
PST-12

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THE PROVINCIAL SALES TAX ACT

INFORMATION FOR BUSINESSES PROVIDING SERVICES TO REAL PROPERTY

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.

The changes to this bulletin are indicated by a (I) in the left margin.

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A. REGISTRATION AND REPORTING REQUIREMENTS

Effective April 1, 2017, businesses providing services to real property are required to be registered with the Revenue Division as Licensed Vendors for the purpose of collecting and remitting PST on their sales of taxable goods and services. Licensed vendors must also report any tax payable on equipment, supplies and taxable services purchased for their own consumption or use.

Prior to April 1, 2017, contractors were issued Registered Consumer numbers. PST account numbers will no longer identify businesses as vendors or consumers therefore contractors with a Registered Consumer number will retain and use their existing number when reporting as a Licensed Vendor. Contractors not previously registered for PST are required to become licensed by completing and submitting the [Application for Vendor's Licence/Consumer Registration](#).

B. COLLECTION AND REMITTANCE OF TAX

Generally, PST must be collected on the invoice to the customer and remitted to the Ministry of Finance by the 20th of the following month (when filing monthly), regardless of whether the customer has paid their invoice/account in full.

For construction contracts where construction extends over a period of time, the written contract often calls for the purchaser to make progress payments as work on the project proceeds. These payments are not deposits and are usually for work completed, but may also be made in anticipation of work being completed.

The requirement for the collection of PST on progress payments aligns with the guidelines in place for the collection of GST. PST is collectible on each progress payment on the earlier of:

- The day the purchaser pays the progress payment, or
- The day the progress payment becomes due.

Where there are contract holdback amounts, PST is collectible on the amount of the holdback on the earlier of:

- The day the purchaser pays the amount of the holdback, or
- The day the holdback period expires.

For further information regarding vendor responsibilities and tax return filing, please see Information Bulletin [PST-5, General Information](#).

C. SERVICES TO REAL PROPERTY

Effective April 1, 2017, PST applies to services to real property. Taxable services include construction, alteration, repair, erection, demolition, remodeling, or improvement of real property or a building or other structure on real property, or any other service in relation to real property or a building or other structure on real property. Please see Section H for services that are exempt from PST.

The primary changes effective April 1, 2017, regarding the application of PST to real property services are as follows:

- Contractors performing services to real property are now licensed as vendors rather than consumers.
- Contractors are required to collect PST on the total charge to construct, alter, repair, erect, remodel or improve real property. PST must be shown as a separate line item on the invoice to the customer.
- Contractors must still pay tax on goods purchased for their own use or consumption, however materials sold or incorporated into a real property contract where PST is collected may be purchased exempt from PST.
- Builders of residential or commercial premises for resale must collect PST on the retail selling price of the premises, excluding the value of the land.

A contractor engaged in services to real property is required to collect PST on the total charge to the customer for the services, including all related charges and fees such as charges for labour,

materials, transportation, insurance, service fees, and any tax, levy or duty, other than the GST. PST must be shown as a separate line item on the invoice to the customer.

When PST is collected by a contractor on a contract for services to real property, only the materials sold or incorporated into the real property contract may be acquired exempt from PST by quoting their vendor's licence number to their suppliers.

Contractors may claim a credit for any PST that has been paid on materials sold or incorporated into a real property contract where PST is collected. Credits claimed will be subject to audit verification and can be used to reduce the tax reported and remitted.

When materials are taken from an exempt resale inventory for the contractor's own personal or business use, the PST must be self-assessed on the cost of the materials and remitted directly to Finance using the regular PST return form. PST continues to apply to new and used equipment, supplies/consumables and taxable services purchased for use in the contractor's business operations.

Contractors engaging in services to real property must not use a vendor's licence number to purchase materials or equipment exempt from PST when acquiring such goods for their own use or consumption.

Suppliers are required to search the customer's business name on the PST On-Line Registry to verify that a business holds a valid PST vendor licence before selling the goods or services tax free for resale. If valid, the vendor number must be recorded on the invoice at the time of sale or retained in the supplier's records. The online registry is available 24/7 and may be accessed at the following link: <http://www.skpstregistry.gov.sk.ca/>.

Note: For transition rules regarding services to real property please see Information Notice [IN 2017-02, Provincial Sales Tax – Services to Real Property](#) and [IN 2017-17, Land Development and Residential and Commercial Construction - Application of PST and Transition Rules](#).

D. EQUIPMENT, MATERIALS AND CONSUMABLES

Contractors and subcontractors acquiring materials that are resold or incorporated into a real property contract may purchase these items exempt from PST by quoting their vendor's licence number to their suppliers. This includes the following:

- Materials that are resold as part of the contract;
- Nails, screws and fasteners; and,
- Materials such as dimensional lumber, plywood and similar building materials used on site for bracing or to build forms for use on a particular contract.

Contractors and subcontractors are required to pay PST on their purchase cost of consumables and on the purchase cost or lease/rental cost of equipment used in the completion of a real property contract. These items may not be purchased exempt from PST. Examples include:

- All equipment and hand tools;
- Scrapers, pails, paint brushes, rollers, sleeves, trays and tape;
- Cutting attachments for power and air tools, such as blades and drill bits;
- Abrasives such as grinding wheels, sanding belts, discs and sandpaper;

- Electrical cords and extension cords;
- Gloves, safety glasses and coveralls; and,
- Tarps and blankets.

If PST is not collected by the supplier on the purchase of equipment and consumables, the contractor must self-assess and remit the tax directly to Finance using their regular PST return form.

Note: Non-resident contractors, please see Information Bulletin [PST-38 Information for Non-Resident Real Property and Service Contractors](#) for further information regarding the calculation of PST on taxable vehicles and equipment.

E. SURETY BONDS

A surety bond protects a principal against losses, up to the limit of the bond, should the contractor fail to perform their obligations under the contract. The contractor purchases the bond at the request of the principal, who is the beneficiary of the bond. The principal will then reimburse the contractor for this expense.

Since a surety bond provides protection to the principal against loss should the contractor default, it is considered an insurance product and the fees and/or premiums paid by the contractor to acquire the insurance are subject to PST.

The contractor is not required to collect PST on this item, providing it is listed and identified separately on the invoice to the customer.

F. SUBCONTRACTORS

Subcontractors are not required to collect PST on services provided to a contractor who is licensed as a vendor and indicates they are acquiring the subcontractor's service for resale, since the contractor will collect PST on the total charge to their customer. To purchase the services of the subcontractor without paying the PST, the contractor must quote their vendor's licence number to the subcontractor and the number must be recorded on the invoice.

G. BUILDERS OF RESIDENTIAL OR COMMERCIAL PREMISES

Builders of new residential or commercial premises for resale are required to collect PST on the retail selling price of the premises, excluding the fair market value of the land.

In these instances, the builder is not considered the consumer or user in the building of the premises, providing:

- (a) The premises are sold to the customer at fair market value;
- (b) The builder includes in the sale to the customer all materials and services to real property acquired and provided by the builder that form part of the value of the premises sold to the customer; and,

- (c) The premises remains in the builder's salable inventory and use of the premises does not change. (i.e. the premises remains for sale by the builder and is not used, rented, or otherwise occupied).

H. EXEMPT SERVICES

The following services are exempt from PST if they are provided separately and are not billed in connection with taxable services to real property. The contractor must pay PST on the laid-down cost of all equipment, materials and consumables used in providing these services.

- Collection, clearing and removal of garbage or debris from land that does not alter the land and does not form part of an otherwise taxable service such as a landscaping or demolition service;
- Snow clearing and snow removal services;
- Lawn & yard care services, including cutting, fertilizer or chemical application, aeration, thatching, mulching or mowing, and pruning; (**Note:** sprinkler blowout services are exempt from PST, however irrigation system installation and repairs are taxable);
- Pest control services;
- Septic services that involve emptying or pumping out sewage or effluent storage tanks;
- Grave digging services;
- Services that are a primary farming activity, including land clearing, land levelling, land reclamation or other services provided to a farmer for the purpose of either expanding cultivated acreage to grow crops or expanding the land available to animals for forage or grazing, and,
- Inspection or examination services completed:
 - For the purpose of providing a quote with respect to evaluating damages and estimating the cost of repairs;
 - As part of a general preventative maintenance schedule for the purpose of detecting or identifying potential repairs, and the repair or maintenance is completed separately from the inspection, not forming part of that inspection service;
 - For the purpose of ensuring that safety standards as required by law are met;
 - For the purpose of determining the remaining useful life of a component of tangible personal property that has been installed into real property; and,
 - To monitor the operations of a plant or facility, or a processing activity, or to collect data for further analysis.

I. CONSULTING AND SUPERVISION SERVICES

The application of PST to consulting and supervision services will depend on the nature of the services as follows:

- PST applies to charges for consulting and supervision when the duties directly relate to overseeing or assisting with the completion of taxable services, such as those outlined in Section C.
- Consulting and supervision services that relate to an exempt or non-taxable service, such as those outlined in Section H, are not subject to PST.

J. DEFINITION OF REAL PROPERTY

Real property includes land or buildings or property that is permanently attached to land or buildings. In general, goods become real property upon installation when affixed or attached to the land or building in a permanent manner (i.e. sunk into, cemented into, bolted to, built or framed into, plumbed or wired into, or otherwise secured), thereby becoming an integral component of the property. The goods become a permanent and substantial improvement to the real property, being attached to the building such that they add value and cannot be easily removed.

Examples of items that become real property when installed in a building or attached to land include windows, doors, light fixtures, furnaces, central air conditioners, railings, underground sprinklers, fences and plumbing materials.

In addition, items that are so large and heavy they cannot be moved may also be considered real property, even if they are not otherwise affixed to the land or a building. For example, most production machinery and equipment is considered to become real property after being permanently installed and becoming an integral component of a processing activity, regardless of being attached or affixed to the land or building.

K. CONTRACTORS WHO MAKE RETAIL SALES

A contractor who makes supply only sales must collect tax from the customer on the retail selling price of the items sold and show PST collected on the customer's invoice. The contractor may purchase the materials exempt from PST by quoting their vendor's licence number to their suppliers.

L. SERVICES TO REAL PROPERTY ON INDIAN RESERVES

Services to real property provided to Status Indians, Indian bands and non-commercial band-empowered entities are not subject to PST providing the services are performed on the reserve and the identification number shown on the *Certificate of Indian Status Identification Card* or the band number is recorded on the invoice.

The complete 10 digit identification 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.

M. BONDING AND CLEARANCE PROCESS AND ENSURING CONTRACTOR HOLDS A VALID LICENCE

1. Bonding/Clearance Requirement when Hiring Contractors

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 Saskatchewan.ca/PST, 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.

2. 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.

N. CASUAL RENTALS

Contractors who occasionally rent out their equipment must collect tax on the rental charge.

O. SALES OF USED BUSINESS ASSETS

Businesses are required to collect tax on the sale of used assets, such as taxable 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

P. 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.

Q. 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 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.

¹ [Information Bulletin PST-58, Information on the Taxation of Used Goods](#)

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](#)

R. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

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

Fax: 306-787-9644

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

To receive automatic email notifications when this or any other bulletin is revised, go to www.sets.saskatchewan.ca/subscribe.

Government website: Saskatchewan.ca.