

PST-71

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THE PROVINCIAL SALES TAX ACT

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INFORMATION FOR SUPPLIERS OF SAND, GRAVEL, CRUSHED/SCREENED BASES AND DECORATIVE ROCK

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 (|) in the left margin.

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

- A. Sale of Sand, Gravel, Crushed/Screened Bases and Decorative Rock
- B. Supply Only Sales (Retail Sales)
- C. Supply and Install Contracts (Real Property Contracts)
- D. Crushing and Processing Gravel
- E. Calculating Tax on the Total Cost of Materials Produced For Own Use
- F. Exempt Sales
- G. Casual Sales By Farmers
- H. Sales of Used Business Assets
- I. Goods and Services for Your Own Use
- J. Saskatchewan Electronic Tax Service (SETS)

A. SALE OF SAND, GRAVEL, CRUSHED/SCREENED BASES AND DECORATIVE ROCK

Sand, gravel, crushed/screened bases and decorative rock including pit run gravel, fill gravel and crusher dust are subject to tax. Sales of fill dirt, topsoil, clay and manure are not subject to tax.

B. SUPPLY ONLY SALES (RETAIL SALES)

When materials are sold on a supply only basis (retail sales), the PST must be collected on the full retail selling price. It is important to note the following:

- Crushing is a step in a manufacturing process, adding value to the product supplied. Charges for crushing are therefore subject to tax as part of the retail selling price of gravel. The PST applies whether the charges for crushing are included in the selling price or shown separately on the invoice.

- The vendor is not required to collect PST on transportation charges within Saskatchewan, provided they are shown separately on the customer's invoice and are reasonable in relation to the selling price of the product. If the transportation charges are not segregated on the customer's invoice, the total charge is subject to tax.

C. SUPPLY AND INSTALL CONTRACTS (REAL PROPERTY CONTRACTS)

Effective April 1, 2017, contractors are required to collect PST on the total charge to the customer for supply and install contracts. Contractors acquiring materials that are resold as part of their contract may purchase these items exempt from tax by quoting their PST number to their suppliers.

For further reference, please see Information Bulletins PST-12, *Information for Businesses Providing Services to Real Property* or PST-28, *Information for Asphalt Paving Contractors and Suppliers of Asphalt Paving Mixtures*.

D. CRUSHING AND PROCESSING GRAVEL

Charges for crushing or processing gravel are subject to tax whether they are included in the selling price of the gravel or shown separately on the invoice.

A gravel dealer or contractor may purchase crushing services exempt from tax by quoting their vendor's licence number to the service provider if the crushed gravel is purchased for resale or use in a supply and install contract, where tax will be collected from the end user or consumer on the retail selling price.

The service to crush gravel that is owned by a municipality or the Ministry of Highways and Infrastructure is not subject to tax. The crushing company must ensure that they have sufficient documentation to support that the gravel is owned by the municipality or Highways.

E. CALCULATING TAX ON THE TOTAL COST OF MATERIALS PRODUCED FOR OWN USE

Crushed, Screened and Pit Run Bases:

Businesses must account for tax on the total cost of crushed/screened and pit run bases that are produced internally for their own use.

For materials that are manufactured, the business is required to keep detailed cost records for all steps in the manufacturing process, including the cost of gravel, crushing and transportation charges, as well as the following costs (excluding 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;
- Allocation of indirect labour costs including benefits for the foreman and other employees;
- Municipal taxes for the gravel pit (if owned by the contractor); and.
- Hauling costs that pertain to a step in the manufacturing process.

Where cost and inventory records are insufficient for audit purposes, the Minister has the authority to rely on other valuation methods to determine the fair market value (FMV) of materials and use that value to calculate the PST.

F. EXEMPT SALES

- 1) Supply only sales of sand, gravel and crushed/screened bases to municipalities and the Ministry of Highways and Infrastructure are exempt from tax. However, decorative rock, red shale and similar products used for landscaping or decorative purposes are subject to tax.
- 2) All sales of taxable goods to the following customers are exempt from tax:
 - Federal government departments and agencies. (**Note:** Retail sales to federal government Crown corporations and provincial government ministries, agencies and Crown corporations are **taxable**.)
 - Other vendors for resale providing their vendor's licence number is recorded on the invoice.
 - Residents or non-residents providing the goods and services are shipped or delivered out of the province by the retailer.
 - Status Indians, Indian bands and non-commercial band-empowered entities providing the goods are delivered to the reserve by the retailer or the services are performed on the reserve and the *Certificate of Indian Status Identification Card* number or band number is recorded on the invoice. The complete 10 digit card 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. **Proof of delivery to a reserve must be retained.**

G. CASUAL SALES BY FARMERS

If gravel or sand is sold by a farmer on a casual basis, the farmer is not required to become licensed to collect PST on the sale. In these instances, the business purchasing the gravel or sand must either collect PST on the selling price if it is sold at a retail sale or as part of a service to real property, or self-assess the PST if it is purchased for their own use.

H. SALES 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.¹

¹ Information Bulletin PST-58, *Information on the Taxation of Used Goods*

I. 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.

J. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)

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 PST 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; and,
- subscribe to an email notification service that allows the option to be notified by email that a tax return should be filed. This replaces the paper forms normally received by mail.

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: sask.tax.info@gov.sk.ca

In-Person: Ministry of Finance
Revenue Division
2350 Albert St
REGINA SK S4P 4A6

Fax: 306-787-9644

Internet: PST bulletins, forms and information are available on the Internet at:
<http://www.finance.gov.sk.ca/taxes/pst>

To receive automatic email notification when this or any other bulletin is revised, go to www.finance.gov.sk.ca/taxes, click on the "What's New" information then click on the "subscribe" button.