



# Information Bulletin

PST-28

Issued: January, 1988

Revised: May, 2006

## THE PROVINCIAL SALES TAX ACT

Was this bulletin useful?

Click here to complete our short  
**READER SURVEY**

### INFORMATION FOR ROAD BUILDERS AND SUPPLIERS OF ROAD BUILDING MATERIALS

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).**

The contents of this bulletin are presented under the following sections:

- A. Sale of Materials (Sand, Gravel, Crushed/Screened Bases and Decorative Rock)
- B. Supply and Installation of Road Building Materials
- C. Calculating Tax on the Cost of Road Building Materials
- D. Sales of Used Business Assets
- E. Equipment and Goods for Own Use
- F. Saskatchewan Electronic Tax Service (SETS)

#### **A. SALE OF MATERIALS (SAND, GRAVEL, CRUSHED/SCREENED BASES AND DECORATIVE ROCK)**

Sand, gravel, crushed/screened bases and decorative rock are subject to tax on the selling price. Delivery and loading charges are exempt from tax providing the charges are segregated on the customer's invoice. If the delivery and loading charges are not segregated on the customer's invoice, the total charge is subject to tax.

Sales of sand, gravel and crushed/screened bases to municipalities, the federal government and the Department of Highways and Transportation are not subject to tax. However, they are required to pay tax on purchases of decorative rock, red shale and similar products used for landscaping or decorative purposes. (Materials consumed in supply and install contracts are taxable. See Section B of this bulletin.)

Sales to Indians are not subject to tax upon presentation of a Certificate of Indian Status identification card issued under the Indian Act providing the goods are delivered to a reserve. Sales to Indian Bands are not subject to tax providing the goods are delivered to a reserve.

## B. SUPPLY AND INSTALLATION OF ROAD BUILDING MATERIALS

Contractors that **supply and install** road-building materials (sand, gravel, crushed, screened, pit run bases, asphalt or concrete products) are considered to be the consumer of the materials used in the contract. As the consumer of the materials, the contractor is required to pay tax on the cost to acquire or manufacture those goods. Depending on the circumstances, the contractor will either:

- pay tax directly to the supplier of the materials; or
- self assess tax on the cost of the materials; or
- self assess tax on the cost of manufactured goods.

\* For instructions on how to self assess tax on the cost of manufactured goods, please refer to Section C.

In supply and install contracts the PST is included as part of the cost of the materials supplied. Customer invoices for supply and install contracts, should read, "**PST included**".

The delivery and unloading of road building materials in itself is not considered to be a "supply and install" contract. Installation into real property occurs when the road building materials are dumped and spread, leveled or compacted. In the case of concrete, it is installed when it is placed and trowelled, or finished in some other manner.

## C. CALCULATING TAX ON THE COST OF ROAD BUILDING MATERIALS

### 1. Crushed, Screened and Pit Run Bases:

Road builders must account for tax on crushed/screened and pit run bases produced internally and used by them in road construction. **As a result, road builders are encouraged to keep detailed cost records that include the following costs (excluding the GST):**

- gravel pit site preparation and maintenance;
- equipment costs for crushing and screening the gravel including rental, insurance, gasoline, oil, repairs, maintenance and depreciation. Equipment in this category includes the crusher, loader, generator set, conveyors and screens;
- royalty costs;
- direct labour;
- indirect labour including benefits for the foreman and other employees;
- municipal taxes for the gravel pit (if owned by the contractor).

**Note:** Costs of hauling from the pit to the crusher should be excluded from this calculation.

In the event that detailed cost records are not available, tax may be accounted for on crushed, screened and pit run bases using the following estimated values:

- \$3.05 per metric tonne for crushed bases;
- \$1.55 per metric tonne for screened bases;
- \$ .80 per metric tonne for pit run bases.

## 2. Asphalt Paving Mixtures:

If the customer supplies **all** the raw materials, the asphalt contractor is not required to account for tax on the manufactured cost and is not required to pay tax on the fuel used to heat the asphalt.

Road builders who supply **any** portion of the raw materials must account for tax on asphalt paving mixtures used in road construction. **Road builders are encouraged to keep detailed cost records that include the following costs (excluding the GST):**

- oil purchase costs (including freight to mixing plant);
- gravel costs (see above for methods to determine this cost);
- direct labour for operators of the asphalt plant and loader;
- indirect labour including benefits for the foreman and other employees who operate the asphalt plant and loader;
- equipment costs for the asphalt plant and loader including rental, insurance, gasoline, oil, repairs, maintenance and depreciation;
- heating oil and propane costs;
- power costs for the asphalt plant;
- testing costs;
- municipal taxes or rent for the property the asphalt plant is located on.

**Note:** Costs of hauling gravel from the processing location to the asphalt mixing location should be excluded from this calculation.

In the event that detailed cost records are **not** available, the tax for standard penetration grade asphalt may be accounted for by using a value of \$32 per metric tonne.

Asphalt manufacturing contractors may account for tax on \$14 per metric tonne on supply and install contracts if asphalt-paving mixtures are manufactured from new liquid asphalt supplied by the customer.

When an asphalt manufacturer enters into a contract to supply and install specialty asphalt mixtures (such as those with enhanced polymers or emulsifiers) tax **must be** calculated on the manufactured cost of the specialty asphalt using detailed cost records.

## D. SALES OF USED BUSINESS ASSETS

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

## E. EQUIPMENT AND GOODS FOR OWN USE

Businesses are required to pay tax on purchases of new and used equipment and supplies used in their business. If purchased from a licensed supplier, tax must be paid to the supplier. If they are purchased from an unlicensed supplier located outside Saskatchewan, tax must be submitted with your return on the laid down cost, which includes exchange, transportation charges, customs duties, and importation charges, but not the GST.

**F. 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>

To receive automatic e-mail notification when this (or any other) bulletin is revised, click on the Bulletin Index and then click on the "Subscribe" button next to the bulletins you are interested in.