

Information Bulletin

PST-28

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THE PROVINCIAL SALES TAX ACT

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.

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The information contained in this bulletin is intended to assist asphalt paving contractors and suppliers of asphalt paving mixtures and is not intended to describe the application of PST to sales and supplies of sand, gravel, crushed/screened bases and decorative rock. Detailed information regarding the sale and supply of sand, gravel, crushed/screened bases and decorative rock can be found in Information Bulletin [PST-71, Sand, Gravel, Crushed/Screened Bases and Decorative Rock](#).

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. A supply only sale of asphalt mixtures stockpiled for later use is subject to PST at the time of purchase.

When the supply point originates in Saskatchewan, 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 D](#) for information on the application of PST to transportation charges when goods are manufactured for own use.

When the supply point originates outside of Saskatchewan, delivery and loading charges form part of the laid down cost of the products sold and are taxable. PST applies regardless of whether these charges are segregated on the invoice or not.

Asphalt manufacturers can purchase raw materials and chemicals that are processed and incorporated into hot mix, cold mix, and specialty asphalt mixtures exempt of tax by quoting their vendor's licence number to their suppliers.

B. SUPPLY AND INSTALLATION OF ASPHALT PAVING MIXTURES

For real property supply and install contracts involving asphalt paving mixtures, PST applies to the retail selling price to the customer. A contract involving only labour and equipment to install the customer's previously stockpiled asphalt mixtures is also subject to PST on the total charge 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/or 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.

Contractors 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 search the customer's business name on the PST On-Line Registry to verify that a business holds a valid PST vendor 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.

Contractors may claim a credit for any PST that has been paid on materials (i.e. stockpiled cold mix) sold or incorporated into a supply and install contract where PST is collected. Credits claimed will be subject to audit verification and can be used to reduce the tax reported and remitted.

C. EXEMPT SALES

The supply only sale, or the supply and installation of asphalt paving mixtures, to the following customers are exempt from PST:

- 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.**

Note: Although sales of sand, gravel and crushed/screened bases to municipalities and the Ministry of Highways and Infrastructure are exempt from tax, the supply only sale or supply and installation of asphalt to these customers are taxable. Charges for sand and gravel used to manufacture the asphalt cannot be segregated and exempted to these customers. Charges for the production, sale and/or installation of asphalt are also subject to PST in situations where the sand and gravel used to manufacture the asphalt has been provided by the municipality or Ministry of Highways and Infrastructure.

D. 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, including direct materials, direct labour and manufacturing overhead, as outlined below. Detailed records must be maintained for input costs related to all steps in the manufacturing process.

Direct Materials

- Direct materials consist of the laid-down cost of all raw materials that are processed or incorporated into the manufactured goods, including wastage; 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. Laid down cost includes currency exchange, transportation charges, customs and excise duties and importation charges, but not the GST.
- 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 consists of costs for all steps in the manufacturing process, which includes direct labour for operators of the asphalt plant and loader but does not include 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.

Businesses who own a gravel pit are required to account for PST on the manufactured cost of gravel used as a raw material component of 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, Sand, Gravel, Crushed/Screened Bases and Decorative Rock](#).

E. 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, an exemption will be granted 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 electrical power supplier to collect tax on only the taxable portion of your power billings.

F. 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 M&P 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.

G. 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](#).

H. 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.

I. 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](#)

J. **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 saskatchewan.ca/business-taxes.

To receive automatic email notification 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