



Information Bulletin

PST-12

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THE PROVINCIAL SALES TAX ACT

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INFORMATION FOR CONTRACTORS

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. WHO IS A CONTRACTOR?

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

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.

B. SUPPLY AND INSTALL CONTRACTS ON SITE

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. Tax must be paid on the cost of the equipment and supplies; and the cost of the materials for on-site construction.

If the materials and supplies are purchased in Saskatchewan, the tax must be paid to the supplier.

If the materials and supplies are purchased from an unlicensed supplier located outside of Saskatchewan, the tax must be submitted with your return on the laid-down cost which includes exchange, freight charges, duty and brokerage fees, but not the GST.

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 must be quoted "Provincial Sales Tax included".**

C. 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 your return form.

D. 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 Band **specifically excludes the tax**. Only the general contractor on qualifying contracts may apply for a refund. Although subcontractors are not eligible, the general contractor may obtain a breakdown of the tax paid by the subcontractor and include it in the refund application.

Copies of the purchase invoices showing the 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 submission.

E. NOTIFICATION OF SUBCONTRACTS

The general contractor or principal must provide the Revenue Division with the following information on all non-resident 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.

F. 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.

G. 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.

H. 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).

I. CASUAL RENTALS

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

J. 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.

K. 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.

L. REGISTRATION AND REPORTING REQUIREMENTS

Contractors must become registered with the Revenue Division to enable them to report any tax payable on materials, supplies and construction equipment. Tax returns will be forwarded on a regular basis.

M. 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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