

## PROVINCIAL SALES TAX – SERVICES TO REAL PROPERTY

*Changes to this Information Notice are indicated by a bar (|) in the left margin.*

Effective April 1, 2017, the Provincial Sales Tax (PST) applies to services to real property. Taxable services include construction, alteration, repair, erection, demolition, remodeling, improvement, or any other service in relation to real property or a building or other structure on real property. Some services such as snow clearing and lawn care remain exempt from PST. For further information regarding exempt services please see Section H of Information Bulletin [PST-12, Information for Businesses Providing Services to Real Property](#).

### Primary Changes

The primary changes 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. Effective April 1, 2017, these charges, which were previously exempt from PST, become taxable and PST must be shown as a separate line item on the invoice to the customer;
- contractors will purchase materials exempt from PST and collect the tax from their customer on the total contract, rather than paying PST on the purchase cost of the materials; and,
- 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.

### Effective April 1, 2017

A contractor engaged in services to real property is required to become a Licensed Vendor and 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.

Contractors acquiring materials that are resold as part of their contract may purchase these items exempt from PST by quoting their vendor's licence number to their suppliers. Suppliers are required to access the PST On-Line Registry to verify that a business holds a valid PST vendor licence before selling goods or services tax free for resale. If valid, the vendor number must be recorded on the invoice at the time of sale. The online registry is available 24/7 and may be accessed at the following link: [Provincial Sales Tax Online Registry](#).

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 the Ministry of Finance using the regular PST return form. PST continues to apply to new and used equipment, supplies and taxable services purchased for use in the contractor's business operations.

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 service for resale to their customer, 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.

Builders of 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.

For further reference please see Information Bulletin [PST-12, Information for Businesses Providing Services to Real Property](#).

### **Prior to April 1, 2017**

Prior to April 1, 2017, labour charges relating to the construction, alteration, repair, erection, remodeling or improvement of real property were not subject to tax. When entering into a contract for the construction, alteration, repair, erection, remodeling or improvement of real property, the contractor was considered the consumer of materials incorporated into the property and was required to pay PST on the cost of equipment, materials and supplies used or consumed. Contractors could not choose to collect tax from their customers rather than paying tax and doing so did not absolve the contractor from their responsibility to account for the PST on the cost of materials, tools and equipment.

The PST paid by the contractor on materials, supplies and other goods used in the completion of a real property supply and install contract was recovered by including it in the lump sum contract price to the customer. To inform the customer that PST was paid, the contract price is quoted and invoiced as "Provincial Sales Tax Included". PST is not shown as a separate line item on the invoice.

### **Transition Rules**

Written agreements for services to real property, other than real property Master Service Agreements and Operation, Maintenance and/or Rehabilitation contracts, that are entered into prior to April 1, 2017, are subject to the rules in place for the application of PST prior to April 1, 2017, as outlined above. This includes nominal change orders that occur on or after April 1, 2017, where nominal is defined as:

- cumulative changes not exceeding 10 per cent of the contract value as of March 31, 2017, for residential contracts or new commercial builds; or,
- cumulative changes not exceeding 25 per cent of the contract value as of March 31, 2017, for commercial building alterations.

The first change order on or after April 1, 2017 that causes the total to exceed the 10 or 25 per cent, as applicable, plus any subsequent change orders are subject to tax based on the application of PST effective on April 1, 2017.

**Example:**

Original contract value for real property	\$100,000
Change orders to March 31, 2017	<u>15,000</u>
Contract value at March 31, 2017	\$115,000

In the above example, the 10 or 25 per cent cumulative change order transition rule applies to the \$115,000 contract value as of March 31, 2017.

**Note:** For contracts awarded as “cost plus”, the value of the contract will be determined using the estimated budget for the contract as of March 31, 2017.

**For further information regarding transition rules, please see Information Notice [IN 2017-17, Land Development and Residential and Commercial Construction – Application of PST and Transition Rules](#).**

**Operating, Maintenance and Rehabilitation Contracts**

The transition rules provided under *The Provincial Sales Tax Act* do not include a contract or portion of a contract that provides for any or all of the operation, maintenance and rehabilitation of any improvement that commences or continues after the substantial completion of the improvement. As such, contractors who enter into these operation, maintenance and/or rehabilitation contracts are required to follow the PST legislation in effect as of April 1, 2017. For further information, please see Information Notice [IN 2019-02, Notification Regarding Real Property Service Transition Rules](#).

**Master Service Agreements**

Transactions in relation to an open-ended real property contract, such as a Master Service Agreement, are subject to tax based on the application of PST effective on April 1, 2017, when a specific work order is initiated or completed on or after April 1, 2017.

**For transition rules related to the PST rate change, please see Information Notice [IN 2017-01, Provincial Sales Tax Rate Transition Rules](#).**

**Licensing**

Contractors with a Registered Consumer Number will retain their existing number for use as a Licensed Vendor. Contractors who are not registered with a PST number are required to become licensed by completing and submitting the [Application for Vendor’s Licence/Consumer Registration](#).

**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)

Fax: 306-787-9644

Internet: Tax bulletins, forms and information are available at [www.sets.saskatchewan.ca/taxinfo](http://www.sets.saskatchewan.ca/taxinfo).

To receive automatic email notification when this or any other bulletin is revised, go to [www.sets.saskatchewan.ca/subscribe](http://www.sets.saskatchewan.ca/subscribe).

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