



# Information Bulletin

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PST-11

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## THE PROVINCIAL SALES TAX ACT

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**READER SURVEY**

### INFORMATION FOR READY TO MOVE HOME BUILDERS

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.

A ready to move home is a home which is built on the home builder's site and subsequently moved to the customer's site.

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

- A. Supply Only Sales
- B. Supply and Install
- C. Appliances and Furnishings
- D. Status Indians
- E. Direct Agents
- F. Electricity and Fuel
- G. Sales of Used Business Assets
- H. Goods and Services for Your Own Use
- I. Saskatchewan Electronic Tax Service (SETS)

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

#### A. SUPPLY ONLY SALES

Sales of ready to move homes are considered to be supply only sales if no further work is done to the home by the builder once it is delivered to the customer's site. If further work is done to the home at the customer's site, such as attaching it to the foundation, attaching stairs and chimneys, drywalling, painting, electrical wiring and plumbing, it is considered to be a supply and install contract (see page 2 for the calculation of the tax on these contracts).

Used ready to move homes sold for residential use are exempt from tax, providing the Provincial Sales Tax has been previously paid.

**A residential ready to move home sold on a supply only basis is subject to tax at the rate of 2.5% on the total selling price, excluding the GST. Homes sold for non-residential purposes are subject to tax at the full rate of 5%.** Transportation costs of ready to move homes which have been built in Saskatchewan are not subject to tax providing these costs are shown separately on the customer's sales invoice. However, if the home is delivered from outside Saskatchewan, the tax would apply to the total laid down cost including transportation costs.

**In all instances the tax imposed on supply only sales must be shown separately on the customer's sales invoice. The tax collected from the purchaser may be submitted at the time of delivery rather than at the time of signing the sales agreement.**

Sub-contractors, such as plumbing, electrical and painting, who perform work on ready to move homes have paid the tax on the cost of their materials. Since these materials are taxed as part of the selling price of the ready to move home, it will be necessary for the builder to request that the sub-contractor provide a breakdown of the contract as to materials and labour. The ready to move home builder is allowed to calculate a tax credit on these materials which can be offset against tax collections recorded in his or her accounting records.

## **B. SUPPLY AND INSTALL**

Sales of ready to move homes are considered to be supply and install when further work is done to the home by the builder at the customer's site. This work would include attaching the home to the foundation, attaching stairs and chimneys, drywalling, painting, electrical wiring and plumbing.

Builders who sell **residential ready to move homes** by supply and install contract are not required to calculate the tax based on the manufactured cost of the home. They are required to pay the tax at the rate of 5% on all materials purchased to build the home. No tax is payable on the direct labour or the manufacturing overhead. This ensures that ready to move homes sold by supply and install contract are treated in a similar manner to supply only homes which are taxed at 2.5%.

Builders of **non-residential ready to move homes** are required to pay the tax at the rate of 5% on the manufactured cost (excluding the GST) of the ready to move home sold by a supply and install contract. The manufactured cost is the cost incurred at the builder's site. It includes all direct materials and direct labour of both the builder and the sub-contractor, as well as manufacturing overhead. It does not include profit. However, as sub-contractors such as plumbing, electrical and painting have paid the tax on the purchase cost of their direct materials, these costs should not be included in the manufactured cost. In addition, if the builder has paid the tax on any direct material purchased from a supplier, these costs should also be excluded from the manufactured cost.

In order to determine the sub-contractor's labour, the builder should request the sub-contractor to provide him or her with a breakdown of the contract as to materials and labour.

The ready to move home builder must **not** show any tax on the customer's sales invoice when ready to move homes are sold by supply and install contract.

### C. **APPLIANCES AND FURNISHINGS**

Tax at the rate of 5% must be collected on the selling price of appliances, free standing furniture and draperies sold with a ready to move home. The tax must be shown separately on the customer's sales invoice.

### D. **STATUS INDIANS**

#### **Supply Only**

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 by the retailer to a reserve. The complete 10 digit card number must be recorded on the sales invoice. If the federal identification card number is only 3 to 5 digits, record the number and the name of the Band on the sales invoice.

#### **Supply and Install Contracts on Indian Reserves**

Contractors who paid the tax on materials used in the completion of a supply and install contract on an Indian reserve may apply for a refund of the tax paid, providing the contract with the Indian **specifically excludes the tax**. Contracts with a corporation located on reserve are not eligible for a refund. Only the general contractor on qualifying contracts may apply for a refund. Although sub-contractors are not eligible, the general contractor may obtain a breakdown of the tax paid by the sub-contractor and include it in the refund application. Copies of the purchase invoices showing the amount of tax paid should be submitted to the Revenue Division upon completion of the contract. A copy of the contract must be included with the refund application.

### E. **DIRECT AGENTS**

Direct agents are those materials consumed or used by a manufacturer or processor in the transformation or manufacture of a product by contact or temporary incorporation into the raw materials being manufactured or processed.

A ready to move home builder is considered a manufacturer and may purchase direct agents tax free by quoting their vendor's licence number to the supplier.

Direct agents include the following:

- Dies, jigs, forms, patterns, stencils and saw blades
- Cutting attachments for power and air tools, including drill bits, slot drills, reamers, carbide inserts, shear blades, threading jaws, cut-off blades and honing shoes and stones used during the manufacturing process
- Abrasives, including grinding balls, wheels and discs, polishing wheels, rotary steel brushes, steel and glass shot, steel wool, emery paper and powder, abrasive paper, sanding discs and belts and sand used for sand blasting
- Polishing compounds, glues and adhesives
- Cutting lubricants

The following are not considered to be direct agents:

- Production machinery and equipment, including repairs
- Materials and supplies such as drill bits, grinding wheels and carbon inserts used to repair equipment, tools and attachments
- Power, air and hand tools
- Tool fixtures, tool holders, boring bars, clamps, springs, shims and set screws
- Welders, including nozzles, insulators, cutting tips and cables
- Lubricating oils, grease and coolants, except when used as a cutting aid
- Cleaners, including solvents

For the purposes of the tax exemption on direct agents, the following definitions apply:

- **Die:** A solid or hollow form used for shaping or marking goods in process by cutting, stamping, pressing or extruding, but does not include a die set or tap set used for cutting threads.
- **Jig:** A device used in accurate machining of goods in process which holds the goods firmly, and guides the working tools, or which bends the goods in process.
- **Mould:** A hollow form into which materials are placed to produce desired shapes, matrices, or cavities which shape or form goods in process.

A die, jig or mould does **not** include any machinery, equipment, apparatus or device to which the die, jig or mould may be attached, or that is necessary to carry out the function or process of the die, jig or mould.

## **F. ELECTRICITY AND FUEL**

Electricity, diesel fuel, domestic fuel oil, coke and gas used in a direct manufacturing process are not subject to Provincial Sales Tax. The exemption for manufacturing electricity applies only to the electricity that is consumed by equipment and machinery used in a direct manufacturing process. Electricity consumed for any other purpose, including lighting of premises, ventilation and elevators, is subject to tax.

If your power billings are less than \$200,000 per year, you will be allowed an exemption of 80% on your electrical consumption. Please provide us with a copy of your current power bill and we will notify your supplier of electrical power to collect tax on 20% of your power billings. A refund of tax paid on previous power billings may be obtained by submitting copies of your power billings.

If your power billings exceed \$200,000 per year, you will be required to contact Saskatchewan Finance and complete a power survey.

**G. SALES OF USED BUSINESS ASSETS**

Businesses are required to collect tax on the sale of 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.

**H. GOODS AND SERVICES FOR YOUR OWN USE**

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

**I. 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. 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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