

Information Bulletin

PST-12

Issued: February 1985

Revised: March 2023

THE PROVINCIAL SALES TAX ACT

SERVICES TO REAL PROPERTY

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

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

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

- A. Registration and Reporting Requirements
- B. Collection and Remittance of Tax
- C. Services to Real Property
- D. Definition of Real Property
- E. Contract Materials
- F. Consumables and Equipment
- G. Surety Bonds
- H. Subcontractors
- I. Builders of Residential or Commercial Premises
- J. Land Development Services
- K. Renovations to Real Property for Resale
- L. Exempt Services
- M. Consulting and Supervision Services
- N. Contractors Who Make Retail Sales
- O. Casual Rentals
- P. Services to Real Property on Indian Reserves
- Q. Bonding and Clearance Process and Ensuring Contractor Holds a Valid Licence
- R. Sales of Used Business Assets
- S. Goods and Services for Your Own Use
- T. Tax Tips Line
- U. Saskatchewan eTax Services (SETS)

A. REGISTRATION AND REPORTING REQUIREMENTS

Businesses providing services to real property are required to be registered with the Revenue Division as Licensed Vendors for the purpose of collecting and remitting PST on their sales of taxable goods and services. Licensed vendors must also report any tax payable on equipment, supplies and taxable services purchased for their own consumption or use.

Contractors not previously registered for PST are required to become licensed by completing the [Application for Vendor's Licence/Consumer Registration](#).

B. COLLECTION AND REMITTANCE OF TAX

Generally, PST must be collected on the invoice to the customer and remitted to the Ministry of Finance by the return due date, regardless of whether the customer has paid their invoice/account in full.

For construction contracts where construction extends over a period of time, the written contract often calls for the purchaser to make progress payments as work on the project proceeds. These payments are not deposits and are usually for work completed, but may also be made in anticipation of work being completed.

The requirement for the collection of PST on progress payments aligns with the guidelines in place for the collection of GST. PST is collectible on each progress payment on the earlier of:

- the day the purchaser pays the progress payment, or
- the day the progress payment becomes due.

Where there are contract holdback amounts, PST is collectible on the amount of the holdback on the earlier of:

- the day the purchaser pays the amount of the holdback, or
- the day the holdback period expires.

Note: For detailed information regarding vendor responsibilities, and tax return filing (including filing frequencies and due dates), please see Information Bulletin [PST-5, General Information](#).

C. SERVICES TO REAL PROPERTY

Taxable services to real property include construction, alteration, repair, erection, demolition, remodeling, or improvement of real property or a building or other structure on real property, or any other service in relation to real property or a building or other structure on real property. Please see Section L for services that are exempt from PST.

A contractor engaged in services to real property is required to 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, permits, 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.

D. DEFINITION OF REAL PROPERTY

Real Property includes land or buildings or property that is permanently attached to land or buildings. In general, goods become real property upon installation when affixed or attached to

the land or building in a permanent manner (i.e. sunk into, cemented into, bolted to, built or framed into, plumbed or wired into, or otherwise secured), thereby becoming an integral component of the property. The goods become a permanent and substantial improvement to the real property, being attached to the building such that they add value and cannot be easily removed.

Examples of items that become real property when installed in a building or attached to land include windows, doors, light fixtures, furnaces, central air conditioners, railings, underground sprinklers, fences and plumbing materials.

In addition, items that are so large and heavy they cannot be moved may also be considered real property, even if they are not otherwise affixed to the land or a building. For example, most production machinery and equipment is considered to become real property after being permanently installed and becoming an integral component of a processing activity, regardless of being attached or affixed to the land or building.

E. CONTRACT MATERIALS

Contractors and subcontractors acquiring materials that are resold or incorporated into a real property contract may purchase these items exempt from PST by quoting their vendor's licence number to their suppliers. This includes the following:

- Materials that are resold as part of the contract;
- Nails, screws and fasteners; and,
- Materials such as dimensional lumber, plywood and similar building materials used on site for bracing or to build forms for use on a particular contract (**Note:** Contractors must pay PST on metal or lumber used for bracing or to build forms that are capitalized in the contractor's records and used repeatedly as tools/equipment).

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.

Note: Internal credits cannot be taken on goods or services purchased for own use. See Information Bulletin [PST 5 – General Information](#) for more details on internal credits.

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

Suppliers are required to search the customer's business name on the PST On-Line Registry to verify that a business holds a valid PST vendor's licence before selling the goods or services tax free for resale. If valid, the vendor number must be recorded on the invoice at the time of sale or retained in the supplier's records. The online registry is available 24/7 and may be accessed at the following link: sets.saskatchewan.ca/rptp/portal/footer/pst-registry/.

F. CONSUMABLES AND EQUIPMENT

Contractors engaging in services to real property must **not** use a vendor's licence number to purchase materials or equipment exempt from PST when acquiring such goods for their own use or consumption.

Contractors and subcontractors are required to pay PST on their purchase cost of consumables and equipment used in the completion of a real property contract. These items may not be purchased exempt from PST.

Examples include:

- All equipment and hand tools;
- Scrapers, pails, paint brushes, rollers, sleeves, trays and tape;
- Cutting attachments for power and air tools, such as blades and drill bits;
- Abrasives such as grinding wheels, sanding belts, discs and sandpaper;
- Electrical cords and extension cords;
- Gloves, safety glasses and coveralls; and,
- Tarps and blankets.

If PST is not collected by the supplier on the purchase of equipment and consumables, the contractor must self-assess and remit the tax directly to Finance using their regular PST return form.

Note: Non-resident contractors, please see Information Bulletin [PST-38, Non-Resident Real Property and Service Contractors](#) for detailed information regarding the calculation of PST on taxable vehicles and equipment.

Rented and Leased Equipment

Contractors are required to pay tax on charges for rented and leased equipment. All tools and equipment used by the contractor to complete real property work are considered to be for the contractor's own use.

PST also applies to the rental of cranes and scaffolding but differs from the usual application of tax for rental equipment. See Information Bulletin [PST-72, Rental Businesses](#) for further information.

G. SURETY BONDS

A surety bond protects a principal against losses, up to the limit of the bond, should the contractor fail to perform their obligations under the contract. The contractor purchases the bond at the request of the principal, who is the beneficiary of the bond. The principal will then reimburse the contractor for this expense.

Since a surety bond provides protection to the principal against loss should the contractor default, it is considered an insurance product and the fees and/or premiums paid by the contractor to acquire the insurance are subject to PST.

The contractor is not required to collect PST on this item, providing it is listed and identified separately on the invoice to the customer.

H. SUBCONTRACTORS

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 subcontractor's service for resale, 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 subcontractor must record this number on the invoice.

I. BUILDERS OF RESIDENTIAL COMMERCIAL PREMISES

Builders of new 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.

In these instances, the builder is not considered the consumer or user in the building of the premises, providing:

- (a) The premises are sold to the customer at fair market value;
- (b) The builder includes in the sale to the customer all materials and services to real property acquired and provided by the builder that form part of the value of the premises sold to the customer; and,
- (c) The premises remains in the builder's salable inventory and use of the premises does not change. (i.e. the premises remains for sale by the builder and is not used, rented, or otherwise occupied).

Note: When the builder retains ownership of a new residential or commercial premises, they are considered to be the consumer or user of the building. The builder is required to pay tax on subcontractor services and all contract materials consumed in the build. Examples include the construction of apartment complexes, corporate offices, and life lease housing.

J. LAND DEVELOPMENT SERVICES

Land development services, generally consisting of improvements to land such as adding roads, landscaping, bridges, sewer systems, water supply, electrical grids, telecommunication systems, etc., are subject to PST, as outlined below:

- The sale of residential and commercial lots or land is not subject to PST. Therefore, the land developer is considered to be the consumer of the land development services as they will not collect PST upon sale of the land to their customers.

- Contractors are required to collect PST on the total charge to the land developer for the land development services. The contractor will purchase materials for resale exempt from PST by quoting their vendor's licence number to their suppliers.
- In situations where specific services will be rebilled to the municipality, the land developer must quote their vendor's licence number to the contractor in order to purchase the service exempt from PST and must collect the PST on the services when rebilled to the municipality.

K. RENOVATIONS TO USED REAL PROPERTY FOR RESALE

The application of PST in relation to used residential and commercial properties (land and buildings) purchased by businesses or individuals for the purpose of renovating and reselling them is outlined below:

- Used residential and commercial properties with existing homes or buildings are not subject to PST at the time of purchase (other than taxable realtor commissions).
- The purchaser of the used property is considered to be the consumer of the improvements made to the land and existing structures, and must pay PST on their cost of all taxable goods and services acquired for the completion of the project, including engineering design, contract materials, and subcontractor services etc.
- The renovated property is not subject to PST when it is resold.

L. EXEMPT SERVICES

The following services are exempt from PST if they are provided separately and are not billed in connection with taxable services to real property. The contractor must pay PST on the laid-down cost of all equipment, materials and consumables used in providing these services.

- Collection, clearing and removal of garbage or debris from land that does not alter the land and does not form part of an otherwise taxable service such as a landscaping or demolition service;
- Snow clearing and snow removal services;
- Lawn & yard care services, including fertilizer or chemical application, aeration, thatching, mulching, or mowing (**Note:** Sprinkler blowout services are exempt from PST, however irrigation system installation and repairs are taxable.);
- Maintenance, such as tree and bush trimming/pruning services, of plants grown in the ground or in containers that qualify as real property (**Note:** These services improve the overall health of the plant or return an overgrown plant to the desired shape or size. Planting saplings, tree relocation, tree removal and stump grinding are taxable real property services.);
- Pest control services;
- Septic services that involve emptying or pumping out sewage or effluent storage tanks;
- Routine services to empty and clean grease traps and oil collection drains (**Note:** Services to unclog/repair drains are taxable.);
- Grave digging services;

- Services that are a primary farming activity, including land clearing, land levelling, land reclamation or other services provided to a farmer for the purpose of either expanding cultivated acreage to grow crops or expanding the land available to animals for forage or grazing;
- Labour for the installation of exempt farm equipment incorporated into real property, **effective April 1, 2020** (**Note:** For further information on exempt farm equipment, please see Information Bulletin [PST-16, Farm Implements and Supplies.](#));
- On-farm trenching services provided to a farmer for the purpose of electrifying grain bins, or for the purpose of installing pipe for irrigation of crops or watering of livestock, **effective April 1, 2022**;
- On-farm dugout excavation services provided to a farmer for the purpose of spraying, irrigation of crops, or watering of livestock, **effective April 1, 2022**;
- Installation of exempt special equipment designed solely for the use of blind persons, physically handicapped persons or chronic invalids, that is not purchased by or for use in a hospital, nursing home or similar institution providing medical or palliative care, **effective April 1, 2023** (**Note:** The exemption includes contracts involving individuals, schools, places of worship, office buildings, private residences, etc. Examples of exempt special equipment include wheelchair lifts, stairway elevators, and walk-in safety baths. For further information please see Information Bulletin [PST 42 – Medical Equipment and Supplies.](#));
- Inspection services provided in relation to the purchase of real property; and,
- Inspection or examination services completed:
- For the purpose of providing a quote with respect to evaluating damages and estimating the cost of repairs;
 - As part of a general preventative maintenance schedule for the purpose of detecting or identifying potential repairs, and the repair or maintenance is completed separately from the inspection, not forming part of that inspection service;
 - For the purpose of ensuring that safety standards as required by law are met;
 - For the purpose of determining the remaining useful life of a component of tangible personal property that has been installed into real property; and,
 - To monitor the operations of a plant or facility, or a processing activity, or to collect data for further analysis.

Note: Real property inspection services become taxable when the service is provided in connection with the repair of real property.

M. CONSULTING AND SUPERVISING SERVICES

The application of PST to consulting and supervision services will depend on the nature of the services as follows:

- PST applies to charges for consulting and supervision when the duties directly relate to overseeing or assisting with the completion of taxable services, such as those outlined in Section C.
- Consulting and supervision services that relate to an exempt or non-taxable service, such as those outlined in Section L, are not subject to PST.

N. CONTRACTORS WHO MAKE RETAIL SALES

A contractor who makes supply only sales must collect tax from the customer on the retail selling price of the items sold and show PST collected on the customer's invoice. The contractor may purchase the materials exempt from PST by quoting their vendor's licence number to their suppliers.

O. CASUAL RENTALS

Contractors who occasionally rent out their equipment must collect tax on the rental charge. A contractor who uses their equipment to provide services is the user or consumer of the equipment, and is not providing an equipment rental. The contractor must collect the PST on the total charge to the customer in either situation, and the contractor must pay PST on the purchase or lease of their equipment that is not part of an inventory of exempt rental equipment.

P. SERVICES TO REAL PROPERTY ON INDIAN RESERVES

Services to real property provided to Status Indians, Indian bands and non-commercial band-empowered entities are not subject to PST providing the services are performed on the reserve and the identification number shown on the *Certificate of Indian Status Identification Card* or the band number is recorded on the invoice.

The complete 10-digit identification number must be recorded on the invoice. If the federal identification card number is only three to five digits, record the number and the name of the band on the sales invoice.

Q. BONDING AND CLEARANCE PROCESS AND ENSURING CONTRACTOR HOLDS A VALID LICENSE

1. Bonding/Clearance Requirement when Hiring Contractors

Under Section 29 of *The Provincial Sales Tax Act*, non-resident contractors consuming or using equipment or other goods during the completion of a contract in Saskatchewan are required to:

- a) post a Guarantee Bond or cash deposit in an amount equivalent to 6% of the total contract amount, or
- b) obtain a clearance letter from the Ministry of Finance to provide to the principal.

It is recommended that the principal maintain a holdback of 6% until a clearance letter is provided or proof of bonding is obtained.

It is the responsibility of the principal to ensure that contractors comply with this provision as failure to do so can leave the principal liable for any taxes which the contractor fails to remit, in addition to possible fines and penalties.

Proof of Guarantee Bond

In the majority of cases, bonding is obtained prior to work commencing. Original bonds are to be forwarded to the Revenue Division and written confirmation will be provided upon receipt.

If proof of bonding has been obtained, the principal is not required to also maintain holdbacks for PST purposes. However, in the event that change orders are subsequently issued which increase the total contract value, a holdback must be maintained on those change orders or a bond rider must be obtained.

Clearance Letter on Final Payment

In cases where proof of bonding has not been obtained, before the final payment is made on a contract, the 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:

- Visit our website at saskatchewan.ca/pst, or
- Call 1-800-667-6102, extension 0956, or
- Email contractorclearance@gov.sk.ca.

If the contractor does not pay the PST payable with respect to the contract, the general contractor or principal will be requested to withhold from any hold back an amount equal to the tax due, to a maximum of 6% of the contract amount, and remit this amount to the Revenue Division.

Generally, a clearance letter covers a specific contract for a specific customer. However, non-residents contracted for Master Service Agreements or similar arrangements are encouraged to request clearances on a monthly basis covering all jobs per customer within that month, versus on a job-by-job basis. For larger contracts spanning over a period of several months or years, a clearance may be requested for each progress period.

2. Principal's Obligation to Ensure Contractor Holds a Valid Licence

Section 29.01 of *The Provincial Sales Tax Act* requires the principal to ensure a contractor holds a valid Saskatchewan PST vendor's licence, whether the contractor is a resident or a non-resident, before making payment of PST to the contractor.

The principal can verify that a contractor holds a valid PST vendor licence by accessing the PST On-Line Registry at sets.saskatchewan.ca/rptp/portal/footer/pst-registry/. It is recommended that the principal maintain a print from the registry for audit purposes.

Alternatively, a clearance letter for the contract would act as sufficient evidence that the contractor holds a valid licence.

R. GOODS AND SERVICES FOR YOUR OWN USE

Businesses are required to pay tax on purchases of new and used equipment, supplies and taxable services purchased for use in their business operations. Tax is payable as follows:

- When purchased from a licensed supplier, the tax must be paid to the supplier at the time of purchase.
- When purchased from a supplier who did not collect the tax, or when taken from an exempt resale inventory, the tax must be self-assessed and remitted with the regular tax return. This includes goods taken for personal or business use.
- When purchased from an unlicensed supplier located outside Saskatchewan, the tax must be self-assessed and remitted with the regular tax return on the laid down cost, which includes currency exchange, transportation charges, customs and excise duties, and importation charges, but not the GST.

S. SALE OF USED BUSINESS ASSETS

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

When individuals purchase used goods for personal use, other than vehicles, tax applies to the selling price of the goods less a deduction of \$300 per item. If a trade-in is involved, the purchaser is entitled to a deduction of \$300 or the value of the trade-in, whichever is greater. If the goods are for commercial use, the \$300 deduction does not apply.

For further information please see Information Bulletin [PST-58, Used Goods](#).

T. TAX TIPS LINE

When a business or individual does not comply with provincial tax legislation, businesses face unfair competition and a burden is placed on all taxpayers who do comply. It causes significant loss in the revenue available to fund services such as health, education and other important government programs.

Tax Tips Line provides an anonymous, fully confidential way for the public to report businesses or individuals who are participating in tax fraud. If you suspect that a business or individual is being dishonest with their provincial taxes or is misrepresenting their activities to reduce their taxes, you can report them using Tax Tips Line.

Please visit our website at saskatchewan.ca/business/taxes-licensing-and-reporting/provincial-taxes-policies-and-bulletins/tax-tips-line to find out more regarding types of tax fraud and the information to report, if possible.

Tax Tips Line is specifically and solely for information related to provincial tax compliance. Any unrelated inquiries or information will not be addressed by the Tax Tips Line, and should be directed to the appropriate organization.

How to Report:

- 1) Toll-free 1-833-334-8477
- 2) Write: Ministry of Finance
Revenue Division
PO Box 200
REGINA SK S4P 2Z6
- 3) [Online Form Submission](#)

U. SASKATCHEWAN eTAX SERVICES (SETS)

Finance has made it possible to report and remit tax electronically through a secure, fast, easy and convenient online self-service portal. Several services are currently available to businesses through SETS (sets.saskatchewan.ca):

- Register for secure, self-managed access to all your tax accounts.
- Apply for a new tax account.
- File and pay returns and amend previously filed returns.
- Make payments on account, including post-dated payments.
- View account balance and statement information.
- Authorize employees or accountants to file on your behalf.
- Receive notifications by email when a tax return should be filed. This replaces the paper forms usually sent in the mail.
- Submit a service request to update the mailing address or add a new business location.
- Submit a service request to receive tax information, interpretations or rulings related to your specific business activities.
- View and download up-to-date tax information promptly.
- Subscribe to receive email notifications when new and revised tax publications are available.

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

Internet: Tax bulletins, forms and information are available at saskatchewan.ca/business-taxes.

To receive automatic email notifications when this or any other bulletin is revised, go to sets.saskatchewan.ca/subscribe.

To provide feedback or suggest changes to this bulletin, please complete a [Bulletin Survey](#).

Government website: Saskatchewan.ca