



Information Bulletin

PST-38

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THE PROVINCIAL SALES TAX ACT

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INFORMATION FOR NON-RESIDENT CONTRACTORS (REAL PROPERTY CONTRACTS)

This bulletin has been prepared to help you apply and collect the Provincial Sales Tax. It is a general guide and not a substitute for the legislation.

The changes to this bulletin are indicated by a (I).

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A. REGISTRATION AND REPORTING REQUIREMENTS

Non-resident contractors must become registered with the Revenue Division to enable them to report any tax payable on materials, supplies and construction equipment used in Saskatchewan.

B. WHO IS A CONTRACTOR?

A contractor is a person who constructs, alters or improves real property.

Contractors include:

- (a) general contractors;
- (b) subcontractors, including carpenters, bricklayers, stonemasons, plasterers, flooring, tile and terrazzo, electrical, plumbing, heating, air conditioning, insulating, ventilating, papering, roofing, painting, decorating, concrete finishing contractors, etc.

C. REAL PROPERTY DEFINITION

Real property includes land or a building or other structure attached to land. Property that is sunk into, bolted onto, cemented to or otherwise “permanently” affixed to land or a building is normally considered real property. As well, goods that are so heavy that they cannot be moved are often considered to be real property, even if they are not otherwise affixed to the land or a building. Examples of items that become real property when installed in a building or attached to land include furnaces, water heaters, central air conditioners, underground sprinklers and fences. Most production machinery and equipment is considered to become real property after installation.

D. CALCULATION OF TAX ON CONSTRUCTION MATERIALS, SUPPLIES AND EQUIPMENT REPAIR PARTS

When a contractor enters into a contract for the repair, renovation or improvement of real property, the contractor is considered the consumer of materials incorporated into the property.

The tax on construction materials, supplies and equipment repair parts purchased outside Saskatchewan and brought into the province must be remitted on the laid-down cost in Saskatchewan. This cost includes currency exchange, total freight charge to the final destination, customs and excise taxes and duties, but not the GST.

The tax on all construction materials, supplies and equipment repair parts purchased in Saskatchewan must be paid to the vendor at the time of purchase.

Labour charges to repair, renovate or improve real property are not subject to tax.

A contractor is not required to report, to the principal, the amount of tax paid on the materials, supplies and other goods used in the performance of a construction contract. **Therefore, the contract price to the principal should be quoted “Provincial Sales Tax included”.**

E. CALCULATION OF TAX ON CONSTRUCTION EQUIPMENT, VEHICLES AND TOOLS

A non-resident contractor who brings construction equipment, vehicles and tools into Saskatchewan is required to pay the tax by using one of the following methods:

(a) Tax on depreciated value

The tax is payable on the depreciated value. To determine value, straight-line depreciation of 1 ½% per month or part month to a maximum of 60% is allowed from the date of purchase to the original date of entry into Saskatchewan. Depreciation applies to the contractor's original purchase price (excluding the GST) before deduction of a trade-in.

(b) Tax on temporary use formula

If a retail sales tax has been paid in full to another jurisdiction, the Provincial Sales Tax is determined as follows:

- (i) calculate the tax on equipment and vehicles on the contractor's original purchase price (excluding the GST) **before** the deduction of a trade-in (no depreciation allowed).
- (ii) remit 1/36 of the tax calculated in (i) above for each month or part month the equipment or vehicles are in Saskatchewan. Payment will continue until full tax (36/36) has been paid or the equipment or vehicles are permanently removed from Saskatchewan.

If a retail sales tax has **not** been paid in full to another jurisdiction, the Provincial Sales Tax is determined as follows:

- (i) calculate the tax on equipment and vehicles on the contractor's original purchase price (excluding the GST) **before** the deduction of a trade-in (no depreciation allowed).
- (ii) remit 1/3 of the tax calculated in (i) above for each year or part year the equipment or vehicles are in Saskatchewan. Payment will continue until full tax (3/3) has been paid or the equipment or vehicles are permanently removed from Saskatchewan.

All construction equipment, vehicles and tools brought into Saskatchewan must be reported. For audit verification, please include copies of purchase invoices.

- (c) Leased or rented vehicles and equipment brought into Saskatchewan are subject to tax on the total charge (excluding the GST).

The tax on all construction equipment purchased in Saskatchewan must be paid to the vendor at the time of purchase.

Please note: Vehicles registered interjurisdictionally for the transportation of goods or passengers will be subject to a prorated vehicle tax at the time of registration. If you require further information on the prorated vehicle tax, please contact the Revenue Division at 1-800-667-6102 extension 6658.

F. CONTRACTORS WHO MAKE RETAIL SALES

A contractor who makes incidental supply only sales must collect tax from the customer. The tax that was paid to the supplier on those incidental goods must be deducted from the tax collected and the difference reported on the Provincial Sales Tax return.

G. NOTIFICATION OF SUBCONTRACTS

The general contractor or principal must provide the Revenue Division with the following information on all subcontracts which are awarded by them:

- (a) the name and address of each subcontractor;
- (b) the nature of each subcontract;
- (c) the value of each subcontract and who is responsible for the tax;
- (d) the proposed date of commencement and completion of each subcontract.

H. BONDING

A non-resident contractor working in Saskatchewan is required to post a Guarantee Bond or cash deposit in an amount equivalent to 5% of the total contract amount. It is the duty of the general contractor or principal to ensure that the non-resident contractor complies with this provision. Failure to do so makes the general contractor or principal liable for any taxes which the non-resident contractor may fail to remit.

I. CONTRACT CLEARANCE ON FINAL PAYMENT

Before the final payment is made on a contract, the sub-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 telephone 1-800-667-6102, extension 7750. If the contractor's account is not in good standing, the general contractor or principal will be requested to withhold from any hold back an amount equal to the tax due and remit this amount to the Revenue Division.

J. MANUFACTURING CONTRACTORS

A manufacturing contractor is a contractor who manufactures, in shop, goods for use in the performance of a construction contract. Tax must be paid on the manufactured cost of the materials. For further information, please refer to Information Bulletin PST-37 (Manufacturing Contractors).

K. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

Saskatchewan Finance has made it possible to report and remit tax electronically through the use of a standard Internet connection. The Saskatchewan Electronic Tax Service (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 Provincial Sales Tax 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.
- Subscribe to an E-mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received in the mail).

FOR FURTHER INFORMATION

Write: Saskatchewan Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-6645

E-mail: sask.tax.info@finance.gov.sk.ca

Fax: 306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.gov.sk.ca/finance/revenue/pst/pst.htm>

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