

Provincial Sales Tax: Application to Recreation Admission Fees

ISSUE

In its 2022/23 Budget, the Government of Saskatchewan announced it was expanding the Provincial Sales Tax (PST) base to cover previously exempted services and align the tax base, as close as possible to the federal Goods and Services Tax (GST). As a result, the 6% PST will apply to the admission rates and fees for access to City of Saskatoon (City) recreation facilities. What will be the implications, the provincial tax policy change will have, on City recreation facilities and programs?

BACKGROUND

At the 2022-2023 Business Plan and Budget meeting in November 2021, City Council approved the 2022 and 2023 admission rates and fees for the City recreation facilities and programs. The rates and fees approved included the following:

- 1) Rates for indoor arenas for 2022 and 2023, effective October 1, 2022 to September 30, 2024;
- 2) Golf course rates and fees for the three City of Saskatoon municipal golf courses, effective April 1, 2022 to March 31, 2024;
- 3) Rates and fees for Charge for Use sport fields for 2022 and 2023;
- 4) Nutrien Playland at Kinsmen Park (Nutrien Playland) admission rates and group rental rates for 2022 and 2023;
- 5) Saskatoon Forestry Farm Park and Zoo (SFFPZ) 2022 and 2023 rates and 2022 to 2024 rental fees;
- 6) Gordon Howe Campground rates and fees for 2022 and 2023;
- 7) Indoor Leisure Centres and Outdoor Pools rental rates for the period of September 1, 2022 to August 31, 2024; and
- 8) Registered recreation program and swim lessons rates, effective April 1, 2022 to March 31, 2024 and admission rates effective January 1, 2022 to December 31, 2023, at the Indoor Leisure Centres and Outdoor Pools.

The approved rates and fees, combined with budgeted volumes, formed the basis of the revenue budgets for the City's recreation facilities. Depending on the specific facility or program, the rates and fees were presented as including the GST, or net of GST. In either case, the base rate net of tax is the rate used to calculate the budgeted revenues for the City's recreation facilities and programs. At the time of the 2022-2023 Business Plan and Budget process, admissions to recreation facilities were exempt from the PST of 6%.

In Budget 2022/23, the Government of Saskatchewan announced its intention to expand the PST base to include taxable admissions, recreation and entertainment charges for sporting events, concerts, museums, fairs, gym memberships and golf courses, among others. The intent behind the change was to "improve the fair and consistent application of Saskatchewan's taxes" by aligning the PST base, as much as

possible, with the GST base. These changes are to take effect October 1, 2022, subject to amendments to the *Provincial Sales Tax Act*.

In April 2022, the Minister of Finance introduced *Bill 84, The Provincial Sales Tax Amendment Act, 2022* to provide the legislative authority to expand the PST base. The Bill passed the Legislative Assembly on May 12, 2022 and received Royal Assent on May 18, 2022. Some parts of the Act came into force on Assent, while others come into force on October 1, 2022.

CURRENT STATUS

Currently, admissions to City recreation facilities and programs are exempt from the PST. As noted, on October 1, 2022, PST will apply on the same basis as the GST. Simply, when tax applies for GST purposes, PST will also now be applicable. All businesses and organizations, including municipalities, selling taxable admissions and recreation in Saskatchewan will be required to become registered with the Ministry of Finance as a Licensed Vendor for the purpose of collecting and remitting PST on taxable sales.

DISCUSSION/ANALYSIS

Administration has reviewed the information provided by the Government of Saskatchewan and where required, requested clarification regarding the changes to PST and the impact to City operations, specifically rates and fees to access the City's recreational facilities.

The following rates and fees for City recreation facilities will be subject to the 6% PST beginning October 1, 2022:

- 1) Indoor Arenas: public skating general admissions;
- 2) Golf Courses: green fees, Club6Packs and golf season passes;
- 3) Nutrien Playland: ride tickets and Play Packs;
- 4) Saskatoon Forestry Farm Park and Zoo: admissions and Zoo season passes;
- 5) Terry Fox Track: general admissions;
- 6) Indoor Leisure Centres: general admissions, Bulk Tickets, and LeisureCards;
and
- 7) Outdoor Pools: general admissions and Bulk Tickets.

Registered programs which are currently exempt from GST will also be exempt from PST. Those registered programs which are currently subject to GST will be subject to PST beginning October 1, 2022.

Administration confirmed that rates for the rental of spaces in civic facilities will continue to be exempt from PST, as a result to the amendments to *the Provincial Sales Tax Act* and will continue to be charged GST only. Some examples of rental opportunities at City facilities include rental of sport fields, meeting rooms, gymnasiums, ice rinks, pools, etc.

FINANCIAL IMPLICATIONS

There are no financial implications to the City's revenue budgets as the base rates remain the same as approved during the 2022-2023 Business Plan and Budget. Effective October 1, 2022, the rates that are impacted by the change to the Provincial Sales Tax Act will now have the 6% PST applied to the base rate, same as the process for the application of the 5% GST.

According to 2022/23 Provincial Budget, the expansion of the PST base is expected to generate \$10.5 million in fiscal 2022/23 and approximately \$21 million on an annual basis, thereafter for the provincial government. The City may see a slight increase in its future Municipal Revenue Sharing (MRS) Grant, all things remaining equal, because these changes affect PST revenues. The MRS is based on the equivalent of 75% of one percentage of all PST revenues collected by the provincial government in a fiscal year. As a result, Saskatoon's MRS in 2025 could rise by an estimated \$450,000 from this PST expansion, all things remaining equal.

A summary, of the rates affected by the change to the *Provincial Sales Tax* which will come into place October 1, 2022, is provided (see Appendix 1). The appendix also details the current rate, the rate effective October 1, 2022, when the PST change is implemented and the 2023 rates, with the addition of PST.

OTHER IMPLICATIONS

There are no legal, environmental, policy or social implications identified.

NEXT STEPS

The Recreation and Community Development Department has developed a communication and promotional plan to inform residents of the change to the cost of admission to civic facilities, resulting from the expansion of the PST base effective October 1, 2022. The plan includes a PSA, information in the Fall Leisure Guide, social media, onsite promotions, eNewsletter to leisure subscribers/customers, radio and online advertising, website information and internal communications. In addition, Administration has confirmed that any purchase of Season Passes, Club6Packs, LeisureCards, or Bulk Tickets prior to October 1, 2022 are exempt from PST, even though the usage will occur after the PST implementation date of October 1, 2022. As such, a 'Buy Now and Save!' promotional campaign to purchase passes prior to the implementation of the PST change will be launched in late August and September.

APPENDICES

1. 2022 - 2023 Rates and Fees for Recreation Facilities with PST

REPORT APPROVAL

Written by: Andrew Roberts, Director of Recreation and Community Development
Mike Jordan, Chief Public Policy and Government Relations Officer
Reviewed by: Clae Hack, Chief Financial Officer
Approved by: Lynne Lacroix, General Manager, Community Services