

PST-28

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## THE PROVINCIAL SALES TAX ACT

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**READER SURVEY**

### INFORMATION FOR ASPHALT PAVING CONTRACTORS AND SUPPLIERS OF ASPHALT PAVING MIXTURES

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 (I) in the left margin.*

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

- A. Supply Only (Retail Sales) of Asphalt Paving Mixtures
- B. Supply and Installation of Asphalt Paving Mixtures
- C. Manufacturing for Own Consumption
- D. Exemption for Electricity Used to Operate a Stationary Asphalt Plant
- E. Manufacturing and Processing Incentives
- F. Sales of Used Business Assets
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#### **A. SUPPLY ONLY (RETAIL SALES) OF ASPHALT PAVING MIXTURES**

A supply only sale of asphalt paving mixtures including hot mix, cold mix, and specialty asphalt mixtures is subject to tax on the selling price. Delivery and loading charges on this type of sale are exempt from tax providing they are reasonable and 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. See Section C for further information on transportation charges.

The following customers are exempt from tax on supply only sales of asphalt paving mixtures:

- 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.
- Residents or non-residents providing the goods are shipped or delivered out of the province by the retailer AND proof of delivery out of province is retained.

- Status Indians or Indian bands providing the goods are delivered to a reserve by the retailer and the *Certificate of Indian Status Card* or band number is recorded on the invoice. The complete 10 digit card number must be recorded on the sales 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 the reserve must be retained.**

## **B. SUPPLY AND INSTALLATION OF ASPHALT PAVING MIXTURES**

Effective April 1, 2017, for real property supply and install contracts involving asphalt paving mixtures, PST applies to the retail selling price to the customer .

A contractor engaged in these services is required to collect PST on the total charge to the customer for their supply and installation services, including all charges for labour, materials, transportation, insurance, service fees, overhead expenses 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.

Contractor's acquiring materials that are resold as part of their contract may purchase these items exempt from PST by quoting their vendor's licence number to their suppliers. Suppliers are required to verify the number quoted by their customer is an active vendor's licence number by accessing the PST On-Line Registry at <http://www.skpstregistry.gov.sk.ca/> and if valid, record the vendor's number on the invoice at the time of sale when selling PST exempt.

## **C. MANUFACTURING FOR OWN CONSUMPTION**

When asphalt paving mixtures are produced internally for own consumption and not for resale to others as a supply only sale or as part of a real property service contract, PST must be accounted for on the total manufactured cost of the asphalt paving mixtures as outlined below. Detailed records must be maintained for input costs related to all steps in the manufacturing process.

### **Direct Materials**

- The laid-down cost of all raw materials that are processed or incorporated into the manufactured goods, including wastage. This includes raw materials purchased or produced internally, such as liquid asphalt, oil, gravel and other aggregate (including crushing charges), and additives such as enhanced polymers and emulsifiers, etc.
- Freight or delivery charges for direct materials used in a manufacturing process must be included as part of the input cost, regardless of whether the goods were shipped from a supply point inside or outside Saskatchewan. In manufacturing, processing includes any step in an operation that results in the creation or production of TPP as these costs form part of the value of the goods produced.

### **Direct Labour**

- Direct labour costs for all steps in the manufacturing process, including direct labour for operators of the asphalt plant and loader but not including installation labour.

**Manufacturing Overhead**

- Internal costs to handle raw materials or transport from the stockpile or storage site to the asphalt plant;
- An allocation of 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;
- Fuel used for heating raw materials (heating oil, propane);
- Power costs for the asphalt plant;
- Testing costs; and,
- Municipal taxes or rent for the property the asphalt plant is located on.

**Note:** Remit the amount of tax calculated less any PST paid on raw materials to the supplier at the time of purchase.

**When detailed cost records of direct labour and manufacturing overhead are not available,** the following method may be used to determine the total manufactured cost for PST purposes:

**Note:** This method cannot be used to reduce the PST payable when actual costs are known.

Tax may be calculated on the total of the following costs (including wastage but excluding the GST and PST paid on materials):

- the laid-down cost of all raw materials; and,
- the cost of direct labour and manufacturing overhead, calculated by using **twenty five per cent (25%)** of the cost of direct materials.

The following example illustrates how to calculate tax using the simplified method above:

Cost of all raw materials over the tax return period (excluding the GST and PST)	\$100,000
Direct labour and manufacturing overhead (calculated at 25% of raw materials)	<u>25,000</u>
Total manufactured cost	<u>\$125,000</u>
Tax at 6%	7,500
Less tax paid on raw materials at the time of purchase	<u>1,000</u>
Total tax to be reported on return	<u>\$6,500</u>

**Businesses who own their own gravel pit** are required to account for PST on the manufactured cost of gravel used as a raw material component of an asphalt paving mixture produced internally for own use. PST must also be accounted for on crushed, screened and pit run bases produced internally for own use. For further information please see Section E of Information Bulletin PST-71, *Information for Suppliers of Sand, Gravel, Crushed/Screened Bases and Decorative Rock*.

**D. EXEMPTION FOR ELECTRICITY USED TO OPERATE A STATIONARY ASPHALT PLANT**

Electricity that is consumed by stationary equipment and machinery used in a direct manufacturing process is eligible for an exemption of PST. Electricity consumed for other purposes, 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 based on a fixed percentage of your electrical consumption. Please contact the Ministry of Finance for the applicable rate for your industry. If your power billings exceed \$200,000 per year, you will be required to contact our office and complete a power survey.

If you are presently paying tax on all of your electricity and your power billings are less than \$200,000 per year, a refund of tax paid on previous power billings may be obtained by submitting copies of your power billings.

Please provide us with a copy of your current power bill and we will notify your supplier of electrical power to collect tax on only the taxable portion of your power billings.

**E. MANUFACTURING AND PROCESSING INCENTIVES**

The Saskatchewan Investment Tax Credit (ITC) for Manufacturing and Processing (M&P) is a non-refundable income tax credit which is designed to encourage plant and equipment investment for use in M&P activities in Saskatchewan. The percentage rate of the ITC parallels the rate of the Saskatchewan PST.

The Saskatchewan Manufacturing and Processing Profits Tax Reduction is a corporation income tax reduction for M&P profits. The reduction uses a base amount (equal to the difference between the Saskatchewan's general corporate income tax rate and 10 per cent) which will be multiplied by the corporation's allocation of income to Saskatchewan to arrive at the net Saskatchewan tax rate reduction. The net Saskatchewan tax rate reduction is then applied to the corporation's Saskatchewan share of Canadian M&P profits to determine the amount of the tax reduction. Saskatchewan-based firms with a high allocation of income to Saskatchewan will receive a larger tax reduction than firms with a low allocation of income.

**F. 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.<sup>1</sup>

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<sup>1</sup> Information Bulletin PST-58, *Information on the Taxation of Used Goods*

**G. 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.

**H. 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 (replaces the paper forms normally received in the 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](http://www.finance.gov.sk.ca/taxes), click on the "What's New" information then click on the "subscribe" button.