a reserve.

  The *Exempt Sales Certificate* for insurance is available on our website at: http://www.finance.gov.sk.ca/ProvincialSalesTaxForms

The complete 10 digit card number must be recorded on the sales invoice. If the federal identification card number is only three to five digits, record the number and the name of the band on the sales invoice.

The exemption from PST does not extend to insurance contracts purchased by corporations owned by Status Indians or Indian Bands, whether located on or off reserve. No exemption is provided where the purchase is made in the name of a commercial Indian corporation.

A joint purchase between a status Indian and non-status individual is also subject to tax.

H. ALLOCATION FOR TAXABLE AND EXEMPT COVERAGE

1) Taxable and Exempt Components

When an insurance contract contains both taxable and exempt coverages, the value of the taxable and exempt components must be segregated in the insurance contract, with PST applied to the taxable portions.

If these amounts are not segregated, PST applies to the total contract value unless proration is possible as set out below.

2) Prorating for Insurance Contracts that Cover Multiple Jurisdictions

Insurance contracts that include coverage with respect to matters outside Saskatchewan are taxable on the portion that relates to Saskatchewan. The allocation to Saskatchewan is to be determined on the basis that is most reasonable in the circumstances, such as:

- The insured value of property in Saskatchewan as a percentage of the total insured value of property in all jurisdictions
- For contracts covering employees both inside and outside Saskatchewan, the portion that covers Saskatchewan based employees.
- For railways, interprovincial carriers and international carriers, the distance travelled in Saskatchewan as a percentage of the total distance travelled.

Examples of Proration for Property Insurance

The taxable value is the amount T calculated using the following formula:
$T = P/I \times C$

Where:

P - is the total insured value of the contract of insurance in or relating to Saskatchewan,
I - is the total insured value of the contract of insurance, and
C - is the total premium due for the entire contract of insurance

Example 1:

A person insures a house in Saskatchewan for $800,000 and a cottage in Alberta for $200,000 under one insurance policy. The annual policy premium amount is $2,000. PST does not apply on the insurance that relates to the Alberta cottage if the coverage is segregated on the invoice.

If the premium is not shown separately, the taxable value (T) for application of the PST may be calculated using the formula as follows:

T = (800,000/(800,000+200,000))x2,000 = $1,600

Example 2:

A Status Indian, who is a farmer with farmland both on and off reserve, purchases insurance wherein the farmland on reserve is valued at $500,000 and the farmland off reserve is valued at $1,500,000. The policy specifies that premiums of $400 are due monthly. PST does not apply to the insurance related to the on-reserve farmland; therefore the insurance contract for the farmland must be prorated to only apply PST to the off-reserve land.

The taxable portion of the monthly premium (T) for application of the PST may be calculated using the formula as follows:

T = (500,000/(500,000+1,500,000))x$400 = $100

I. AGRICULTURE INSURANCE

Crop and Livestock Insurance

PST applies to all farm-related insurance products from all providers. This includes crop and livestock insurance.

In the case of agricultural insurance, the PST will apply where the policy effective date is on or after August 1, 2017. Crop and livestock insurance policies already in effect before August 1, 2017, will not be subject to PST for the duration of the policy year.

Hail Insurance

Hail insurance, whether purchased from Saskatchewan Municipal Hail Insurance Association (SMHI) or other companies selling hail insurance, is taxable.

The PST will apply where the policy effective date is on or after August 1, 2017. Hail insurance policies already in effect before August 1, 2017, will not be subject to PST for the duration of the policy year.

Margin / Income Insurance

AgriStability and similar margin support programs are deemed to be insurance and are therefore taxable.

The PST will apply where the policy effective date is on or after August 1, 2017. Policies already in effect before August 1, 2017, will not be subject to PST for the duration of the policy year.

Note: PST collected can be remitted by insurers (line companies), brokers, or agents. However, PST must be levied, collected and remitted on the gross premium amount and the insurance company is responsible for collection and remittance of tax on contracts where a broker or agent does not collect the tax.

J. INDIVIDUAL PERMANENT LIFE INSURANCE

Individual permanent life insurance contracts, including whole and universal life insurance, in effect prior to August 1, 2017, will not be subject to PST, including all future premium payments with respect to these contracts.

New individual permanent life insurance contracts, including whole life and universal life insurance contracts entered into, on or after, August 1, 2017 are subject to PST.

K. GROUP INSURANCE

Group insurance covers the participants of a specified group under a master policy, which is an insurance policy issued to the person who makes the insurance products available to its members. These policies will describe the coverage, conditions and eligibility criteria to those covered by the insurance. Individuals covered by the policy do not receive separate policies.

Example:

Universities may offer life insurance to their alumni. The university is the holder of the master policy. The insurance company does not issue individual policies to each alumnus. The insurance coverage is group insurance and PST applies to the premiums.

Employer Premiums

Employer premiums under group insurance are taxable depending on the place of employment, not on residency.

Employee Premiums

Employee premiums under group insurance are taxable depending on both the place of employment and residency. An employee must live and work in Saskatchewan for the employee premiums to be taxable.

Where the employee lives	Where the employee works	Employer premiums	Employee premiums
Saskatchewan	Saskatchewan	Taxable	Taxable
Outside Saskatchewan	Saskatchewan	Taxable	Exempt
Saskatchewan	Outside Saskatchewan	Exempt	Exempt

L. BENEFITS PLANS

Benefits plans provide protection against risk to an individual that could otherwise be obtained by taking out a contract of insurance, whether the benefits are fully insured or not. Protection against risk to an individual includes any undertaking to pay on death, or disability; for supplemental health care (e.g. drugs, dental, vision or hearing care); for protection against loss of income due to illness or accident; or that provides any other similar benefits to an individual. Plans include funded benefits plans, unfunded benefits plans and qualifying trusts.

A planholder is the person who provides a benefits plan or contracts with a service provider on behalf of the plan, and may include an employer and/or labour organization under a multi-employer benefits plan and the trustee of a qualifying trust.

Multi-Employer Benefits Plans

A multi-employer benefits plan (MEBP) provides employees of two or more unrelated employers protection against risk to an individual under a single funded benefits plan.
A MEBP is generally provided where unionized employees work for more than one employer (e.g. construction trades). Such plans are jointly established by the union and the employers under a collective agreement to provide health and welfare benefits to the employees. The various employers contribute amounts to the plan based on each employee's earnings. Each employer is responsible for adding 6 per cent PST to their contributions to the plan. Employers are also responsible for collecting and remitting PST on any employee contributions into a plan.

Funded Benefits Plan

A funded benefits plan (including a MEBP) is a plan where the amounts paid by the planholder into the fund from which benefits are to be paid, exceeds the amounts required for payment of the benefits foreseeable and payable within 30 days after such amounts are paid into the fund. These amounts are taxable premiums. PST is payable at the time the planholder pays amounts into the plan. PST also applies to any amounts paid by members in order to receive benefits under the plan.

Unfunded Benefits Plan

An unfunded benefits plan is a plan where payments are made by the planholder directly to or on behalf of plan members or to the vendor upon the occurrence of risk. PST applies to the claims paid by the planholder and to any amounts paid by the members in order to receive benefits under the plan (e.g. administrative fees).

Qualifying Trusts

A benefits plan may also be in the form of a qualifying trust from which benefits are paid to plan members. A qualifying trust means a trust that is established to provide members and others with protection against risk to an individual that could otherwise be obtained by taking out a contract of insurance, whether the benefits are partly insured or not.

A qualifying trust comes into existence when it contains contributions that exceed three years worth of benefits payable to its members, unless otherwise prescribed. A trust is a qualifying trust if it qualifies as an employee life and health trust under subsection 144.1(2) of the *Income Tax Act (Canada)* at any point in time. A qualifying trust cannot be designated as a funded or an unfunded benefits plan.

The planholder in a qualifying trust is required to pay PST on any amounts paid out as benefits to plan members, less any amount paid to the planholder by members in order to receive benefits under the plan. The planholder is also required to collect PST on any amounts paid by members in order to receive benefits under the plan.

Administrative Services Only (ASO) Agreements

Where there is an ASO agreement (a contract between an employer and a third-party administrator), the premiums (for funded plans) or payments to claimants (for unfunded plans) can include dues, assessments, or administrative costs and fees paid for the administration of the plan. PST must be collected on these charges and also on the premium or the payment amounts.

Designation of Benefits Plans

To allow for a proper determination of the timing of the PST liability on benefits plans, planholders who establish a new benefits plan (other than a qualifying trust) must designate in writing whether the benefits plan is intended to be a funded or an unfunded benefits plan, and the designation will apply until the planholder advises the Ministry of Finance a change to the status of the plan.

Finance will accept the agreement entered into between the plan holder and the administrator as sufficient evidence of the designation. The designation must be filed with the administrator (including self-administered plans) at the time the plan is set up or within 30 days of the first payment by the planholder to the administrator. Where a benefits plan employs multiple administrators for various types of benefits under the plan, the designation must be filed with each administrator.

Each class of benefits administered under separate plans by an administrator will require separate designations. The administrator is responsible for charging, collecting and remitting the applicable PST on the premiums paid to it for the service it administers.

Designating a benefits plan as either funded or unfunded determines the timing of the PST liability. The administrator can rely on the planholder's election of funded or unfunded status to determine how to charge, collect and remit PST on the premiums. If a planholder's designation conflicts with their actual funding practices, the planholder will be solely liable for any shortcomings in tax reporting and remittance. Where a plan holder self-administers a plan or a third-party administrator has no responsibilities under the plan for payment of the benefits or collection of amounts used to pay benefits (benefit adjudication only), then the liability for the remittance of the applicable PST remains with the plan holder.

Changing the Designation of a Benefits Plan

If a benefits plan is re-designated as an unfunded benefits plan, no PST will be payable in respect of benefits paid to members out of contributions on which PST was previously paid. If an unfunded benefits plan is re-designated as a funded benefits plan, PST will be payable in respect of the total amount in the plan as of the date of the change. Planholders must advise Finance in writing of any change in the designation of the plan.

Reciprocal Insurance Exchange (RIE)

A reciprocal insurance exchange (RIE) is an unincorporated group of persons called subscribers who mutually insure one another, thereby sharing in one another's risk. RIEs must register for a vendor's licence with Finance and charge, collect and remit PST on the contributions made by their subscribers. RIEs may purchase contracts of reinsurance from insurance companies exempt from PST.

M. ENDORSEMENTS (Amended Coverage)

Endorsements added to an insurance contract on or after August 1, 2017, will follow the tax status of the premiums for that insurance contract.

N. REFUNDS AND AMENDMENTS

Cancelled or Reduced Coverage

When a taxable insurance contract is cancelled or the coverage is reduced before the end of the term, any refunded insurance premiums should include the proportionate PST amount. The tax that is refundable is based on the refundable insurance premiums.

Example:

A taxable insurance contract valued at $1,000 is entered into on October 1, 2017. The total payable for the contract including PST is $1,060. Part way through the coverage period, the contract is cancelled and $400 of the insurance premium is refunded. PST of $24 ($400 x 6%) is refundable for a total refund amount of $424. The vendor of the contract can deduct the PST refunded from their tax collected in the period and remit the net amount on their PST return form.

Note: PST refunds can only be claimed within four years from the date of overpayment.

O. GENERAL PST REQUIREMENTS FOR BUSINESSES

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.[1]

Goods and Services For Your Own Use

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

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1 Information Bulletin PST-58, *Information on the Taxation of Used Goods*

P. PURCHASES RELATED TO AN INSURANCE CLAIM

PST applies to taxable goods and services purchased in connection with an insurance claim. For example, when services are purchased to repair a damaged vehicle as part of a claim, the service provider is required to collect PST on this taxable service.

Q. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. The Saskatchewan Electronic Tax Service (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: sask.tax.info@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 on the Internet at:
http://www.finance.gov.sk.ca/taxes

To receive automatic email notification when this or any other bulletin is revised, go to www.finance.gov.sk.ca/taxes, click on the “What’s New” information then click on the “subscribe” button.