

# Information Bulletin

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VPT-1

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## THE VAPOUR PRODUCTS TAX ACT

### VAPOUR PRODUCTS TAX

This bulletin has been prepared to help you apply and collect the Vapour Products Tax (VPT) and to assist you in understanding your obligations under *The Vapour Products Tax Act*. It is a general guide and not a substitute for the legislation.

*Changes to this notice are indicated by a (I) in the margins.*

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#### A. GENERAL INFORMATION

Effective September 1, 2021, Vapour Products Tax (VPT) at the rate of 20% applies to all vapour products pursuant to *The Vapour Products Tax Act*.

Provincial Sales Tax (PST) at the rate of 6% applied to vapour products sold through August 31, 2021. Vapour products sold after this date are no longer subject to PST. **Either VPT or PST applies, not both.**

**Note:** For information on how GST applies with VPT, or for other GST questions, please contact the Canada Revenue Agency (CRA) at 1-800-959-8287 or visit the [Government of Canada website](#).

## B. REGISTRATION REQUIREMENTS AND VENDOR RESPONSIBILITIES

All vendors of vapour products are required to be registered with the Ministry of Finance as a VPT Licensed Vendor for the purpose of collecting and remitting VPT on taxable sales. The Application for Registration is available at [sets.saskatchewan.ca](https://sets.saskatchewan.ca) beginning August 1, 2021.

All businesses must also be registered for Provincial Sales Tax (PST) in order to collect and remit PST on the sale of PST taxable items, and to report any tax payable on equipment, supplies and taxable services purchased for their own consumption or use. For further information regarding PST responsibilities and tax return filing, please see Information Bulletin [PST-5, Registration and Reporting Requirements](#).

### How to Apply (beginning August 1, 2021)

Businesses may apply for a VPT Licence using one of the following methods:

1. Register Online using SETS which is an online service that offers a secure, fast and convenient way to register your business to collect and report provincial taxes.
  - New Businesses may submit their application by completing the online [New Business Registration](#) form to apply for a PST, LCT, VPT, BCP and/or IFTA Licence.
  - Businesses that are already registered under another tax program may apply for a VPT Licence by logging into their SETS account and submitting a Service Request to Add account.

For further SETS instruction please visit [SETS Learning](#).

2. Mail-in:
  - New or Existing Businesses may complete and submit a [Registration Form](#) by email to [SaskTaxInfo@gov.sk.ca](mailto:SaskTaxInfo@gov.sk.ca), or mail to:

Ministry of Finance  
Revenue Division  
PO Box 200  
Regina SK S4P 2Z6

### Your Responsibilities

As a vendor under *The Vapour Products Tax Act* you are required to:

- Quote your vendor's licence number when you buy goods tax free from your suppliers for resale. **Please note that a vendor's licence does not allow you to purchase goods that are not for resale without paying the tax.**
- Collect VPT at 20% on the sale of vapour products.
- Show the tax as a separate amount on all sales documents provided to your customers.
- Refund the VPT on returned vapour products if the purchase price is refunded to the customer.
- Pay VPT on vapour products for your own use (see [Section E](#) for further information).

- Keep complete and up-to-date records of all your business transactions. You should not destroy these records unless permission has been granted by Finance. Records must be retained for at least six years and may then be destroyed without permission from Finance. See Section G for further information.
- Report and remit the VPT collected by the due date shown on the tax return. If you have no tax to report, you must still file a NIL return. See [Section F](#) for further information.
- Notify Finance, if you discontinue or sell your business, or if there is a change in your business name, business location or mailing address.

#### C. VPT AND MARKETPLACE FACILITATOR

- **Marketplace Facilitator** means a person:
  - that makes or facilitates a marketplace for retail sales by marketplace sellers; and,
  - that, directly or indirectly, collects payment from a consumer or user and remits payment to a marketplace seller; whether or not that person receives consideration in exchange for its services.
- A **Marketplace Seller** means a person that makes retail sales through any physical or electronic marketplace operated, owned or controlled by a marketplace facilitator.

Online marketplace facilitators that make or facilitate the sale of vapour products delivered in Saskatchewan must be licensed for purposes of collecting and remitting Saskatchewan VPT.

For further information, please see [IN 2021-05, VPT and Marketplace Facilitators](#).

#### D. RETAIL SALES OF VAPOUR PRODUCTS

All retail sales of vapour products are subject to VPT at 20%. The VPT must be collected on the selling price to the customer and must be shown as a separate line item on the receipt.

Vapour products taxable at 20% under *The Vapour Products Tax Act* include:

- E-cigarettes and other vaping devices
- Cartridges, parts and accessories for these devices
- E-substances (vaping substances)

##### E-Cigarettes, Cartridges, Parts and Accessories

E-cigarettes include any vaping device that is capable of vapourizing an e-substance (vaping substance) for inhalation. Most vaping devices consist of a mouthpiece, an electronic or battery-powered heating element, and a cartridge/container for an e-substance. Vaping devices may be single use or refillable.

Examples of vaping devices subject to VPT at 20% include the following, along with the related cartridges, parts and accessories:

- Electronic cigarettes (e-cigarettes)
- Electronic nicotine delivery systems (ENDS)
- E-hookahs
- Mods
- Pod systems
- Tank systems
- Vape pens
- Dab pens
- E-nails
- Multi-use devices capable of vaporizing e-substances
- Any other devices used to inhale e-substances
- Batteries, components, and parts designed for use in vaping devices

**Note:** The following devices are not subject to VPT. These items remain subject to PST at 6%:

- Dry herb vaporizers intended for use only with dried cannabis within the meaning of *The Cannabis Control (Saskatchewan) Act*;
- Cannabis filled single use vape pens;
- Cannabis filled vaping cartridges when billed separately from the total price of a VPT applicable vaping device (if not segregated on the invoice, VPT applies to the total amount);
- Devices for use with heated tobacco products that are not capable of vaporizing an e-substance.

For further information regarding the application of PST to cannabis products, please see Information Bulletin [PST-74, Cannabis](#).

### **E-Substances**

E-substances (vaping substances) include a solid, liquid or gas that on being heated produce a vapour for use in an e-cigarette (vaping device), regardless of whether or not it contains nicotine.

Examples of e-substances taxable at 20% under *The Vapour Products Tax Act* include:

- E-juice (for use with pens, mods etc; may contain nicotine or may contain no active ingredients)
- Pods for use with pod systems

**Note:** The following items are not subject to VPT. These products remain subject to PST at 6%:

- Cannabis products as defined in *The Cannabis Control (Saskatchewan) Act*;

- Cannabis filled single use vape pens; and,
- Cannabis filled vaping cartridges when billed separately from the total price of a VPT applicable vaping device (if not segregated on the invoice, VPT applies to the total amount).

For further information regarding the application of PST to cannabis products, please see Information Bulletin [PST-74, Cannabis](#).

Heated tobacco products are subject to tax under *The Tobacco Tax Act*. Please see Information Bulletin [TT-1, General Information](#) for further information. In addition, PST applies to the retail sale of tobacco products.

### **Exempt Sales**

Sales of vapour products to the following are exempt from VPT:

- Other vendors for resale providing their VPT Vendor's Licence number is recorded on the invoice or retained in the supplier's records.
- Residents or non-residents providing the goods are shipped or delivered out of the province by the retailer.
- Status Indians, Indian bands and non-commercial band-empowered entities providing the goods are delivered to the reserve by the retailer and the *Certificate of Indian Status Identification Card* number or band number is recorded on the invoice. The complete 10-digit card number must be recorded on the 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. **Proof of delivery to a reserve must be retained.** Please see Information Bulletin [PST-63, Sales to First Nations Individuals and Organizations](#) for further information.

### **E. PURCHASING VAPOUR PRODUCTS FOR RESALE**

Vapour products for resale may be purchased exempt from VPT by quoting your VPT Vendor's Licence number to your suppliers. Vapour products that are not for resale may not be purchased exempt from VPT.

Suppliers of vapour products are not required to collect VPT on sales to other vendors for resale providing the purchaser's VPT Vendor's Licence number is recorded on the invoice or retained in the supplier's records.

### **F. VAPOUR PRODUCTS FOR PERSONAL OR PROMOTIONAL USE**

Vapour products purchased for promotional purposes, samples, prizes or gifts are subject to VPT at the time of purchase. Vapour products purchased for your own use are also subject to VPT.

When these items are taken from resale inventory, the VPT must be self-assessed and reported as consumption tax on your VPT return.

**G. FILING YOUR TAX RETURN**

You are required to submit tax monthly, quarterly or annually depending on your anticipated tax collection amounts. The filing frequency is established as follows:

<b>Filing Frequency</b>	<b>Thresholds</b>
Monthly	Over \$12,000
Quarterly	\$4,800 to \$12,000
Annual	Under \$4,800

**Note:** Tax clients may choose to file returns on a more frequent basis by submitting a Service Request online through your SETS account, or by contacting our office.

**How to File**

There are several ways to file your VPT return. Returns can be filed completely online using Saskatchewan eTax Service (SETS), which is an online service that offers a secure, fast and convenient way to file your VPT return. There are two ways to file using SETS:

- [File using SETS as a Registered User \(log in or sign up on the homepage\)](#)
- [File your VPT return without signing in](#)

Registering for SETS will allow you to access all your provincial tax accounts, see past transactions, view statement of account, etc. Please review Section M for more details regarding SETS.

VPT Returns can also be filed by mail:

- Complete the VPT return form received by mail;
- Make cheque payable to the Minister of Finance; and,
- Forward completed form along with payment to:  
Ministry of Finance  
Revenue Division  
PO Box 200  
Regina SK S4P 2Z6

Or by courier to:

Ministry of Finance  
4th Floor  
2350 Albert Street  
Regina SK S4P 2Z6

Payments due for returns can be made electronically:

- online using SETS (Interac or Electronic Funds Transfer (EFT)); or,
- through your personal or business online banking services; or,
- through wire transfer.

You may also remit your tax payment non-electronically:

- by mailing your cheque to the address above; or,
- by paying through a bank teller at your financial institution (at least 10 days prior to due date).

### **Due Dates**

The due date for Vapour Products Tax (VPT) returns filed and paid electronically is extended to the last day of the month following the end of the reporting period.

The due date for non-electronic filing (e.g. paper filing) of returns and payments, is the 20<sup>th</sup> day of the month following the end of the reporting period.

For example, the September, 2021 return due date for a business filing monthly is as follows:

- Electronic filing and payment - September, 2021 return is due October 31<sup>st</sup>, 2021
- Non-electronic filing or payment - September, 2021 return is due October 20<sup>th</sup>, 2021

**Note: Returns and payments must be received in our office by the due date. Penalty and interest charges are applied to amounts that are not remitted by the due date. A tax return form must be completed for each reporting period.**

### **VPT Return Form**

For the reporting period September 1, 2021 and forward, the LCT Return Form has been amended to include reporting for Vapour Products Tax (VPT). Boxes A to F will be zero if you do not sell liquor/alcoholic beverages.

## **H. RECORD KEEPING REQUIREMENTS**

Businesses are required to keep complete records of all business transactions. Records must not be destroyed unless permission from Finance has been obtained. Records that are at least six years old may be destroyed without obtaining permission.

*The Revenue Collection Administration Regulations* requires the following financial records to be maintained:

- Details of daily sales of tangible personal property, including sales invoices summarized periodically, whether weekly, monthly or quarterly.

- Details of daily purchases of tangible personal property and taxable services, including purchase invoices summarized periodically, whether weekly, monthly or quarterly.
- Details of daily tax collections and their disposition summarized periodically, whether weekly, monthly or quarterly.
- Annual inventories in accordance with established business practices.
- Books, records and accounts necessary for the preparation of annual financial statements sufficient to indicate gross profit, net profit, assets and liabilities.
- Details of items taken out of stock for your own use or consumption, or supplied to your employees.

All entries concerning the VPT in any books, accounts, records and documents described above are to be kept separate and distinguishable from other entries.

## I. **ENFORCEMENT PROVISIONS**

Finance will audit the records of businesses on a routine basis. When it is determined that tax has not been properly accounted for, the business is assessed the amount of tax owing plus penalty and interest charges, as outlined below.

### **Failure to Comply**

Non-compliance can result in the suspension of your VPT Vendor's Licence issued under *The Vapour Products Tax Act*. If your VPT Vendor's Licence is suspended, you will not be allowed to purchase goods for resale exempt from VPT and you will no longer be allowed to sell vapour products.

### **Corporate Director's Liability**

In certain circumstances, corporate directors may be held personally liable for taxes collected but not remitted by a corporation.

Directors may be held personally accountable for a corporation's tax liability when collection efforts against the corporation have failed or when a corporation becomes bankrupt or commences other liquidation proceedings. Directors may only be held liable if the corporation fails to collect or remit the tax (as opposed to taxes payable by the corporation). A director may avoid liability by demonstrating that reasonable steps were taken to ensure that the corporation remitted its tax collections.

### **Penalties for Failing to Remit Tax**

Penalty and interest charges are applied to taxes that are not remitted by the due date. These charges are necessary to ensure that taxes are collected and remitted on time.

### **Penalty Applied to Late Returns**

A penalty of 10 per cent of the tax payable, to a maximum of \$500, is applied to each return period.

**Note:** VPT and LCT are reported on the same return form, however, where a vendor reports both taxes, penalty applies to each tax separately, as applicable.

### **Penalty Applied to Audit Assessments**

The following penalties apply to audit assessments:

#### **Tax on Sales**

- A penalty of 10 per cent of the amount assessed, with no maximum, is applied to audit assessments for vapour product sales where the tax should have been collected from your customers, but was not.
- A penalty of 25 per cent of the amount assessed, with no maximum, is applied to audit assessments for VPT that has been collected from your customer but not remitted.
- A penalty of up to 100 per cent of the amount assessed, with no maximum, may be applied to audit assessments for VPT collected from your customer that willfully has not been remitted.

#### **Tax on Consumption**

- A penalty of 10 per cent of the amount assessed, with no maximum, is applied to audit assessments for vapour products that were taken from inventory for your own use or given away for promotional purposes, where the tax should have been self-assessed, but was not.

#### **Interest Charges**

Interest at the prime interest rate plus 3 per cent is charged from the date the tax was to have been remitted.

## **J. SELLING OR PURCHASING A BUSINESS**

When **selling** your business, please ensure that you:

- Provide Finance with the name of the new owner and the effective date of the sale.
- File a final tax return, within 15 days of your last day of business, for all taxes owing by the business and return your vendor's licence for cancellation.
- On a bulk sale of assets, contact Finance to obtain a certificate, in duplicate, issued by our office confirming that all outstanding taxes have been paid. The duplicate copy should be provided to the purchaser of your business.

When **purchasing** an established business, please ensure that you:

- [Apply](#) for a VPT Vendor's Licence and register for PST (see Information Bulletin [PST-5, Registration and Reporting Requirements](#)).
- Report and remit PST to Finance on the purchase of any new and used assets acquired. The purchaser must report and remit the tax within 30 days from the purchase date using a

[Business Assets Declaration Form](#). For further information on the application of PST to business assets, please refer to the [Business Assets Declaration Form Guidelines](#).

- Obtain a copy of the certificate, issued by Finance to the seller, confirming that all outstanding taxes have been paid by the seller. If you fail to obtain this certificate, you may be held liable for taxes not remitted by the seller.

#### **Obtaining a Clearance Certificate**

The seller or purchaser of a business may request a clearance certificate by contacting our office via phone, email or fax as provided at the end of this bulletin.

#### **K. CORRESPONDING WITH THE MINISTRY OF FINANCE**

When corresponding with Finance, please quote your VPT Vendor's Licence number or Federal Business Number (BN). This helps to ensure that your tax account is updated correctly.

#### **L. TAXPAYER SERVICE COMMITMENTS AND STANDARDS CODE**

The Revenue Division of Finance is committed to continually strive to improve the standard of the services we provide to businesses and taxpayers, and to be accountable for the quality of the services we provide.

The [Taxpayer Service Commitments and Standards Code](#) describes the fairness and service principles that we follow while administering Saskatchewan's taxes and related programs.

#### **M. TAX TIPS LINE**

When a business or individual does not comply with provincial tax legislation, businesses face unfair competition and a burden is placed on all taxpayers who do comply. It causes significant loss in the revenue available to fund services such as health, education and other important government programs.

Tax Tips Line provides an anonymous, fully confidential way for the public to report businesses or individuals who are participating in tax fraud. If you suspect that a business or individual is being dishonest with their provincial taxes or is misrepresenting their activities to reduce their taxes, you can report them using Tax Tips Line.

Please visit our website at [saskatchewan.ca/business/taxes-licensing-and-reporting/provincial-taxes-policies-and-bulletins/tax-tips-line](http://saskatchewan.ca/business/taxes-licensing-and-reporting/provincial-taxes-policies-and-bulletins/tax-tips-line) to find out more regarding types of tax fraud and the information to report, if possible.

Tax Tips Line is specifically and solely for information related to provincial tax compliance. Any unrelated inquiries or information will not be addressed by the Tax Tips Line, and should be directed to the appropriate organization.

How to Report:

- 1) Toll-free 1-833-334-8477
- 2) Write: Ministry of Finance  
Revenue Division  
PO Box 200  
REGINA SK S4P 2Z6
- 3) [Online Form Submission](#)

**N. SASKATCHEWAN eTAX SERVICES (SETS)**

Finance has made it possible to report and remit tax electronically through a secure, fast, easy and convenient online self-service portal. Several services are currently available to businesses through SETS ([sets.saskatchewan.ca](https://sets.saskatchewan.ca)):

- Register for secure, self-managed access to all your tax accounts.
- Apply for a new tax account.
- File and pay returns and amend previously filed returns.
- Make payments on account, including post-dated payments.
- View account balance and statement information.
- Authorize employees or accountants to file on your behalf.
- Receive notifications by email when a tax return should be filed. This replaces the paper forms usually sent in the mail.
- Submit a service request to update the mailing address or add a new business location.
- Submit a service request to receive tax information, interpretations or rulings related to your specific business activities.
- View and download up-to-date tax information promptly.
- Subscribe to receive email notifications when new and revised tax publications are available.

**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](mailto:sasktaxinfo@gov.sk.ca)

Internet: Tax bulletins, forms and information are available at [saskatchewan.ca/business-taxes](https://saskatchewan.ca/business-taxes).

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Government website: [Saskatchewan.ca](https://Saskatchewan.ca)