



PST-28

Issued: January, 1988

Revised: March, 2011

## THE PROVINCIAL SALES TAX ACT

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### 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.

**The 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. Calculating Tax on the Manufactured Cost
- D. Exemption for Electricity Used to Operate a Stationary Asphalt Plant
- E. Manufacturing and Processing Incentives
- F. Sales of Used Business Assets
- G. Equipment and Goods for Own Use
- H. Saskatchewan Electronic Tax Service (SETS)

#### **A. SUPPLY ONLY ( RETAIL SALES) OF ASPHALT PAVING MIXTURES**

Supply only sales of asphalt paving mixtures including hot mix, cold mix, and specialty asphalt mixtures are subject to tax on the selling price. Delivery and loading charges are exempt from tax providing the charges 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.

Supply only sales of asphalt paving mixtures to the following 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 retailers for resale providing the retailer's vendor's licence number is recorded.
- Residents or non-residents providing the goods are shipped or delivered out of the province by the retailer.

- 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 3 to 5 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**

Contractors that **supply and install** asphalt paving mixtures are considered to be the consumer of the materials used in those contracts. As the consumer of the materials, the contractor is required to pay tax on the cost to acquire or manufacture those goods. Depending on the circumstances, the contractor will:

- pay tax directly to the supplier of the asphalt; or
- self-assess tax on the cost of the asphalt purchased from an unlicensed vendor; or
- self-assess tax on the cost of asphalt manufactured for installation.

For instructions on how to self-assess tax on the cost of manufactured goods, please refer to Section C.

In supply and install contracts the PST is included as part of the cost of the materials supplied. Customer invoices for supply and install contracts should read "**PST included.**"

## **C. CALCULATING TAX ON THE MANUFACTURED COST**

**When the customer supplies all of the raw materials**, the asphalt contractor **is not** required to account for tax on the manufactured cost of the asphalt paving mixtures used in road construction.

**When the contractor supplies any portion of the raw materials**, they must account for tax on the manufactured cost of the asphalt paving mixtures using one of the methods discussed below:

- 1) **When complete detailed cost records are available for each contract**, the contractor should calculate tax on the total of the following costs (excluding the GST and PST paid on materials):
  - the laid-down cost of all raw materials supplied by the contractor;
  - direct labour; and
  - manufacturing overhead.

Please refer to PST Ruling 44.0 online at [www.finance.gov.sk.ca/taxes/pst](http://www.finance.gov.sk.ca/taxes/pst) or contact our office at 1-800-667-6102 if you require a detailed list of the cost components related to manufacturing overhead. In cases where these detailed costs are not available for each contract, please refer to the methods discussed on page 3 to calculate an estimated value of direct labour and manufacturing overhead costs associated with each contract.

- 2) To simplify the calculation of tax **when detailed cost records of direct labour and manufacturing overhead are not available for each contract**, one of the following methods may be used to determine the total manufactured cost of each contract for PST purposes:
- a) **When the contractor supplies all of the raw materials**, tax may be calculated on the total of the following costs (excluding the GST and PST paid on materials):
- the laid-down cost of all raw materials supplied by the contractor; and
  - the cost of direct labour and manufacturing overhead, calculated by using **twenty five per cent (25%)** of the cost of raw materials supplied by the contractor.
- b) **When the contractor supplies only a portion of the raw materials**, including when reconditioned asphalt is manufactured from a combination of old lifted asphalt and new raw materials, tax may be calculated on the total of the following costs (excluding the GST and PST paid on materials):
- the laid-down cost of all raw materials supplied by the contractor; and
  - the cost of direct labour and manufacturing overhead, calculated by using **fifty per cent (50%)** of the cost of raw materials supplied by the contractor.

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

The following example illustrates how to calculate tax using one of the simplified methods above:

Cost of all raw materials supplied by the contractor over the tax return period (excluding the GST and PST)	\$100,000
Direct labour and manufacturing overhead (calculated at 25% of raw materials supplied by the contractor)	<u>25,000</u>
Total manufactured cost	<u>\$125,000</u>
Tax at 5%	6,250
Less tax paid on raw materials at the time of purchase	<u>1,000</u>
Total tax to be reported on return	<u>\$5,250</u>

**Contractors who own their own gravel pit** are required to account for tax on the manufactured cost of the gravel used as a raw material component of an asphalt paving mixture as well as crushed, screened and pit run bases produced internally and used by them in road construction.

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

An exemption for manufacturing electricity applies to the electricity that is consumed by stationary equipment and machinery used in a direct manufacturing process. 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 Saskatchewan 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 manufacturing and processing 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 manufacturing and processing 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 the tax on the sale of all used assets, such as 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.

**Note:** For information on the exemption of tax on "eligible used light vehicles" please refer to Information Bulletin PST-58.

**G. EQUIPMENT AND GOODS FOR OWN USE**

Businesses are required to pay tax on purchases of new and used equipment and supplies used in their business. If purchased from a licensed supplier, tax must be paid to the supplier. If they are purchased from an unlicensed supplier located outside Saskatchewan, tax must be submitted with your return on the laid down cost, which includes exchange, transportation charges, customs duties, and importation charges, but not the GST.

**H. SASKATCHEWAN ELECTRONIC TAX SERVICE (SETS)**

Saskatchewan Ministry of 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.
- Subscribe to an E-Mail Notification Service that allows the option to be notified by e-mail that a tax return should be filed (replaces the paper forms normally received in the mail).

**FOR FURTHER INFORMATION**

<u>Write:</u>	Ministry of Finance Revenue Division 2350 Albert Street Regina, Saskatchewan S4P 4A6	<u>Telephone:</u>	Toll Free 1-800-667-6102 Regina 306-787-6645
		<u>E-mail:</u>	sask.tax.info@gov.sk.ca
		<u>Fax:</u>	306-787-9644

Internet: Provincial Sales Tax bulletins, forms and information are available on the Internet at:

<http://www.finance.gov.sk.ca/taxes/pst>

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