

BONDING AND CLEARANCE PROCESS AND ENSURING CONTRACTOR HOLDS A VALID LICENCE

Under Section 29 of *The Provincial Sales Tax Act*, non-resident contractors consuming or using equipment or other goods during the completion of a contract in Saskatchewan are required to:

- a) post a Guarantee Bond or cash deposit in an amount equivalent to 6% of the total contract amount, or
- b) obtain a clearance letter from the Ministry of Finance to provide to the principal.

It is recommended that the principal maintain a holdback of 6% until a clearance letter is provided or proof of bonding is obtained.

It is the responsibility of the principal to ensure that contractors comply with this provision as failure to do so can leave the principal liable for any taxes which the contractor fails to remit, in addition to possible fines and penalties.

Proof of Guarantee Bond

In the majority of cases, bonding is obtained prior to work commencing. Original bonds are to be forwarded to the Revenue Division and written confirmation will be provided upon receipt.

If proof of bonding has been obtained, the principal is not required to also maintain holdbacks for PST purposes. However, in the event that change orders are subsequently issued which increase the total contract value, a holdback must be maintained on those change orders or a bond rider must be obtained.

Clearance Letter on Final Payment

In cases where proof of bonding has not been obtained, before the final payment is made on a contract, the contractor must obtain a clearance letter from the Revenue Division and provide a copy of the letter to the general contractor or principal. To obtain a clearance letter, please:

- Visit our website at sets.saskatchewan.ca/taxinfo, or
- Call 1-800-667-6102, extension 0956, or
- Email contractorclearance@gov.sk.ca.

If the contractor does not pay the PST payable with respect to the contract, the general contractor or principal will be requested to withhold from any hold back an amount equal to the tax due, to a maximum of 6% of the contract amount, and remit this amount to the Revenue Division.

Generally, a clearance letter covers a specific contract for a specific customer. However, non-residents contracted for Master Service Agreements or similar arrangements are encouraged to request clearances on a monthly basis covering all jobs per customer within that month, versus on a job-by-job basis. For larger contracts spanning over a period of several months or years, a clearance may be requested for each progress period.

Principal's Obligation to Ensure Contractor Holds a Valid Licence

Section 29.01 of *The Provincial Sales Tax Act* requires the 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.

The 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/>. It is recommended that the principal maintain a print from the registry for audit purposes. Alternatively, a clearance letter for the contract would act as sufficient evidence that the contractor holds a valid licence.

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

Fax: 306-787-9644

Internet: Tax bulletins, forms and information are available at sets.saskatchewan.ca/taxinfo.

Government website: Saskatchewan.ca.