

# Information Bulletin

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PST-71

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## **THE PROVINCIAL SALES TAX ACT**

### **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 (I) 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
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- K. Saskatchewan eTax Services (SETS)

The information contained in this bulletin is intended to assist suppliers of sand, gravel, crushed/screened bases and decorative rock and is not intended to describe the application of PST to asphalt paving mixtures. Detailed information regarding the sale and supply of asphalt paving mixtures can be found in Information Bulletin [PST-28, Asphalt Paving Contractors and Suppliers of Asphalt Paving Mixtures](#).

#### **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 the manufacturing process of crushed gravel, screened bases and rocks, adding value to the product supplied. Therefore, charges for crushing are subject to tax as part of the retail selling price of these products. PST applies whether the charges for crushing are included in the selling price or shown separately on the invoice.
- Vendors are not required to collect PST on transportation charges within Saskatchewan, provided that these charges 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.

**Note:** When customer owned sand, gravel and crushed/screened bases are transported from one location to another within Saskatchewan, the charges for the hauling and loading are not subject to PST providing that these charges do not form part of a manufacturing process.

## **C. SUPPLY AND INSTALL CONTRACTS (REAL PROPERTY CONTRACTS)**

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, Services to Real Property](#) and [PST-28, Asphalt Paving Contractors and Suppliers of Asphalt Paving Mixtures](#).

**Note:** Sales of sand, gravel and crushed/screened bases by the means of belly dumping, side dumping or end dumping, where a second piece of equipment is not used to spread or pack the supplied materials on site, are considered to be supply only sales. See Section B for the application of PST.

## **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 (MHI) are exempt from tax. This includes traffic gravel, gravel used for sealing, and sand and gravel used as part of a supply and install contract for base/subbase, provided the charge for sand and gravel is reasonably segregated from the labour portion on the invoice. However, decorative rock, red shale and similar products used for landscaping or decorative purposes are subject to tax. There is no exemption available for sand and gravel used as raw materials for the manufacturing of hot or cold mix asphalt in relation to supply only or supply and install contracts of asphalt.
- 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.

For further information, please see Information Bulletin [PST-58, 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. 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 [sets.saskatchewan.ca](https://sets.saskatchewan.ca) 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](#)

## K. 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:

- 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](mailto:sasktaxinfo@gov.sk.ca)

Internet: Tax bulletins, forms and information are available [sets.saskatchewan.ca/taxinfo](http://sets.saskatchewan.ca/taxinfo).

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